Transport sector annual reviews:

- **2021/22 Annual review of Airways Corporation of New Zealand Limited**
- **2021/22 Annual review of City Rail Link Limited**
- **2021/22 Annual review of KiwiRail Holdings Limited**
- **2021/22 Annual review of the New Zealand Railways Corporation**
- **2021/22 Annual review of Maritime New Zealand**
- **2021/22 Annual review of Meteorological Service of New Zealand Limited (MetService)**
- **2021/22 Annual review of Ministry of Transport—Te Manatū Waka**
- **2021/22 Annual review of New Zealand Transport Agency—Waka Kotahi**
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- **Briefing on the 2021/22 Annual review of the Civil Aviation Authority**
- **Briefing on the 2021/22 Annual review of Transport Accident Investigation Commission**

Report of the Transport and Infrastructure Committee

Fifty-third Parliament
March 2023

Presented to the House of Representatives

Shanan Halbert
Chairperson

Contents

2021/22 Transport sector annual reviews

Recommendation
The Transport and Infrastructure Committee has conducted the 2021/22 annual reviews of the following entities: • Airways Corporation of New Zealand Limited • City Rail Link Limited • KiwiRail Holdings Limited • New Zealand Railways Corporation • Maritime New Zealand • Meteorological Service of New Zealand Limited (MetService) • Ministry of Transport—Te Manatū Waka • New Zealand Transport Agency—Waka Kotahi We also conducted briefings on the 2021/22 financial performance of the following entities: • Air New Zealand Limited • Civil Aviation Authority of New Zealand • Transport Accident Investigation Commission. The committee recommends that the House take note of its report.

Transport sector overview

Hearing with the Minister of Transport

We met with the Minister of Transport, Hon Michael Wood, to discuss the 2021/22 annual reviews of the transport sector. The Minister characterised the 2021/22 year as one in which New Zealand, including its transport sector, was recovering and emerging from a COVID-19 “emergency phase”. The Minister noted the work on the COVID-19 response by the transport sector, and the progress of key transport infrastructure projects, emissions reduction policies, and maintenance of the network.

Severe weather events

Our hearing took place on 9 March 2023, in the wake of two severe weather events. There were floods in Northland, Auckland, and the Coromandel Peninsula from 27 to 28 January 2023, and Cyclone Gabrielle affected parts of the North Island in February 2023.

The Minister noted the work the transport sector is carrying out in response to the weather events. The Minister described the damage as “extreme” across the state highway networks, local roads, rail network, and other parts of transport infrastructure. We asked about the cost of the damage to the highways. At the time of our hearing, the Minister noted that estimates were at a “very, very early stage”, but will be in the “billions of dollars” across the state highway network and local roading repairs.

The Crown is responsible for repairing state highways, and the Minister said the Government has made an “absolute commitment” to restore those networks. The Minister said that assessing the damage to the local roading networks is at an earlier stage—there are hundreds of roads and dozens of bridges in the affected regions.

Allocation of transport funding

We discussed the allocation of funding under the National Land Transport Fund (NLTF). We understand that work is under way on a new Government Policy Statement (GPS) on land transport, which will provide renewed direction about how the NLTF is used.

Funding road maintenance, and what it involves

We discussed the nature of road maintenance funding. National Party members expressed concern that some of the road maintenance funding would be used for other purposes, such as building cycleways. The Minister said that about 40 percent of NLTF funding is spent on maintenance, and that councils and communities have told the Government that it should get better value from this spending. He suggested, for example, that when a stretch of road is known to be dangerous, it might make sense to install safety improvements at the same time as maintenance is carried out. He noted that some projects provide benefits for walking and cycling as well as safety improvements.

Some of us questioned whether spending on additional enhancements during road maintenance should come from maintenance funding. The Minister told us that decisions had not been made regarding that, but an option could be to combine different funding streams so that projects are carried out together. The Minister told us that one of the biggest frustrations he hears from residents relates to why road works are carried out on a road not long after works for a different purpose on the same road were recently completed. The Minister reiterated the desire to align the different maintenance works to get better value from the spending. He said that the Government is continuing to put more funding into maintenance, stating that there had been a 50 percent increase since 2017.

National Party members expressed concern that, over the last 12 months, only 3.7 percent of transport funding under the NLTF was put towards local road improvements, while 5 percent was put toward walking and cycling improvements. The Minister questioned the interpretation of those figures. He said that a big component of NLTF funding is investment in state highway maintenance and local road maintenance.

The Green Party member suggested that the definition of "cycleway" does not reflect the full scope of the infrastructure being funded. The Minister acknowledged that sometimes investments are described as cycleways but include significant benefits to other transport infrastructure, particularly in coastal areas. He gave the example of the Ngauranga to Petone section of the Te Ara Tupua project. It involves creating a shared cycling and walking path but a lot of that project's cost involves improving the infrastructure's resilience. This will protect the neighbouring rail and motorway corridor, but all the cost is effectively assigned against the cycleway. On the other hand, the Minister noted that sometimes it can be the reverse: for example, the current widening of SH1 in South Auckland will also provide a shared path that will have benefits for walking and cycling.

The Minister noted that road maintenance in 2021/22 falls under the 2021–2024 funding envelope provided to Waka Kotahi. We heard that, under the Government Policy Statement on land transport for that period, road maintenance spending was approximately 30 percent higher than previously. He said the 2021/22 road maintenance season included just over 2,000 lane-kilometres across the state highway network. The Minister said road maintenance has been a priority for the Government, but acknowledged that there is a lot more work to be done.

Improving transport choices

We noted that in some communities the transport infrastructure may not be equipped to handle expanding housing developments. For example, some smaller rural or regional communities may have roads that were not previously designed to accommodate footpaths or buses. The Minister said that the Government is providing support to local councils to provide new infrastructure for housing developments. He said that the Transport Choices package, rolled out over the last year, had been of benefit to many smaller communities in these respects.

The Minister told us that the Government aims to provide more transport choices for people in different parts of New Zealand, both in larger urban areas and smaller towns. Referring to the Climate Change Commission's advice, he noted that the six biggest urban centres provide the most value for money in reducing emissions through improved transport choices, such as footpaths and public transport. The Minister said some reprioritisation of funding away from some "extremely expensive" roading projects with "limited benefits" in those urban areas had taken place to make a more balanced level of investment.

Funding for recovery from severe weather events

Some members of our committee suggested that the Government should ask Waka Kotahi to reprioritise some of the $200 million in funding allocated to walking and cycling infrastructure towards recovery after the cyclone and storms. The Minister rejected the suggestion that walking and cycling infrastructure was "crowding out" other critical investment. We heard that the Government will ensure there is "enough money to support the recovery and the rebuild of the transport network that has been damaged". The Minister said that does not require a reduction in funding in other areas. He said that the activity classes for all the areas that Waka Kotahi administers are set in the Government Policy Statement on land transport, and he does not intend to undertake a process to change those. The Minister noted that walking and cycling infrastructure funding comprises only about 4 to 5 percent of investments under the National Land Transport Fund. He said the Government had increased funding as it considered it had been historically underfunded.

In response to a question, the Minister confirmed that he is not advocating a “flood tax” to pay for the cyclone recovery.

New Zealand Upgrade Programme

In our annual review of Waka Kotahi—New Zealand Transport Agency, we discussed the New Zealand Upgrade Programme. NZUP is a 10-year programme to upgrade infrastructure, including rail, roads, schools, and hospitals. Waka Kotahi is responsible for the transport component of the NZUP.

We asked the Minister whether the Government is committed to the projects in the NZUP. He confirmed that it is, and said none of the projects were being fundamentally re-scoped. He told us that, as detailed business cases are developed for the projects, the Government will make sure it is getting the best value. He said that, for the bigger projects, there are no major changes to the time frames at this stage.

We specifically asked about the Otaki to Levin four-lane highway. The Minister told us the Government is committed to the project and the fundamental features of it, and that a detailed business case will examine how the project can be carried out as efficiently as possible.

Clean Car programme

We discussed the Clean Car programme with the Minister (and we cover it in more detail later in this sector report). The ACT Party member questioned whether the Clean Car initiatives are necessary to reduce New Zealand’s total emissions, in light of the Emissions Trading Scheme (ETS). He expressed concern that the policies were increasing vehicle prices for some New Zealanders who already face a cost-of-living crisis. He said this was particularly problematic given the recent severe weather events, which will necessitate the replacement of damaged vehicles.

The Minister rejected the member’s characterisation of the initiatives. He said the Government believes additional policy measures are needed alongside a market mechanism for emissions pricing such as the ETS. He said this was also the experience of other countries.

The Minister observed that there have been “dramatic drops” in the emissions profiles of all types of vehicles imported into New Zealand, including conventional “ICE” vehicles (internal combustion engine) and utility vehicles. The Minister said that dialogue regarding the schemes often focuses on electric vehicles, but it also applies to cleaner ICE vehicles as well. The Minister considers that the policies are resulting in significant shifts to buying cleaner vehicles, which will be cheaper to run over the vehicle’s lifetime.

The Minister also told us that the equity effects of the policies were assessed as positive, particularly for low-income New Zealanders. The Clean Car Standard scheme incentivises importers to bring cleaner vehicles into New Zealand, which will mean the market offers more variety of cleaner vehicles, including utes, for people to buy. Asked about the possibility of an exemption to Clean Car programme fees in the context of the floods, the Minister indicated he thought this would be unhelpful as fewer cleaner vehicles might then be available for purchase.

Auckland’s transport network

We asked the Minister how work on rapid transport in Auckland had progressed. The Minister considered that broad progress on rapid transport had been “really good” over the last year. In terms of timing, he noted that the projects are not considered in isolation from each other. He said they need to be viewed as an integrated network to meet Auckland’s transport needs over the next 20 to 30 years.

The Minister outlined the work that had been carried out in 2021/22 to extend the busways across Auckland. Notably, an extension to the Northern Busway and a stage of the Eastern Busway had been opened in 2021/22.

The Minister told us that the Government has “significantly accelerated” the time frame for an alternative Waitematā Harbour crossing. It carried formal public engagement on the options, and Cabinet has directed Waka Kotahi to present it with options by the middle of 2023.

For the Auckland Light Rail project, the Minister noted that the Crown entity company had been fully established, the detailed design was under way, and in recent weeks the first physical works occurred with geotechnical boring. We asked the Minister what the timeframes are for Auckland Light Rail. He told us that a consenting process will begin in 2023, a detailed business case and design is expected in 2024, and final investment decisions will be made immediately following that. He said that construction is likely to commence in 2025, and could finish by approximately 2030/31. The Minister said that how work on infrastructure projects can be staged is being thought about, and could affect time lines.

We asked about the City Rail Link project. Some of us suggested that there should be more frequent disclosure of the estimated costs of the project. We referred to comments made at the annual review hearing of the Infrastructure Commission, where the commission indicated it would be consistent with best practice to see disclosures about the estimated cost to complete the project.[1] The Minister said that while he agrees with that comment in general, a distinction needs to be drawn where commercial negotiations are under way—which had been the case with the City Rail Link project. He considered that public discussions about figures and possible cost escalations could have undermined the Government’s commercial position and resulted in higher costs. Some of us remained concerned about the length of time between announcements about cost increases. The Minister said the project had been

1 The Finance and Expenditure Committee held an annual review hearing with the Infrastructure Commission on 8 March 2023. The transcript and its report are available on the Parliament website.

