The Treasury

Budget 2024 Information Release

September 2024

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- [34] 9(2)(g)(i) to maintain the effective conduct of public affairs through the free and frank expression of opinions
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- [38] 9(2)(j) to enable the Crown to negotiate without disadvantage or prejudice
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Budget 2024 Bilateral: Hon Simeon Brown (Transport)

Background

- 1. This report provides you with advice ahead of your bilateral with Hon Simeon Brown (Transport) at 2.30pm on Monday 11 March 2024 to discuss his Budget 2024 initiatives. An agenda, talking points, and further detailed information on key areas and areas of concern in the draft Transport package are provided below.
- 2. The Ministry of Transport (the Ministry) was required to identify 7.5% in the Baseline Savings Exercise (\$38.5 million p.a., or a total of \$154 million over the forecast period). Sufficient savings have been identified across the forecast period, and additional savings of \$25 million p.a. are expected from an efficiency dividend from NZTA that was not submitted.
- 3. The Ministry was invited to submit three new spending initiatives. We considered all three spending initiatives to be critical, urgent this Budget, and aligned with Government priorities. We recommend scaled versions given constraints on allowances.
- 4. There were two 'packages' of Transport initiatives submitted as part of the Capital Pipeline Review: 7 projects for NZTA that are part of NZUP, and 8 projects for KiwiRail.
- We are comfortable with the reprioritisation options identified by KiwiRail to manage their urgent cost pressures. Noting that Ministers have had recent discussions on NZUP, we have focused our questions on how residual risks will be managed or mitigated.

Proposed Agenda

- Overview of budget package
- The Transport savings package and how the Minister intends to mitigate any key risks we have identified, specifically ensuring NZTA back-office savings are secured.
- The proposed approach to new spending and cost pressure initiatives.

Talking Points

General Budget 2024

- Following agency submissions for Budget 2024, both operating and capital demands are significantly higher than the funding available.
- It is clear that ambition for new spending will not be achievable from both a fiscal and delivery perspective. The Government will need to balance its policy objectives with its fiscal objectives.
- In doing so, we need to acknowledge that we have three Budgets across this term and therefore think carefully about what we do now versus what we do in future
 Budgets.

- We also need all Ministers continue to push hard where they consider their agencies have not provided sufficient savings options or there are further savings available, particularly with regards to stopping funds and programmes not aligned with our priorities, or addressing back office and contractor and consultant growth.
- As we exit the 100-day period, I am also taking a stricter approach to out-of-cycle requests for funding ahead of Budget 2024. This will help ensure that we can assess the relative benefits of proposals across the full Budget package.

Transport Specific - Savings

- Thank you for your work on submitting savings that meet the target of \$38.5m p.a. I
 am comfortable that the package you have provided is largely credible, noting that you
 are seeking an additional back-office efficiency dividend from NZTA through your GPS
 process.
- Officials have identified some risks with your savings proposals that I'd like to discuss:
- Retaining and Recruiting Bus Drivers: it appears there will be impacts on front line services.
 - How do you propose to mitigate the risk that cutting this funding could contribute to further driver shortages?
- Clean Car Standard Administration: I am concerned that your proposed 50% scaling to
 ongoing administrative costs presents a risk to the agency managing workloads which
 could lead to regulatory failure.
 - o How confident are you that this level of cuts would not lead to regulatory failure?
 - Are you confident that you can credibly manage costs without jeopardising delivery of other regulatory functions?
- I note that a number of your proposals would see an increase in the expectations on Local Government funding and this may not be sustainable in the long-term.
 - How do you propose to manage the risks of transferring further costs onto Local Government with the removal of Crown funding from these programmes?
- I acknowledge your additional back-office savings from NZTA via the GPS to support our fiscal goals; however, given the risks with some of your proposed savings we should consider where alternative enduring savings could be found:
 - What opportunities are there for alternative enduring savings, either within NZTA or across Vote Transport, given the risks identified above?
 - Your Ministry of Transport departmental savings are 5%, are there opportunities for further reductions in its departmental baseline?

Invited Spending & Capital Pipeline

- North Island Weather Events Recovery: I am proposing to fund remaining State
 Highway recovery in full (\$609.25 million) given the confidence in costings and timing,
 but to only provide funding for Local Road recovery until 2024/25 (\$330 million), with
 any costs beyond that to be considered through the NLTF alongside all other
 competing demands for local road maintenance funding.
 - o Are there any risks with this approach which you would like to discuss with me?

- Civil Aviation Authority (CAA) Liquidity Facility Funding: My expectation is that the CAA
 Fees and Funding Review (FR) is accelerated to mitigate the risk of further calls on
 Crown funding.
 - What steps are you taking to ensure the FR is progressing as quickly as possible? Are there any barriers to progress that I should be aware of?
- Rail Cost pressures: I am proposing to provide funding towards both metro rail cost pressures as I am satisfied that these are critical and urgent, and I am comfortable with the level of reprioritisation options that have been identified.
- Further reprioritisation options: Your proposed reprioritisation options do not provide sufficient operating funding to manage the fiscal impact of the cost pressures you've submitted.
 - Do you have further reprioritisation opportunities you could use to cover cost pressures?
 - o If new operating funding is required to fund cost pressures, what are the most critical components to prioritise?
- I acknowledge that you propose a 5% reduction in the Ministry of Transport's
 departmental spend. I also acknowledge the baseline is reducing by 16% over the
 forecast period. However, there is a need for all Ministers to look further into
 departmental savings.
 - Do you have any opportunities to find further efficiencies within the departmental baseline?
 - What options are you exploring for reprioritising resources within your departmental spend to deliver on your priorities?
- Government Policy Statement (GPS): You have proposed a \$25 million p.a. backoffice efficiency dividend from NZTA.
 - What will you do to ensure that this is given effect to?
 - There is a very high level of ambition for what can be delivered through the GPS, what assurances are you seeking from the NZTA Board to mitigate the risk of delivery falling short or further funding being requested?
- New Zealand Upgrade Programme (NZUP): We've agreed that NZTA will be accountable for delivering the descoped programme within the approved funding but risk ultimately still sits with us as Ministers.
 - Treasury officials recommend monthly reporting from the NZTA Board and a review of the overall programme by Te Waihanga (Infrastructure Commission) given the history of repeated cost increases – do you support these options to manage our exposure to risk?
 - What other mechanisms have you considered to ensure NZTA is accountable and actively manages risks?

Overall Savings Package

- 6. The Ministry submitted sufficient savings options to meet their target over the forecast period (\$154.541 million), although the savings identified are unevenly spread across years.
- 7. Outyears savings are \$8.5 million below the target; however, the GPS will require NZTA to deliver a \$25 million p.a. efficiency dividend on its back-office functions into outyears. We also note that GPS proposes to contribute around \$2.3 billion of additional revenue, and return \$716 million total of previously committed operating funding (of which \$100 million per annum was forecast to have been ongoing into outyears).
- 8. We consider that the Ministry's savings package and the NZTA efficiency dividend combined deliver on expectations for the Baseline Savings Exercise (i.e., totalling c. \$55 million p.a. in outyears). However, it will be critical that a process is implemented to ensure that the NZTA back-office savings