"under-scoped" by the previous Government. He said that there had been continued reporting of the cost track, and all of the projections (bar one issue relating to COVID-19) had been within the "cost envelope".

Maritime transport

We asked about coastal shipping of freight, and the extent to which it could take pressure off other forms of transport. The Minister said that the Government had invested $30 million in the National Land Transport Fund for the coastal shipping activity class. In early 2021, Waka Kotahi had sought expressions of interest for investment proposals for coastal shipping. It has since co-funded four new coastal shipping services around New Zealand, of which three are now in operation. The Minister noted that the different modes of transport (such as road, rail, and shipping) can complement each other. He also noted that coastal shipping improves resilience of the transport system, as it offers another option to move critical freight around the country if other freight corridors are compromised.

We sought an update on work to ensure the sustainability of the Interislander service and Cook Strait ferries. The Minister said that the vessels, which are between 25 and 30 years old, should have had an earlier replacement plan. He said the Government began the procurement process in its first term, and vessels are under construction in Korea. Regarding the current fleet, the Minister told us that Maritime New Zealand is working with KiwiRail to ensure that safety is given priority.

The Minister said he had met with KiwiRail and conveyed the Government's expectation of improved reliability given the events of recent months. He understood that KiwiRail had been developing a plan to maximise reliability, which would be confirmed through its board in the coming weeks.

City Rail Link Limited

About City Rail Link Limited and the City Rail Link project

City Rail Link Limited (CRLL) is a majority-Crown-owned company. It was created in July 2017 to manage construction of the City Rail Link project; a 3.45 kilometre twin-tunnel underground railway in Auckland. The railway will connect Britomart Station with a redeveloped Mount Eden Station. The project also includes the construction of two new underground stations.

CRLL took over this project from Auckland Transport. The project was originally scheduled to be completed in 2024. When completed, the CRL project will double the capacity of Auckland's rail network, allowing up to 54,000 passengers to travel at peak times.

The Crown has 51 percent of the voting shares in CRLL, with the other 49 percent held by Auckland Council. The Crown and Auckland Council are the sole funders of CRLL and contribute equally to its funding. In 2019, procurement for the CRL project was consolidated into the Link Alliance, an association of seven companies that are working together on the project.[2] The Alliance is responsible for approximately 85 percent of the project's construction work, including the main stations and tunnels.

CRLL is governed by a board. We met with the chair, Sir Brian Roche, and the chief executive, Dr Sean Sweeney, to discuss CRLL's performance in 2021/22.

Financial performance and audit results

In 2021/22, CRLL received $856 million in capital funding from its sponsors (the Crown and Auckland Council). At 30 June 2022, total contributed capital funding was $2.914 billion and capital work in progress was $2.139 billion, up from $1.512 billion at 30 June 2021.

CRLL reported total revenue of $1.4 million and total expenses of $397.2 million (a recognised loss of $395.8 million). However, the expenses are largely due to CRLL transferring assets to the Crown and Auckland Council when commissioning those assets for use. It also recognises sponsor funding as "equity" rather than "revenue". CRLL's purpose is to develop the rail link asset, rather than to generate a profit, and losses are expected during the project.

The table below summarises CRLL's financial performance over the past four years.

2 The Link Alliance comprises: CRLL, VINCI Construction Grands Projects SAS, Downer NZ Limited, Soletanche Bachy International (NZ) Limited, WSP New Zealand Limited, AECOM New Zealand Limited, and Tonkin + Taylor Limited.

	2018/19 $million	2019/20 $million	2020/21 $million	2021/22 $million	Change in 2021/22
Revenue	3.8	1.9	3.1	1.4	(54.8%)
Expenditure	29.1	114.9	83.0	397.2	378.5%
Net surplus / (deficit)	(25.30)	(113.0)	(79.9)	(395.8)	

Audit results

The Auditor-General issued a non-standard audit report. The report is non-standard because it includes Emphasis of Matter paragraphs about:

- disclosure of a contingent liability relating to an ongoing COVID-19 additional cost claim by the Link Alliance
- inherent uncertainties in measurements of greenhouse gas emissions.

The Auditor-General assessed CRLL’s systems and controls all as “good”, making some recommendations for improvement in all areas.

Project costs and timeframes

We note that several factors have affected the project, and created uncertainty about its timeframes for completion and total expected cost. They include COVID-19 delays, global supply chain disruptions, domestic labour shortages, and increased costs for materials. These factors are likely to continue affecting the project until it is completed. CRLL has also received “material and complex” claims from the Link Alliance and the parties are in the process of negotiating a contract variation.

We asked CRLL for an update on the project’s forecasts. We were particularly interested in whether it had informed Auckland Council and the Minister of Transport about any updated cost projections. CRLL told us that it is still negotiating with the Link Alliance to resolve the claims. The project’s timeframes and cost will be affected by the outcome of these negotiations. Although CRLL has told its sponsors what it hopes the outcome of the negotiations will be, it cannot provide any certainty until an agreement is reached. It stated that it hopes to resolve those claims by April 2023. CRLL acknowledged that it had previously expected negotiations to be concluded in December 2022, but needed longer than expected to gather evidence about the claims.

Once the parties agree on a settlement, the next stages of the project are for the Link Alliance to perform “exhaustive testing” of the project works and complete a commissioning plan. These steps will factor in to the overall completion date. Some members noted that previous large-scale infrastructure projects had published expected completion dates, then experienced unexpected delays of four years. CRLL told us that it hopes to provide more certainty soon to the project’s sponsors, and to the public, around timeframes and costs. However, we heard that the effect of any issues may not be known until testing and commissioning work begins.

Speeding up works

We asked CRLL whether it plans to instruct contractors to accelerate the project by allocating more resources (staff and equipment). Accelerating projects in this way usually results in increased costs, or penalties, which are passed on to the client. CRLL told us that its intention is not to accelerate the project, but rather to revise the project's schedule to make it more efficient. CRLL emphasised that "we don't want to just throw money at it". It also told us that accelerating the project can put undue pressure on contractors, create health and safety concerns, or compromise the overall quality.

Instead, CRLL has asked the Link Alliance to target specific parts of the project and "come up with the most rational and efficient approach" to completing it. These target areas are small parts of the project that, if sped up, "unlock the ability for other things to happen quicker too". We heard that contractors have begun "double-shifting" at key sites, and would move to 24-hour works if that was appropriate, to streamline the project's completion.

Updated costs following our hearing

On 15 March 2023, three weeks after our hearing, CRLL announced that it had submitted an updated funding request to the Crown and Auckland Council. The cost of the project is now estimated to be $5.5 billion. This is a $1.1 billion increase from the previous estimate of $4.4 billion.[3]

As part of the funding request, CRLL provided its sponsors with a revised completion date. Construction of the stations and supporting rail infrastructure is now expected to be completed by the Link Alliance by November 2025, rather than in 2024 as originally planned.

The funding request will now be considered through established governance processes and CRLL will be informed of the outcome in due course.

Wider network upgrades

The CRL project is designed to carry a maximum of 54,000 passengers an hour. However, we note that other parts of Auckland's rail network will not accommodate that volume of passengers. Without significant investment and infrastructure upgrades to the wider network, those bottlenecks in other parts of the network may prevent the CRL project from achieving its full potential.

We asked CRLL what other work needs to be completed in Auckland to address this. CRLL told us that it is only responsible for delivering the CRL project infrastructure. Once the infrastructure is built, CRLL will give the assets to Auckland Council and the Crown to operate and derive benefits from. It noted that wider works are outside its direct responsibility. However, it told us that it has been working very closely with Auckland Transport and KiwiRail to ensure that the CRL project functions well within the wider network. CRLL told us that the scope of its project has not changed, despite Auckland Transport announcing several infrastructure projects that will affect other parts of the network.

3 https://www.cityraillink.co.nz/city-rail-link-cost-timeline

Reflections on the way the project has been structured

The CRL project was initially split into nine main delivery contracts. Each contract underwent a separate procurement process, and was awarded to individual contractors. No single contractor had specific responsibility for delivery of the entire project. We asked CRLL whether it had reflected on the effect of this approach. We were particularly interested in whether CRLL believed it had affected project timeframes. We note that approximately 85 percent of the project is now consolidated into work being completed by the Link Alliance.

CRLL's current leadership noted that they were not involved in the original decision and would not have taken this approach if they had led that process. In their view, having nine separate contracts created more work as CRLL needed to manage nine components from start to finish. They suggested that this structure had likely delayed the project. In hindsight, they would have procured one large contract, and formed an alliance right from the start. However, they acknowledged that the original decision was based on financial pressures and approval processes at the time. Auckland Council began working on the project before receiving support and funding from the Crown, and had to structure the project in a way that fit the Council's financial constraints. We heard that the Council's early works have benefited CRLL in the long run.

Targeted Hardship Fund

In September 2021, the Government and Auckland Council announced a $12 million Targeted Hardship Fund. The fund was established to support businesses suffering genuine hardship from the lengthy disruption caused by the CRL project's construction.

We heard that CRLL has received about 230 applications, and paid out over $4 million since the Fund was established. As different parts of the project are completed and it becomes less disruptive, the number of applications has decreased. CRLL told us that it has declined 20 applications, based on its assessment of the eligibility requirements. We heard that it has been proactive in helping business owners to lodge applications, and believes that the scheme is working very well.

New Chairperson of the board of directors

In February 2023, the Minister of Transport and the Mayor of Auckland announced the appointment of John Bridgman as new Chair of City Rail Link Limited's Board.[4] We asked what CRLL was doing to ensure a smooth transition of responsibilities.

CRLL told us that its intention is to ensure Mr Bridgman has all the information he needs to take over by the end of March 2023. He has received briefings about the progress of CRLL's negotiations with the Link Alliance and will be kept fully informed. He will also attend the February and March board meetings.

We acknowledge the incoming Chair, and thank Sir Brian for his service in leading this project so far and his offer of continued support.

4 https://ourauckland.aucklandcouncil.govt.nz/news/2023/02/new-chair-appointed-to-city-rail-link-limited/

KiwiRail Holdings Limited and the New Zealand Railways Corporation

About KiwiRail Holdings Limited and the New Zealand Railways Corporation

KiwiRail Holdings Limited is a state-owned enterprise (SOE) that owns and operates New Zealand's rail network and the Interislander ferries. Its operations include logistics, shipping, tourism, public transport, infrastructure, rolling stock, and property. KiwiRail is responsible for approximately 3,700 kilometres of track, 247 locomotives, three ferries, and 4,500 staff.

The New Zealand Railways Corporation, also an SOE, owns the rail network land (approximately 17,800 hectares), which it leases to KiwiRail at a nominal cost. Its primary purpose is to make land available to KiwiRail for the rail network. The corporation does not have any employees or executives and is not expected to derive any return from the land nor operate a rail business. Its board is accountable to the Minister of Finance and the Minister for State Owned Enterprises.

KiwiRail's board is chaired by David McLean, who was appointed in January 2022. Peter Reidy is the chief executive.

Financial performance

KiwiRail's total operating revenue was $851 million, almost 25 percent more than the $709.5 million in 2020/21. Its total operating expenditure was $717.1 million, a 15.9 percent increase from the previous year's $618.5 million. KiwiRail's revenue increased due to new National Land Transport Funding and higher freight volumes. This was offset somewhat by a decrease in Interislander ferry revenue following disrupted services.

KiwiRail is currently working on a multi-year, $4.9 billion transformation of rail and its capital expenditure was recorded at $1.1 billion in 2021/22.

There has been an increase in impairment of assets ($777 million for 2021/22 compared to $493 million for 2020/21), driving the total comprehensive loss of $343 million for the year. As KiwiRail is a for-profit entity, its assets are required to be valued on a commercial basis which involves assessing future cash flow that assets are likely to generate. A number of KiwiRail's asset classes will not generate significant future cash flows in the foreseeable future and so all related capital expenditure is subject to an impairment in the financial statements.

The table below summarises KiwiRail's financial performance for the last four years.

	2018/19 $million	2019/20 $million	2020/21 $million	2021/22 $million	Change in 2021/22
Operating revenue	682.9	639.2	709.5	851	19.9%
Operating expenses	657.2	599.2	618.5	717.1	15.9%
Operating surplus	25.7	40	91.1	133.9	47%
Comprehensive loss	(324.9)	(234.1)	(166.6)	(342.7)	105.7%

Results of the 2021/22 audit

The Auditor-General issued a non-standard audit report for KiwiRail. It includes an "emphasis of matter" paragraph about KiwiRail designating the Group as a for-profit entity for financial reporting purposes.[5] This designation means that the Group's property, plant, and equipment are reported at a substantially higher value in the Financial Statements of the Government. On balance, the auditor accepts KiwiRail's approach, but says "it remains a marginal call".

The Auditor-General assessed KiwiRail's management control environment, and its financial information and supporting systems and controls as "good". He recommends that KiwiRail:

- update its sensitive expenditure policies to reflect best practice guidance
- improve its approach to valuation of infrastructure assets and the operation of override price report controls for the Interislander
- focus on several technical accounting areas to ensure that judgments made in these areas are well documented.

The effects of flooding and Cyclone Gabrielle on KiwiRail

From 27 January 2023, regions across the upper North Island experienced widespread flooding and land slips caused by heavy rainfall. States of local emergency were declared in Auckland, Waitomo District, and the Thames-Coromandel District.

From 12 to 16 February 2023, the North Island was devastated by Cyclone Gabrielle. A national state of emergency was declared on 14 February 2023.

KiwiRail told us that the flooding and cyclone had proven the importance of investment in infrastructure and passenger services. We heard that investment in Auckland and Wellington passenger services in particular had made those services more resilient to the weather events. However, we heard that the Napier to Palmerston North line, Napier to Wairoa line, and North Auckland line had sustained major slips and damage. At the time of our hearing KiwiRail was still doing field inspections in Napier, but it noted that rail bridge repairs would also be needed. At that stage it told us that its key focus was on providing support to its people, assessing the situation, and talking with other agencies about what support it might need. KiwiRail said the cyclone and flooding are unprecedented events that will require a

5 The Group consists of KiwiRail and its subsidiaries: Interislander, Tranz Rail, Great Journeys New Zealand, Toll Tranz Link, Tranz National Ltd, and Toll NZ Consolidated Ltd.

response outside of the norm. KiwiRail told us that it will need to respond swiftly to address major construction problems over the coming months.

We asked whether any repairs resulting from flood and cyclone damage would be covered by insurance. KiwiRail told us that it does have insurance for extreme events. However, the cost of premiums and excesses are now much more expensive than they previously were, because of insurance claims following the Kaikōura and Christchurch earthquakes. As a result, KiwiRail's cover starts at a higher level of damage than in the past and it has a $5 million excess per claim. The floods and cyclone would be categorised as two separate events and require two separate claims. KiwiRail said that it has a contingency fund that it maintains for events below the level of damage covered by its insurance. At that stage it was too early to estimate the total costs for remediation, but it was likely that the floods would use up the current reserves in the contingency fund.

Rail network investment and performance

KiwiRail is currently undergoing a multi-year, multi-billion-dollar transformation of the business, largely supported by government funding. The transformation aims to provide a fit-for-purpose rail network and make KiwiRail a profitable rail business. KiwiRail's 2021/22 financial performance is the first to be reported under the new funding model following amendments to the Land Transport Amendment Act in 2020.[6] Changes made enable KiwiRail to access funding through the National Land Transport Fund, which is supplemented by track user charges and government budget contributions.

KiwiRail plans to invest $4.9 billion between 2021/22 and 2031/32 on its Rail Network Investment Programme. In 2021/22, $287 million was spent on the programme. Programme funding comes from the National Land Transport Fund (NLTF). KiwiRail told us that the programme provides certainty for the network's long-term investment needs. It has enabled KiwiRail to focus on infrastructure and commercial operations which will help it progress towards becoming self-sustaining by 2025. As part of the programme, KiwiRail is investing in modern rolling stock, asset management systems, mobility tools, and workforce planning to introduce an integrated transport system.

One of the programme's expected benefits is to shift freight services from using predominantly trucks to trains, and therefore produce less greenhouse gas emissions. We asked how KiwiRail will measure its success in working towards this, and how it compares the return on the Government's investment in rail against investment in the roading network. We noted that road users contribute $4 billion a year into the NLTF through user charges. In comparison, we learned that KiwiRail was budgeting a payment of $14 million into the NLTF in 2022/23.

KiwiRail told us it believes that the new funding model is now the right one. We heard that this funding structure was created taking into account economic and climate change factors. KiwiRail noted that using rail indirectly benefits road users as it reduces carbon emissions, costs, and congestion on roads. As for the return on investment in road versus rail, it said that it comes down to price signals and ensuring that everyone is paying their correct share.

6 KiwiRail Integrated Report 2022, p 22.

It said it was strongly focused on improving profitability through strong market price increases—most recently with the Port of Tauranga and Fonterra—and through labour and asset productivity, which it was measuring on a weekly and monthly basis.

Metro rail

KiwiRail plans to spend $1.7 billion on the Auckland Metro programme over a number of years; it spent $339 million on this programme in 2021/22.[7] The programme components include creating a new main line, electrifying the rail network, ensuring readiness for the City Rail Link, and completing maintenance and improvement on the underlying network. KiwiRail reported significant progress on this programme in 2021/22.

In October 2022, KiwiRail and Auckland Transport announced the indicative schedule for the Auckland Rail Network Rebuild project.[8] The project entails rebuilding and upgrading the Auckland railway network one section at a time. It will connect up with the City Rail Link (being built by the company City Rail Link Limited) to allow faster, more frequent, and more reliable trains when the City Rail Link opens. The project involves major shutdowns across the whole network over three years.

We asked whether KiwiRail had considered communicating with elected officials at an earlier stage about the closures needed for the Auckland Rail Network Rebuild. KiwiRail acknowledged that it could have communicated better with Auckland Transport about the project schedule but said that it was unable to confirm closure plans any sooner. KiwiRail acknowledged that the closures will affect passengers throughout Auckland. We heard that, while some of the lines are not being rebuilt, they need to close because they feed into lines on which work is needed. KiwiRail added that it also needs to fit in with the City Rail Link project. When that work reaches a certain point, KiwiRail will not have access to the network, which will create challenges for maintenance.

Despite the disruption now, KiwiRail said it is less than if the work were done at a later stage, and will allow the benefits of the City Rail Link project to be realised from day one. The work being done through Auckland Rail Network Rebuild project should also reduce the need for future closures.

Freight services

KiwiRail's freight revenue for 2021/22 was $464 million or 55 percent of total operating revenue. This is an 18 percent increase on the previous year. Currently, about 12 percent of total freight in New Zealand is moved by rail. Total freight volumes are expected to grow by about 50 percent in the next 20 years and rail is forecast to increase its share of total freight movement to 14 percent by 2030.[9] [10]

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7 KiwiRail Integrated Report 2022, pg 44.

8 https://at.govt.nz/railrebuild.

9 Ministry of Transport (2017) Transport Outlook: Future State, pg 62.

10 KiwiRail Rail Network Investment Programme (June 2021), pg 49.

KiwiRail told us that in 2021/22 it carried about 13 percent of New Zealand's freight transportation. It aims to grow this percentage while also working to lower its carbon emissions. We were told that KiwiRail has an important role to play in helping customers and New Zealand as a whole to work towards a low carbon economy.

Some of us asked whether KiwiRail is concerned about the capacity of the East Coast Main Trunk railway line. We noted that the port of Tauranga has experienced an increase in business and asked whether KiwiRail is concerned about its ability to link the port of Tauranga with the Waikato and Auckland regions.

KiwiRail told us that freight services between the port of Tauranga, ports of Auckland, and Waikato are a significant part of its freight volume. We heard that KiwiRail has made a significant investment in MetroPort, a port in Auckland city, which has provided the connectivity and capacity that KiwiRail requires for further growth in its freight services. KiwiRail told us that 116,000 containers of freight move through Auckland ports a year out of a total of 850,000 containers nationwide or about 13.6 percent. KiwiRail plans on increasing the number of freight containers moving through Auckland and is considering investing in additional assets and workforce to do this.

We heard that the port of Tauranga is facing challenges increasing its capacity to provide more freight services. KiwiRail said that the port needs to create extra berthing capability and that it is working with the port to increase capacity for freight services. KiwiRail also told us that there could be other opportunities for increasing capacity for freight services in Te Kauwhata and Tainui.

Interislander ferries and ports

In June 2021, KiwiRail contracted a Korean shipyard, Hyundai Mipo Dockyard, to design and build two new rail-capable, low-emission ferries. Crown funding for the project amounts to $435 million and KiwiRail secured debt financing for the remaining cost. The ferries are expected to arrive in 2025.

Substantial changes to the terminals and infrastructure at the Wellington and Picton ports is also planned. This work is currently in the planning, design, and early construction stage. We noted that KiwiRail had found a contractor to complete the design and construction work but this contract was cancelled after a year. We asked whether KiwiRail is on track to complete work on the ports before the new ferries arrive. KiwiRail acknowledged that, because construction costs have increased by 12 to 15 percent over the last few years, it is completing work on the terminals in an inflationary environment. We heard that, despite facing challenges, KiwiRail is working with two contractors to continue work on the terminals. We asked whether KiwiRail anticipates that it will need more funding to complete planned work on the terminals. KiwiRail told us that it will be in a position to confirm the programme's commercial contract and costs in a couple of months and will communicate with the Government if any extra funding is required.

KiwiRail experienced significant disruption to the Interislander ferry services in 2021/22 due to weather events, COVID-19, and a gearbox failure on the Kaiarahi ferry that required its withdrawal from service. This reduced the Interislander's revenue, as fewer passengers and commercial vehicles could use the service. As a result, KiwiRail did not achieve its performance targets for on-time performance or ship services to advertised sailings.[11]

Some of us expressed concern about disruption to Interislander ferry services, incidents of engine and power failure in ferries, and the resulting lack of reliability. KiwiRail acknowledged that the decision to invest in two new ferries was partly due to the age of the current Interislander ferries. KiwiRail reassured us that it takes the recent issues seriously. We heard that KiwiRail has opened a maritime investigation into the recent incidents. KiwiRail is looking into its asset management processes to ensure that it can continue to use its ferries for Interislander services for the next few years.

In January 2023, the Kaitaki ferry lost all power and drifted towards rocks with nearly 900 people aboard. Wellington’s two tugboats, Tiaki and Tapuhi, were dispatched. Although engineers restored the Kaitaki’s engines, and the tugs were not needed, it raised the question of whether the tugs would have been able to tow the ferry to safety in the strong winds. We asked whether KiwiRail had considered purchasing a new tug, to provide certainty if another incident were to occur. KiwiRail told us that the Wellington tugs are not only used by the Interislander ferries and so it would be a multi-agency discussion and decision. We were told that port companies are responsible for supplying tugs; however, as a result of the incident, discussions have begun.

KiwiRail told us that, except for these incidents, it had experienced record passenger and freight volumes over December and January on the Interislander. We heard that the on-time performance rate of 86–87 percent is higher than airlines.

Regional railway services

We asked how KiwiRail balances its obligation as a freight service with its increasing role in passenger rail services, such as the Capital Connection and Te Huia regional services. Freight services often use the same sections of track as passenger services. Because the two services travel at different speeds, or need to stop at different locations, they can impede each other. KiwiRail acknowledged that some aspects of the railway system can be improved to achieve a better balance between freight and passenger services. However, it told us that it has not noticed a significant problem. Although the Te Huia regional passenger service may face delays when travelling into Auckland, KiwiRail told us that this is because it gets stuck behind other stopping trains, and cannot go through tunnels because it is diesel.

We asked whether KiwiRail has considered requesting Government funding to support passenger rail services, particularly scenic trains. We noted that there appears to be demand for scenic services to run more frequently and at a more accessible cost for New Zealanders.

KiwiRail said that it has recently brought back the Great Journeys scenic rail services and it is seeing a high demand for those services. KiwiRail said that, with international borders reopening, it expects to see high demand continue. KiwiRail is planning to increase the number of passengers on scenic railway services.

[11] KiwiRail Integrated Report 2022, pg 28.

We heard that KiwiRail would consider introducing more regional railway services if there is community demand and funding. For example, it does not currently plan to introduce overnight regional services, but would consider those if there was demand. KiwiRail told us it works with regional authorities to provide regional services but noted that regional railways are a public transport service which require public investment. Requests for Government funding need to be driven by regional authorities. KiwiRail is committed to doing everything it can to support regional authorities to do this.

Meteorological Service of New Zealand (MetService)

About the MetService

The Meteorological Service of New Zealand—Te Ratonga Tirorangi (MetService) is New Zealand's national weather authority. It provides weather forecast and warning systems for the public as well as the aviation, maritime, land transport, and energy sectors. MetService states that its purpose is to "help people stay safe and make informed decisions, based on the weather." It was established as a State-Owned Enterprise (SOE) in 1992.

We met with Stephen Hunt, the chief executive, and Sophie Haslem, the board chair, to discuss MetService's performance during the 2021/22 financial year.

Financial overview

In 2021/22, MetService's total revenue was $64.23 million, about 7.7 percent more than the previous year's $59.44 million. Total operating expenditure was $64.02 million, just over 7 percent more than the previous year's expenditure of $59.66 million. It had a deficit of $0.21 million in 2021/22, compared with a deficit of $0.22 million in 2020/21.

One of MetService's key customers is the aviation industry, which faced major disruptions due to the COVID-19 pandemic, affecting MetService's revenue. Helping to offset this, MetService received $1.9 million in Essential Transport Connectivity (ETC) funding from the Ministry of Transport during 2021/22. It has continued to provide services to the aviation industry, and is seeking to recover its losses by increasing the levy it charges airlines. It received about $0.5 million from the levy in 2021/22, and the amount will increase in future years.

The following table summarises MetService's finances over recent years.

	2018/19 $million	2019/20 $million	2020/21 $million	2021/22 $million	Change in 2021/22
Revenue	61.12	60.31	59.44	64.23	7.7%
Expenditure	56.31	57.89	59.66	64.02	7.1%
Net surplus/ (deficit)	4.80	2.43	(0.22)	0.21	

Audit results

The Auditor-General issued a standard audit report. He assessed MetService's management control environment and financial information and supporting systems and controls as "very good", making no recommendations for improvement.

North Island floods and Cyclone Gabrielle

When we met with MetService, New Zealand had recently experienced two severe weather events. Heavy rain in late January 2023 and Cyclone Gabrielle in February caused widespread flooding, landslips, and damage in the upper half of the North Island. Although these events fell outside the 2021/22 financial year, we were interested in MetService's response to these severe weather events, and report on our discussion.

The Auckland Council announced in January 2023 that it would commission an independent review into the emergency response to the January floods. MetService told us that it intends to take part in this review.

We would like to acknowledge the communities affected by the flooding and Cyclone Gabrielle, and to express our wishes for a safe and speedy recovery.

National weather warning system and emergency response

MetService provides New Zealand's official weather warning system, on behalf of the Minister of Transport, to fulfil the requirements of the Meteorological Services Act 1990. MetService uses a three-tier warning system. A severe weather "watch" indicates that conditions could progress to a warning level and instructs people to stay alert. An "orange warning" indicates that conditions are forecast to meet the severe weather criteria within the next 24 hours. A "red warning" is reserved for extreme weather and is used when people need to take immediate action to respond. In 2021/22 there were five "red warning" events.

MetService regularly provides advice and information during extreme weather events to regional councils, local civil defence emergency management groups, Waka Kotahi (NZ Transport Agency), media, and the public. We asked whether MetService was sufficiently funded to deliver these additional services during severe weather events. We were interested in how it would be placed to continue offering this support as the frequency of severe weather events increased due to climate change.

We heard that, although MetService is funded to provide the weather forecast and warning system, it does not receive specific funding to provide additional support to emergency response agencies. MetService noted that, to more accurately assess the resourcing and capability needed to respond to the changing climate, New Zealand's climate research agencies would need to be better integrated with one another.

Crisis communication and community engagement

MetService told us that it has the responsibility to provide communication and information which helps people prepare and take safe action during severe weather warnings and events. We were interested to hear about MetService's approach to communication and community engagement. We asked about its social media content published during Cyclone Gabrielle which referenced te ao Māori concepts and atua (gods), including the comment that "Tāwhirimātea[12] and all our Atua Māori are just doing their thing!"[13] National Party and

[12] Tāwhirimātea is the god of the wind.

[13] MetService on Twitter: "https://t.co/sCE5NRzBFW" / Twitter

ACT Party members expressed concern that this messaging could be misleading and diminish MetService's science-based safety announcements.

MetService responded that the information it provides "is intended to help people understand the effects that are going to occur and make decisions in their context". In order to do this effectively, it needs to communicate messages that are meaningful to its audience. MetService said that historically it had had little engagement with Māori and that one of its strategic objectives is to build trust and relevance with Māori. During Cyclone Gabrielle, it attempted to create messaging that would be approachable for Māori. It said that it worked with the National Iwi Chairs Forum to create informative resources, and the Forum reviewed the messages before release. Although there had been some negative feedback from the public, MetService stated that the majority of responses had been positive. It acknowledged that its messaging may not have been appropriate in the context and that it would reflect on the lessons from this experience. MetService said that it would continue to learn the most appropriate and effective way to tailor inclusive communication to different communities while also providing its clear safety messaging.

Flood modelling and severe weather prediction

We asked about the difficulties MetService had faced in forecasting previous severe weather events, such as the upper North Island floods in January 2023 and Nelson–Tasman floods in August 2022.

MetService told us that it accurately forecast the Nelson–Tasman floods in 2022. It said that in the context of the January floods, it had accurately issued warnings for severe thunderstorms and heavy rain and had engaged with Auckland Council prior to the event. However, we heard that MetService's forecasting models, systems, practices, and historical frames of reference were unable to predict the precise brief peak of intensity in rainfall which occurred. The rest of the severe weather event was forecast accurately and MetService had issued warnings for severe thunderstorms and heavy rain and engaged with Auckland Council prior to the event.

MetService outlined two difficulties in flood forecasting. It said that weather radars only provide data on where rainfall or snow has previously been and the direction it is likely to move in, not long-term predictions. This makes it difficult to provide precise geographic-based warnings far in advance. MetService noted that it was looking into what improvements it could make to its radar infrastructure, including exploring emerging technologies and options for maintenance.

Another difficulty faced in flood modelling is that there is often a disconnection between weather forecasting, which covers multiple regions, and flood modelling, which is region-specific. In New Zealand, flood hazard modelling is the responsibility of regional councils. Flood models often take data automatically from a weather forecast model. However, automated forecast models frequently under-predict extreme and complex events. Because of this, meteorologists must manually correct any errors from the weather forecast models that are put into the flood model. In the context of the Nelson–Tasman floods in 2022, the council used a flood model without modifying the input data which resulted in inaccurate prediction of the flood.

MetService said that it planned to develop its own hydrology and flood modelling system. This would allow for better integration between the flood model and other elements of the weather forecasting and warning system. MetService would be able to modify the data going into the flood model from its weather forecast model itself, confirm the accuracy of its modelling, and communicate information with councils and other relevant emergency response groups. MetService told us that it will be able to provide these services in the next 12 to 24 months.

Relationship with NIWA

We were interested in MetService's relationship with the National Institute of Water and Atmospheric Research (NIWA) and the distinctions and overlap between their work. We note that MetService operates as a fully commercial SOE whereas NIWA is a Crown Research Institute. Whereas MetService's weather forecasting services are focused on the safety of New Zealanders, NIWA receives funding from the Ministry of Business, Innovation and Employment for scientific research on weather and climate. MetService told us that the intent behind this division of responsibilities was to create a pathway whereby NIWA's research could inform MetService's operations. However, NIWA launched its own commercial weather division in 2013 and began competing with MetService in this area. As an SOE, MetService is required to comply with competition regulations under the Commerce Act 1986. MetService stated that it would welcome continued discussion on how best to delegate weather forecasting responsibilities between the two agencies, especially looking ahead to an effective climate change response.

Ministry of Transport—Te Manatū Waka

About the Ministry of Transport—Te Manatū Waka

The Ministry of Transport—Te Manatū Waka is responsible for providing impartial, expert advice to the Government to help it meet its transport objectives. The ministry works in partnership with other transport sector agencies to deliver services and lead sector-wide action. Other primary functions of the ministry include developing and administering regulation for the transport sector, and conducting independent reviews on behalf of the Minister. It also monitors transport Crown entities, which include:

- Waka Kotahi— New Zealand Transport Agency
- Maritime New Zealand
- the Civil Aviation Authority
- the Transport Accident Investigation Commission
- City Rail Link Limited.

During 2021/22, work on the Auckland Light Rail programme progressed and in October 2022, Auckland Light Rail Limited was established as a Crown entity company. Following our hearing with the ministry, we met with Auckland Light Rail Limited. We detail the main points from this discussion towards the end of this report.

We met with the Ministry of Transport's acting chief executive, Bryn Gandy, to discuss the ministry's performance in 2021/22.

Financial overview

In 2021/22, the ministry's departmental revenue was $62.32 million and its expenditure was $60.58 million, leaving a surplus of $1.74 million. This compares to departmental revenue in 2020/21 of $57.42 million and expenditure of $47.91 million (a $9.51 million surplus).

The ministry is also responsible for administering non-departmental expenditure on behalf of the Crown, which totalled $5.16 billion in 2021/22 (compared to $4.99 billion in 2020/21). This includes expenditure for the National Land Transport Programme (NTLP), Crown entity funding, and funding to cover the temporary reductions to road user charges, fuel excise duty, and public transport fares in response to increased costs of living.

The table below summarises recent years' departmental spending.

	2018/19 $million	2019/20 $million	2020/21 $million	2021/22 $million	Change in 2021/22
Revenue	43.15	59.58	57.42	62.32	8.5%
Expenditure	39.92	51.05	47.91	60.58	26.4%
Net surplus	8.52	8.53	9.51	1.74	

Audit results

The Auditor-General issued a non-standard audit report. The report is non-standard because it includes two “emphasis of matter” paragraphs. They drew attention to inherent uncertainties in the measurement of greenhouse gas emissions, as well as additional claims received by City Rail Link from Link Alliance for costs related to COVID-19.

The Auditor-General’s assessment of the ministry’s systems and controls was unchanged from 2020/21. The ministry’s management control environment was assessed as “good” and its financial information and supporting systems and controls were assessed as “very good”. However, the Auditor-General assessed the ministry’s performance information and supporting systems and control as “needs improvement”, and recommended that the ministry make major improvements at the earliest reasonable opportunity.

Specifically, the Auditor General recommended that the ministry:

- introduce measures for reporting against its long-term strategic intentions alongside annual performance information in its annual report
- improve processes for setting and formally reviewing performance measures.

Performance targets for 2021/22

We note that over the previous six financial years there has been a decline in the ministry’s achievement of performance indicators. It achieved 62 percent of its performance targets in 2021/22, compared to 80 percent in 2016/17. We were interested to hear why the ministry believed it was experiencing this consistent decline.

The ministry’s response focused on the past two years. It told us that the transport sector was facing ongoing challenges due to the COVID-19 pandemic which had caused delays to the delivery of a number of its programmes. It stated that COVID-19 was a factor in it not achieving performance targets during 2021/22, such as the completion of milestones contained in the output plan. Targets for the National Search and Rescue Support Programme and several actions as part of the Road to Zero Action Plan 2020–22 were also not achieved due to delays caused in part by the COVID-19 pandemic. The ministry said that during the pandemic it had to reprioritise workload and had “worked on many pieces of the puzzle” to support the nationwide response to COVID-19.

We noted that the declining trend in the ministry’s performance achievement had begun before the pandemic.

Emissions reduction and decarbonising the transport sector

In May 2022, the Government released its Emissions Reduction Plan (ERP), which sets New Zealand's strategic direction for climate action for the next 15 years.[14] Transport is the second largest source of greenhouse gas emissions in New Zealand. It accounts for approximately 17 percent of gross domestic emissions and 39 percent of carbon dioxide (CO_2) emissions.

The ministry told us that it led the development of the ERP's transport chapter. It said that the ERP contains more than 80 actions to reduce emissions in the transport sector, such as a vehicle scrappage scheme and a new public–private partnership with the aviation industry. The ministry stated that its role is to oversee programme delivery from its partnership agencies by "pulling [these initiatives] together as a portfolio" and "shepherding them through the system".

Clean Car programme

The Clean Car programme is a set of government initiatives that are designed to reduce the amount of CO_2 emissions produced by the light vehicle fleet in New Zealand. The programme includes both the Clean Car Discount and the Clean Car Standard. The Clean Car Discount aims to increase demand for low-emission vehicles by providing rebates on their purchase price and charging fees on high-emission vehicles when they are first registered in New Zealand. Similarly, the Clean Car Standard regulates car imports to encourage a greater supply of low-emission vehicles.

We asked what effect the programme has had in reducing emissions to date. The ministry did not have emissions measurement data available, but said that there had been more progress than expected. The overall target is to have electric vehicles comprise 30 percent of New Zealand's light vehicle fleet. It told us that there has been a 236 percent increase in electric vehicle registration since the Clean Car Discount was introduced in July 2021.

The Clean Car Standard was originally planned to come into effect from 1 November 2022. This was delayed to phased introduction from 1 December 2022, with full effect from 1 January 2023. At the time of our hearing, the ministry estimated that the emissions footprint of imported vehicles was already broadly compliant with the standard. We asked why there had been a delay in the introduction of the standard if vehicle importers were already compliant. The ministry said it had consulted the industry, which felt that establishing the administration behind the standard would be too complex within the original timeline. It said that early signalling of the programme had already reduced net emissions for imported vehicles. The ministry was satisfied with this outcome, given that it is the primary objective of the programme.

Transport safety outcomes and Road to Zero

Road to Zero is the Government's road safety strategy for 2020–2030. The Road to Zero Action Plan 2020–2022 sets a target for a 40 percent reduction in road-user deaths and

[14] Aotearoa New Zealand's Emissions Reduction Plan (environment.govt.nz)

serious injuries from 2018 levels by 2030.[15] It includes 15 initial actions for government agencies to take such as:

- investing more in safety treatments and infrastructure improvements
- introducing a new approach to tackling unsafe speeds
- raising safety standards for vehicles entering New Zealand
- prioritising road policing and enhancing drug driver testing.

Some of us expressed concern about delays in implementing several initiatives in the Action Plan. For example, the plan predicted that 198km of median barriers and 322km of side barriers would be installed on state highways by mid-2021. In July 2022, the ministry released its Road to Zero Annual Monitoring Report 2021 which reported that 50km of median barriers and 301km of side barriers had been installed. The Monitoring Report also showed that police officers conducted 1.5 million road-side breath tests in 2020/21, rather than 3 million as planned.[16]

Although we acknowledge that the ministry is not solely responsible for implementing the Action Plan, it is the lead agency responsible for the overall Road to Zero strategy. We asked the ministry why these targets are not being met. Some of us suggested that too much emphasis is placed on reducing speed limits, rather than addressing problems with transport infrastructure.

The ministry told us that Road to Zero was decided shortly before the COVID-19 pandemic. Consequently, there have been a number of unforeseen challenges for the ministry and the other Road to Zero partnership agencies: Waka Kotahi and the New Zealand Police. To improve the working relationship and the delivery process, the partners had implemented recommendations made in a January 2022 report by Martin Jenkins.

The ministry told us that, overall, it was on track to meet the target of reducing road-user deaths and serious injuries by 40 percent by 2030. The decline in road-user numbers during the COVID-19 pandemic has contributed to a reduction of road-user harm. It confirmed that progress was being made on improving infrastructure and reducing speed limits, as well as important changes to the driver-licensing system. However, the ministry acknowledged that it would have liked to have made more progress.

We inquired whether any work had been done to canvass public attitudes towards speed limit reductions. The ministry noted that Auckland Transport and Waka Kotahi have undertaken public consultation on this matter. In 2022, Auckland Transport conducted public polling and found that 51 percent of respondents would support speed reductions on Auckland roads.[17] Waka Kotahi published survey results about public attitudes to road safety in 2021.[18] It found that 81 percent of respondents believed the 50km/h speed limit in towns should remain the same, and 73 percent of respondents thought the 100km/h speed limit on

[15] Road to Zero Action Plan_Final.pdf (transport.govt.nz)

[16] Road to Zero Monitoring Report 2021.pdf (transport.govt.nz)

[17] Kantar Public, Attitudes towards Speed Reductions on Auckland Roads (at.govt.nz)

[18] Public attitudes to road safety – October 2021 (nzta.govt.nz)

the open road should remain the same. Twelve percent think the speed limit should be lowered for towns and cities, and 17 percent would support speed limit reductions on the open road.

Investment and infrastructure

Planning for future investment and Government Policy Statement 2024

The ministry supports the Minister of Transport to produce the Government Policy Statement (GPS) on land transport. The GPS provides a 10-year plan to guide investment in the transport sector through the National Land Transport Fund (NLTF). The GPS is reviewed every three years; the ministry has begun work to develop GPS 2024. We heard that the GPS will consider wider priorities, including the Road to Zero strategy, freight and supply chain strategy, and climate action. The ministry informed us that early engagement has returned great interest from stakeholders. The ministry expects to hold formal consultation on the draft GPS in early 2023.

We noted that a number of recent shifts have affected the transport revenue system, such as greater Crown investment in highways and lower revenue from fuel tax and road user charges in the last year. We requested a breakdown of Crown funding for transport infrastructure in 2021/22. The ministry told us that $1.4 billion had been provided to fund rail infrastructure, $440.0 million had been provided to support road projects, and $4.0 billion funded transport infrastructure delivered through the National Land Transport Programme (NLTP).[19] The NLTP funding also covers the temporary reductions to road user charges, fuel excise duty, and public transport fares in response to increased costs of living, as well as COVID-19 related appropriations.

The ministry is undertaking a review into the future of the transport revenue system.[20] The current system relies on revenue generated from fuel excise duty and road user charges. This revenue stream is likely to be unsustainable as priorities in the transport sector shift. New priorities include responding to climate change and supporting a greater variety of transport options, such as public transport, cycling, and walking.

Building capacity and planning for growth

National Party and ACT Party members expressed concern about the lack of investment in transport infrastructure in specific areas that are experiencing high rates of growth, such as Waikato and West Auckland. The ministry responded that areas for investment are guided by the GPS. Investment decisions take into account predicted growth as well as other considerations such as local council plans and priorities. It told us that one priority in GPS 2021 is to better connect transport and land use decisions so that transport investment aligns with growth.

[19] Full figures can be found in Ministry of Transport—Te Manatū Waka (Responses to post hearing questions), pp 24–25.

[20] Future of the Transport Revenue System | Ministry of Transport

Competing priorities within the transport sector

The ministry's six strategic priorities for 2021/22 were to:

- enable transport to continue, and effectively respond to and recover from, COVID-19
- start to decarbonise the transport system
- improve road safety
- support liveable cities
- strengthen New Zealand's supply chains
- enable emerging aviation technologies.

We asked the ministry how it approached the need to balance its wide range of priorities. Some of us questioned whether enough strategic attention had been given to supporting growth and development, given New Zealand's predicted population growth.

The ministry told us that balancing competing priorities would always be a challenge for the sector. It said that a core priority in the GPS is to consider how "urban development and transport go together" to ensure that the transport system supports resilience and productivity. The ministry emphasised that this may require a combination of different options including roads, public transport, and cycling. A number of its current infrastructure plans aim to support growth alongside the strategic priorities. For example, it said that the Te Huia Hamilton–Auckland interregional passenger rail and Auckland Light Rail both aim to support urban development in some of New Zealand's fastest growing regions.

ACT Party members remain concerned that the transport sector may not have sufficient capacity to grow infrastructure at the rate demanded by community needs and population growth.

National freight and supply chain strategy

The ministry is leading the development of the first national freight and supply chain strategy. The strategy will set the direction for a 30-year plan to guide investment decisions for central and local government as well as the private sector. The ministry published a freight and supply chain issues paper in April 2022.[21] It is planning to publish the final strategy in late 2023 after a period of consultation.

We asked the ministry how it plans to gather input from stakeholders across the freight and supply chain system. The ministry responded that during the pandemic it had developed close working relationships with many parties in the system, including the ports and various exporters of goods "from avocados to onions". We heard that more than 100 parties had worked on the issues paper and the ministry considered itself in a good position to continue engagement with stakeholders in the development process.

21 Freight and supply chain issues paper.pdf (transport.govt.nz)

The ministry's workforce capability and diversity

Workplace diversity and the gender pay gap

The ministry's workforce distribution is 44 percent women and 56 percent men. This compares with 55 percent women and 45 percent men in 2020/21. The gender pay gap is 5.3 percent (mean and median), which has reduced from 11.6 percent (mean) and 8.1 percent (median) in 2020/21. Four percent of the workforce identify as Māori and one percent as Pacific.

We were pleased to hear that the gender pay gap has reduced and encourage the ministry to continue to work in this area. The ministry informed us that its work to reduce the gender pay gap had included reviewing the hiring process and addressing historical differences in gendered pay differences. The ministry aims to be a "genuinely inclusive organisation" and has established a diversity and inclusion strategy led by two members of the senior leadership team.

Staff turnover rates and capability

At 30 June 2022, the ministry had 250 full-time-equivalent staff. This is a 31 percent increase from 2020/21 (from 191 full-time-equivalent staff). Its staff turnover in 2021/22 was 27 percent, which is higher than the 2021/22 public sector average of 17.3 percent.[22] We note that the ministry's turnover has remained above 25 percent for the last five financial years.

We asked the ministry whether it sees any risks in having a high turnover. We were interested in what strategies it has implemented to retain staff. The ministry told us that higher turnover is common in small agencies. Ministry staff were often given development opportunities that they might not receive in larger agencies. It told us that the ministry puts effort into maintaining high workplace standards but that turnover continues to be a challenge for the agency.

22 Workforce Data — Wellbeing at work - Te Kawa Mataaho Public Service Commission

Auckland Light Rail

Introduction

Auckland Light Rail Limited (ALR) is a Crown entity company responsible for the Auckland Light Rail programme (the programme). ALR was established under Schedule 2 of the Crown Entities Act 2004 on 6 October 2022. Prior to this, the Establishment Unit and board responsible for the programme were business units within Waka Kotahi (April 2021 to July 2022) and the Ministry of Transport–Te Manatū Waka (July 2022 to October 2022).

The programme proposes building a 24-kilometre partly tunnelled light rail line from Auckland city centre to Māngere (CC2M corridor).The Establishment Unit presented an indicative business case and Cabinet paper in October 2021. ALR aims to have a detailed business case completed and an investment decision made by mid-2024.

We met with the chair of Auckland Light Rail, Fran Wilde, the chief executive, Tommy Parker, and the General Manager Corporate & Policy, Lucy Riddiford, to discuss the company's performance to date.

The long-term vision for Auckland transport

The programme's intent is to establish light rapid transport in Auckland, to support urban development in the city, and to reduce transport emissions. The light rail line would connect the city centre and the airport, providing improved access to two of Auckland's largest economic hubs.

We note that numerous other transport initiatives are planned for Auckland, such as the City Rail Link,[23] Waitematā Harbour Connections,[24] Te Ara Mua – Future Streets,[25] and more. We asked ALR what its role is in planning for Auckland's overall development needs. ALR agreed that long-term planning is crucial when developing transport infrastructure. The programme would be the largest transport infrastructure development in Auckland and would affect supporting infrastructure such as cycleways and bus services. However, ALR told us that it considered itself a "participant, not a leader" in regards to overall planning. The Ministry of Transport and Auckland Council are responsible for setting the strategic direction for transport in Auckland. Auckland Transport, Waka Kotahi, and KiwiRail are the primary planning and delivery agencies for Auckland's transport network.

Waitematā Harbour Connections

To support long-term planning for Auckland's development, ALR said it is working closely with several other transport agencies in the region. One example of this is the Waitematā Harbour Connections project. This project will investigate options to support a wide variety of transport modes, including pedestrians, bicycles, cars, buses, and light rail, across Waitematā Harbour. In January 2022, the Government decided to bring the timeline for an

23 City Rail Link (CRL) - Official site

24 Waitematā Harbour Connections | Waka Kotahi NZ Transport Agency (nzta.govt.nz)

25 Home - Te Ara Mua - Future Streets

additional Waitematā Harbour crossing forward to better align it with ALR's timeline.[26] Planning for both rapid transit projects at the same time allows the networks to be integrated. This would better "lay the tracks" for ALR to provide light rail in the North Shore in the future. ALR also said that it had run successful recruitment alongside Waitematā Harbour Connections to build highly skilled teams.

Growth and development capacity

We were interested to hear how the programme was taking into account growth predictions and plans for urban development along the CC2M corridor. National Party members wondered what the programme would mean for Auckland communities that oppose intensification in their suburbs. ALR explained that the indicative business case for the programme had investigated three options for rapid transit along this corridor: surface light rail, light metro, and tunnelled light rail. Tunnelled light rail was selected as the preferred option. When compared to surface light rail, an advantage of tunnelled light rail is that station locations can be designed strategically to target specific areas for intensification and preserve others. ALR told us that it would identify such suburbs with capacity for development as part of preparing its detailed business case. ALR also told us that it intends to work with Kāinga Ora – Homes and Communities' "development masterplan" in areas where Kāinga Ora owns land. In other suburbs, urban development opportunities could be led by the private sector.

Alternative proposals for rapid transit options in Auckland

We were interested in whether any work had been done to consider alternative options for rapid transit in Auckland. We asked whether there had been an assessment of other investment options that would simultaneously provide for development in other parts of Auckland, such as the Northwest corridor.[27] We also asked whether alternatives were being explored in case the design process showed that costs or emission levels would be higher than predicted or if demand for housing along the corridor was tracking at a lower rate.

ALR noted that in 2018 the Auckland Transport Alignment Project (ATAP) recommended that the Government prioritise investing in light rail for the CC2M and Northwest corridors over the period 2020–2030.[28] The CC2M line would form the "spine" of Auckland's larger rapid-transit network in the future. By building the CC2M infrastructure first, the programme would "unlock" future development opportunities. ALR will complete a design plan as part of its work on the detailed business case and this will enable ALR to more accurately predict costs and carbon implications. ALR noted that mass transit systems are often built in stages and that future developments to Auckland's rapid transit network are not part of the programme's scope. It has not conducted any analysis of the cost of future developments. However, we were told that Waka Kotahi is considering rapid transit opportunities for the Northwest corridor and that ALR would work with it if any plans were developed.

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26 Building and shaping a city: Future-proofing Auckland transport infrastructure | Beehive.govt.nz

27 The "Northwest corridor" commonly refers to the suburbs along State Highway 16, from central Auckland towards Kumeū and Huapai.

28 ATAP 2018.pdf (transport.govt.nz)

Engagement with communities and mana whenua

We inquired what ALR had done to engage communities and increase public awareness of the programme's purpose. We heard that regular community engagement has been an essential part of the process to build confidence in the programme. ALR plans to work with a large number of stakeholder groups, including Eke Panuku, Kāinga Ora, KiwiRail, local residents associations, and local boards.

We asked about ALR's work with mana whenua, noting that the programme is governed as a partnership between three "sponsors": the Crown, Auckland Council, and mana whenua. We were told that ALR is also working with 13 local iwi at an operational level so that their interests are integrated into the design development.

Next steps

In February 2022, the Minister of Transport stated that he had instructed the ALR Establishment Unit to begin early works in 2023.[29] We asked ALR what work had been planned. We heard that ALR would continue with community engagement, developing the design and the detailed business case, and planned to undertake geotechnical investigations.

We were interested to hear what decisions had been made on a number of technical elements of delivery, including street upgrades and urban beautification, rolling stock (locomotives and wagons), and power sources for the surface rail section of the line through Māngere. ALR told us that the street upgrades detailed in illustrations for the project were designed just for the consultation materials. Such initiatives fell outside the programme's scope. It noted that it had not decided on the type of rolling stock it would use, but stated it was investigating light metro vehicles that would support predicted demand levels. It had not made a decision on what power source would be used for the surface rail section of the design.

[29] Auckland Light Rail: Planning will take another four years | Stuff.co.nz

New Zealand Transport Agency—Waka Kotahi

About New Zealand Transport Agency—Waka Kotahi—

Waka Kotahi—New Zealand Transport Agency is a Crown agent responsible for managing, regulating, and investing in the land transport system in New Zealand. Some of Waka Kotahi's key functions include:

- planning and investing in the land transport system
- developing and managing the state highway network
- implementing the land transport regulatory framework to ensure safe use of the land transport system
- investigating and reviewing accidents and incidents involving land transport
- developing and approving the National Land Transport Programme (NLTP) to give effect to the direction and priorities in the Government Policy Statement on Land Transport (GPS)
- approving activities as qualifying for payment from the National Land Transport Fund (NLTF).

We met with Dr Paul Reynolds, the board chair, and Nicole Rosie, the chief executive, to discuss Waka Kotahi's performance during the 2021/22 financial year.

Financial overview

In 2021/22 Waka Kotahi's total revenue and total expenditure were each $3.99 billion, about 4 percent more than the previous year. Most of Waka Kotahi's increased revenue and expenses relate to administering grants under the Clean Car Programme ($129 million in revenue and $128 million in expenses). It also received $26 million to provide half-price public transport subsidies. The value of the state highway network rose by 26 percent in 2021/22, to $74.4 billion, due to increased land valuations and construction unit rates. Consequently, Waka Kotahi's expenses include higher asset depreciation costs.

The majority of Waka Kotahi's revenue comes from the National Land Transport Fund (NLTF). The NLTF is used to fund investment in land transport activities under the National Land Transport Programme (NLTP). The NLTF consists of revenue collected from fuel excise duty, road user charges and road tolls, vehicle and driver registration and licensing, and state highway property disposal and leasing. Waka Kotahi also receives Crown revenue funding.

The table below summarises Waka Kotahi's spending in recent years.

	2018/19 $million	2019/20 $million	2020/21 $million	2021/22 $million	Change in 2021/22
Revenue	2,906	3,474	3,832	3,998	4.3%
Expenditure	2,909	3,509	3,833	3,992	4.1%
Net surplus / (deficit)	(3)	(35)	(1)	6	

Audit results

The Auditor-General issued a non-standard audit report for Waka Kotahi. The report is non-standard because it includes two "emphasis of matter" paragraphs. They draw attention to inherent uncertainties in the measurement of greenhouse gas emissions and disclosures about the valuation of the state highway network.

The Auditor-General rated Waka Kotahi's financial information and supporting systems and controls as "good". He rated its management control environment, and performance information and supporting systems and controls as "needs improvement", and recommended that major improvements be implemented as soon as possible. Specifically, he recommended the following:

- Waka Kotahi should improve processes and controls for procurement. It uses a decentralised procurement model, which carries risk because it relies on individual staff interpreting and applying policies appropriately.
- It should continue its efforts to update information technology systems. Due to a long period of under-investment, several core systems are reaching the end of their usable life. The Auditor-General noted that progress in this area will be fundamental to Waka Kotahi improving its management control environment, and performance information.
- It should address deficiencies in the quality of data used in its control environment and reporting measures, and improve the quality of some performance measures. The auditor noted that Waka Kotahi is focusing on measuring performance against its core functions, and has introduced a new performance framework to measure performance against its updated strategy, Te Kāpehu.

Building resilience to climate change and severe weather

Recovering from the North Island floods and Cyclone Gabrielle

At the time of our hearing, New Zealand had recently experienced two severe weather events: flooding in Northland, Auckland, and the Coromandel Peninsula from 27 to 28 January 2023, and Cyclone Gabrielle in February 2023. We would like to acknowledge the communities affected by the North Island floods and Cyclone Gabrielle and express our wishes for a safe and speedy recovery.

Although these events fell outside the 2021/22 financial year, we were interested to hear how Waka Kotahi was working with the Minister of Transport, other transport agencies, and stakeholders in its recovery and response. We asked Waka Kotahi about the extent of damage to land transport infrastructure as a result of Cyclone Gabrielle and the North Island floods.

As at the date of our hearing (23 February), Waka Kotahi said that it was in the initial stages of assessing damage from the two severe weather events. It described some of the significant damage to the state highway network:

- A section of State Highway 1 (SH1) through the Mangamuku Gorge has been closed since August 2022. Due to further damage from these events, it will remain closed for the foreseeable future.
- A section of State Highway 1 (SH1) through the Brynderwyn Hills has faced several slips and will require significant repair.
- A slip took out a section of the road on State Highway 25A (SH25A) from Kōpu to Hikuai in the Coromandel. Waka Kotahi is investigating options to restore access through this section.
- Damage across State Highway 2 (SH2) includes the collapse of the Waikare River Bridge and a slip that has taken out a section of the road at Devil’s Elbow.
- There is significant damage to State Highway 5 (SH5) Wairoa to Napier, including a slip between Te Pōhoe and Glengarry and damage to Marshall’s Bridge.
- State Highway 35 (SH35) has faced major damage between Te Puia Springs and Tokomaru Bay and the loss of Hikuwai Bridge between Gisborne and Tokomaru Bay. More than 800 metres of the road have been lost.
- There has not been extensive damage to the state highway system surrounding Auckland but 40 local authority roads remain closed as at 22 February 2023.

Waka Kotahi did not yet have an estimate of the cost of recovery, but it said that damage to the network was more significant than from the Kaikōura earthquake in 2016 which cost more than $1.1 billion in repairs. Waka Kotahi said it was in daily contact with the Minister of Transport who has instructed it to assess the state of the network and restore access for communities. Waka Kotahi is also working closely with local councils (who maintain local roads), mana whenua, and affected communities.

Improving the resilience of the state highway network

We note that, as part of the National Adaptation Plan, Waka Kotahi is required to create its own climate adaptation plan.[30] We asked what progress it had made towards this. We were interested to hear how an adaptation plan would support Waka Kotahi to improve the resilience of the state highway network.

Waka Kotahi said it began working on its climate adaptation plan, Tiro Rangi, during 2021/22 and released it in December 2022.[31] It told us that it undertook public consultation on resilience planning in November and December 2022.

[30] Aotearoa New Zealand's first national adaptation plan | Ministry for the Environment

[31] Tiro Rangi – our climate adaptation plan 2022–2024 | Waka Kotahi NZ Transport Agency

We noted that Waka Kotahi released the business case for its National Resilience Programme in 2020.[32] It identified 380 risks, including 40 “extreme” and 143 “major” risks. We asked what it had done to address these risks. Waka Kotahi said it had conducted the business case to identify vulnerable areas across the state highway network, and uses this information to prioritise road maintenance activities and activity classes through the NLTP.[33] It said that there were detailed business cases under way in the 2021–2024 NLTP to review nine state highway corridors. At this stage, it has not decided whether to reroute sections of the state highway network as part of the climate change response.

Emissions reduction and providing transport choices

We were interested to hear what opportunities Waka Kotahi had identified for emissions reduction in the land transport system. Waka Kotahi told us that its plans for climate change adaptation differ between rural areas and urban centres. In rural areas, its focus is on building resilience. In comparison, urban centres provide more opportunities for reducing emissions and encouraging mode shift.[34] It is working with several local councils to develop integrated transport system plans that will support a variety of modes, including walking, cycling, and rapid mass transit. Waka Kotahi said that providing more transport options will make it easier for people to travel in ways that are efficient, sustainable, and suited to their individual needs.

For example, Waka Kotahi introduced a pilot community car-leasing scheme called Waka Aronui in 2021/22. The scheme subsidises low-income families in Auckland to lease hybrid vehicles. Waka Kotahi said that supporting low-income New Zealanders to transition to low-carbon vehicles had been identified as a key equity issue for climate change adaptation. It is identifying other regions where the Waka Aronui pilot scheme could be introduced.

We heard that Waka Kotahi also intends to investigate ways it can undertake building and maintenance activities using low-carbon methods.

Road to Zero and road safety

Road to Zero is the Government’s road safety strategy for 2020–2030. The Road to Zero Action Plan 2020–2022 sets a target for a 40 percent reduction in road-user deaths and serious injuries from 2018 levels by 2030.[35] Road to Zero is a partnership between the Ministry of Transport—Te Manatū Waka, the New Zealand Police, and Waka Kotahi. Some of the activities in the action plan that Waka Kotahi is responsible for include:

- investing in infrastructure improvements and safety treatments, such as median barriers
- establishing a coordinated process for speed management and enforcement
- taking over safety camera functions from the New Zealand Police

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32 National Resilience Programme Business Case | Waka Kotahi NZ Transport Agency

33 “Activity classes” are groupings used in the Government Policy Statement on land transport to direct Waka Kotahi on how to allocate funding for different types of investment.

34 For further information on Waka Kotahi’s approach to mode shift see Why a focus on ‘mode shift’? leaflet | Waka Kotahi NZ Transport Agency

35 Road to Zero Action Plan | Ministry of Transport

- running a public information and awareness campaign to increase understanding of road safety in New Zealand.

Public awareness, education, and advertising

We asked Waka Kotahi to explain the purpose of the marketing campaign and education initiatives associated with Road to Zero. As at 31 January 2023, a total of $76.4 million has been spent on road safety promotion as part of the Road to Zero activity class in the 2021–2024 NLTP (including local share funding). This includes $37.6 million towards the national road safety promotion programmes and $32 million on local road safety promotion programmes. The public awareness campaign associated with Road to Zero had $6.1 million of spending. National Party members expressed concern about the level of expenditure on the advertising campaign compared with other transport initiatives.

Waka Kotahi told us that increasing road safety awareness was integral to support a “cultural change” around road-user deaths and serious harm. It said that the Road to Zero Strategy was based on international road safety initiatives that had all been successful in achieving 30 to 40 percent reductions in deaths and serious harm over a 10 year period. It said that the success of all other elements of the strategy relied on behaviour change and public cooperation.

Delays to Road to Zero infrastructure improvements

As part of the Road to Zero Speed and Infrastructure Programme, Waka Kotahi is responsible for installing new safety infrastructure across the state highway network, including median barriers, roundabouts, and raised safety platforms at intersections. Waka Kotahi has a target to build around 100 kilometres of median barriers each year, and 400 kilometres by 2024. We noted that progress on median barriers had been slow so far, with only 11 kilometres completed between July 2021 and March 2022, and 61 kilometres total between 2019 and March 2022. We asked Waka Kotahi why it had failed to meet its target for 2021/22.

Waka Kotahi told us it had underestimated the extent of work involved in retrofitting existing state highways. It said that several state highway corridors, such as SH2 from Waihi to Tauranga, need to be widened before it can install safety infrastructure. Median barriers also require it to create, or block off, turning access to side roads, and purchase strips of land for wider roads. We asked whether Waka Kotahi intends to make further improvements to state highways, such as adding passing lanes, at the same time as it is doing retrofitting work. Waka Kotahi told us that additional improvements were beyond the scope of the programme it is responsible for. It said it was not tasked with considering how to optimise the state highway network at the same time as it is installing safety infrastructure.

State highway network maintenance

Waka Kotahi undertook one of its largest ever state highway maintenance programmes in 2021/22. Maintenance of state highways cost $1.03 billion in 2021/22, a $218 million (21 percent) increase compared to 2020/21. Despite this, the amount of spending has decreased when compared to the depreciation of the network’s value (the “asset sustainability ratio”). Due to funding constraints, Waka Kotahi has had to prioritise “renewal activities" (resealing and resurfacing work), over "rehabilitation activities" (complete replacement of the road surface and underlying structure).[36] We asked Waka Kotahi about the increase in state highway maintenance costs and how it was managing the risks to achieving state highway network condition standards.

Waka Kotahi told us that state highway maintenance costs have increased by more than 50 percent over the last 10 years. The average cost of maintaining a kilometre of state highway has increased from $19,284 in 2016/17 to $29,423 in 2021/22 (with a $33,818 mid-year estimate for 2022/23). It said that this increase in cost was due to inflation, freight growth, and climate change, as well as the increased cost of construction and traffic management, and the increased size and complexity of the state highway network (for example, more permanent fixtures such as median barriers). Waka Kotahi told us that investment in state highway maintenance has not increased sufficiently to offset these cost increases. We heard that it is reviewing its contract model to try to improve efficiency from its suppliers.

We note that in 2021/22 Waka Kotahi completed 85 percent of the agreed programme of state highway maintenance activities. We asked whether it was on track to meet its 2022/23 target of renewing 2,450 kilometres worth of roads over summer. Waka Kotahi said that some of its planned road maintenance activities in 2021/22 had been deferred due to severe weather events. The same was true of its 2022/23 summer renewal programme. It said it had been on track before January 2023, but funding and resources had to be diverted to support the response to the flooding and cyclone.

The future of the land transport revenue system

Waka Kotahi told us it is finding it challenging to meet all the Government's objectives and priorities with the amount of revenue coming into the NLTF. Although land transport revenue has increased nominally, funding is stagnant in real terms and is not sufficient to cover its increasing work programme and climate change response. Waka Kotahi said that it is increasingly difficult to balance its responsibility to provide strategic oversight over the NLTF with its other competing priorities.

We note that the Ministry of Transport—Manatū Waka is undertaking a review into the future of the transport revenue system.[37] We asked Waka Kotahi whether it had made any recommendations regarding future arrangements for fuel excise duty and road user charges. Waka Kotahi said it has not provided any advice to the ministry regarding the future of the transport revenue system to date. It noted that it has a great desire to see a durable transport revenue system for New Zealand.

New Zealand Upgrade Programme

The New Zealand Upgrade Programme (NZUP) is a 10-year programme to upgrade infrastructure, including rail, roads, schools and hospitals. Waka Kotahi is responsible for most of the transport component of the NZUP. We asked for the most recent cost–benefit

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[36] For further information on different road maintenance activities see Highway maintenance | Waka Kotahi NZ Transport Agency

[37] Future of the Transport Revenue System | Ministry of Transport

ratios for each of the NZUP transport projects. We also asked whether the scope of any NZUP projects were being reassessed.

Waka Kotahi confirmed that some of the NZUP projects were being reassessed to fit within the NZUP budget. It stated that the scope of several NZUP projects, including the South Auckland Package, Ōtaki to north of Levin, and Whangārei to Port Marsden, are being considered by the joint Ministers. It could not provide further information about the projects at this stage. It maintained that the cost–benefit ratios are commercially sensitive due to the current phase of the project, or are private while ministers assess the options. We were told that the information for each project would be disclosed once it had been finalised and approved by the Government.

We note that, previously, analysis of the costs and benefits for past transport sector projects have been proactively released to the public. In our view, publishing the cost–benefit analyses would promote transparency and accountability. We note that publishing this information after decisions have already been made does not allow the public to have informed debate on public expenditure. We strongly encourage Waka Kotahi to reconsider.

Auckland's transport network

Waitematā Harbour Connections

The Waitematā Harbour Connections project is considering options for an additional crossing across Waitematā Harbour which would support a wide variety of transport options, including walking, cycling, cars, buses, and light rail.[38] We asked Waka Kotahi for an update on the project's progress. It said that it would announce a preferred option in mid-2023, following public consultation on the shortlist in March 2023.

We heard that Waka Kotahi had conducted public consultation in November and December 2022 and received positive feedback about the project's vision. We asked what more it hoped to learn from future public consultation. It said that previous consultation had focused on singular modes of transport, whereas future consultation would be expanded to explore various combinations of transport methods. The Waitematā Harbour Connections project is also working alongside Auckland Light Rail to investigate ways that an additional harbour crossing could support mass transit options for the North Shore.

Ara Tūhono—Pūhoi to Warkworth motorway extension

The Ara Tūhono—Pūhoi to Warkworth motorway will extend State Highway 1 (SH1) from the Johnstones Hill Tunnels to north of Warkworth. The motorway was scheduled to be opened at the end of 2021, but was delayed due to the COVID-19 pandemic. We were interested in why there were continued delays to opening the motorway. We noted that during the North Island floods in January 2023, the motorway was made available to rescue stranded motorists. We also noted that although asphalt overlays had not been completed, other motorways, such as the Peka Peka to Ōtaki Expressway, had opened in similar condition.

38 Waitematā Harbour Connections | Waka Kotahi NZ Transport Agency

Waka Kotahi said that the motorway was not complete. The safety audit identified defects that need to be addressed, and 3,000 tonnes of asphalt still need to be laid. The project is a private–public partnership (PPP) agreement between the Government and Northern Express Group (NX2). Under the agreement, NX2 must finance, design, construct, manage, and maintain the motorway for 25 years after its completion. The Crown retains full ownership of the motorway and would make payments to NX2 only after the motorway has been opened. Waka Kotahi said that the commissioning process for PPP projects can take longer, but is designed to ensure the road is sustainable for the long term.

Northwestern bus improvements

This project, run in conjunction with Auckland Transport, aims to implement improvements to the bus system in Northwest Auckland. It has included short-term work on new bus interchanges at Te Atatū Road, Lincoln Road, and Westgate, local bus stop upgrades, and improvements to the bus shoulders along the north western motorway SH16. We asked whether Waka Kotahi was considering longer-term improvements to the north western bus system. We heard that it was in the process of exploring a wide programme of work for Northwest Auckland which includes bus improvements as well as potential options for light rapid transit. Waka Kotahi is discussing with Auckland Light Rail and the Waitematā Harbour Connections project how this work would fit into the wider network.

Local engagement and partnering with others

We were interested to hear how Waka Kotahi works with other transport agencies, local government, and community groups. Waka Kotahi told us that community and stakeholder engagement is an increasing priority in its work. It said it has undertaken strategic partnership discussions with a number of stakeholders including Transpower New Zealand Limited, Kāinga Ora—Homes and Communities, Auckland Transport, and mana whenua. We heard that Waka Kotahi has developed regional leadership teams to strengthen its presence in local communities and work closely with local councils. Each regional leadership team also includes a Pou Ārahi—Regional Lead Māori who supports the engagement with local iwi.

Other entities within the sector

Our annual reviews of the following entities focused on examining written responses to a range of questions. We did not hold oral hearings with them. We have no matters of concern about these entities to bring to the attention of the House.

Air New Zealand Limited

Air New Zealand Limited is New Zealand’s largest domestic and international airline. It provides passenger and cargo transport services. It states that its purpose is to “enrich our country by connecting New Zealanders to each other and New Zealand to the world”.

Air New Zealand is a public company listed on the New Zealand and Australian stock exchanges. The Crown is the majority shareholder, owning around 52 percent of the shares in the company. Dame Therese Walsh is the chair and Greg Foran is the chief executive.

Financial performance in 2021/22

Air New Zealand’s total operating revenue in 2021/22 was $2,734 million, a 9 percent increase from $2,517 million in 2020/21. Its total operating expenditure was $2,738 million, 25 percent more than its spending of $2,183 million in 2020/21. The resulting net loss after tax for 2021/22 was $591 million, compared to a net loss after tax of $289 million in 2020/21. Air New Zealand notes that its operating revenue was significantly affected by COVID-19-related travel restrictions. It has reported a loss each year since the pandemic began in 2020. Between 2015 and 2019, Air New Zealand’s net earnings (after tax) were an average of $366.4 million per year.

Airways Corporation of New Zealand Limited

Airways Corporation of New Zealand Limited provides air navigation and air traffic management services for New Zealand. It manages one of the largest airspaces in the world (an area of 30 million square kilometres). It also delivers air navigation consultancy and training services in New Zealand and more than 65 other countries. Airways Corporation states that its purpose is to ensure “safe skies today and tomorrow”.

Airways Corporation is a state-owned enterprise and limited liability company. Denise Church is the chair and Graeme Sumner was the chief executive during the 2021/22 financial year.

Financial performance in 2021/22

In 2021/22, Airways Corporation’s total revenue was $144.6 million, down from $148.27 million in 2020/21. Its total expenditure was $194.89 million, a 41 percent increase from 2020/21. It reported a $50.3 million net loss for 2021/22.

Civil Aviation Authority of New Zealand

The Civil Aviation Authority—Te Mana Rererangi Tūmatanui o Aotearoa sets and monitors New Zealand's civil aviation safety and security standards and provides aviation security services. The Authority is responsible for maintaining oversight of the aviation system and identifying and managing risk.

The Civil Aviation Authority is a Crown agent. Janice Fredric is the chair and Keith Manch is the director and chief executive.

Due to a shortage in auditors, the Civil Aviation Authority's audit has been delayed and its annual report has not yet been presented.

Maritime New Zealand

Maritime New Zealand—Nō te rere moana Aotearoa is the national maritime regulatory, compliance, and response agency. It controls entry to the maritime system, promotes marine safety, investigates maritime accidents, and coordinates search and rescue. It is also responsible for managing the capability of industries and regional authorities to respond to marine oil spills. Maritime New Zealand describes itself as having a "kaitiakitanga (guardian) role" to ensure that New Zealand's oceans and waterways are safe, secure, and clean.

Maritime New Zealand is a Crown agent. The board chair is Jo Brosnahan and the chief executive and director is Kirstie Hewlett.

Financial performance in 2021/22

In 2021/22, Maritime New Zealand's total revenue was $72.92 million and its total expenditure was $72.41 million. In comparison, in 2020/21, the agency's revenue was $58.35 million and its total expenditure was $64.24 million. Total Crown funding for 2021/22 was 44.66 million, a 55 percent increase from the previous year.

Transport Accident Investigation Commission

The Transport Accident Investigation Commission (TAIC) investigates significant air, maritime, and rail accidents and incidents. It determines the circumstances and causes of accidents and incidents with a view to avoiding similar occurrences in future, rather than to ascribe blame to any person.

TAIC is an independent Crown entity established under the Transport Accident Investigation Commission Act 1990. TAIC has five Commissioners who are led by the Chief Commissioner. As well as operating as Commissioners for inquiries, they also act separately as the board.

Jane Meares is the Chief Commissioner. Martin Sawyers is the chief executive, and Naveen Matthew Kozhuppakalem is the Chief investigator of Accidents.

Due to a shortage in auditors, the Commission's audit has been delayed and its annual report has not yet been presented.

Audits not completed

The committee notes its disappointment that some entities’ annual reports were unavailable due to audit delays. We expect deadlines to be met in subsequent years. We look forward to reading about these entities’ financial performance in the near future. We will write to the Finance and Expenditure Committee about our views on audit deadlines.

Appendix

Committee procedure

We met between 8 December 2022 and 30 March 2023 to consider the annual reviews of energy sector entities. We received written responses to questions from each entity, and held hearings with the Minister of Transport, City Rail Link Limited, KiwiRail Holdings Limited, MetService, Te Manatū Waka—Ministry of Transport, Auckland Light Rail Limited, and Waka Kotahi. We received advice from the Office of the Auditor-General.

Committee members

Shanan Halbert (Chairperson)
Dan Rosewarne (until 8 February 2023)
Hon David Bennett (until 8 February 2023)
Rachel Boyack (from 8 February 2023)
Simeon Brown
Paul Eagle
Hon Julie Anne Genter
Dr James McDowall
Terisa Ngobi
Tim van de Molen (from 8 February 2023)
Helen White

Hon Poto Williams, Simon Court, and Sarah Pellett also participated in our reviews.

Advice and evidence received

We received several documents as advice and evidence for this annual review. They are available on the Parliament website, www.parliament.nz, along with a transcripts of our hearings. Specifically, these documents are available here.

Recordings of our hearings can be accessed online at the following links:

- Minister of Transport – 9 March
- City Rail Link Limited – 23 February
- KiwiRail Holdings Limited and the New Zealand Railways Corporation – 16 February
- Meteorological Service of New Zealand (MetService) – 16 February
- Manatū Waka—Ministry of Transport – 8 December
- Waka Kotahi—New Zealand Transport Agency – 23 February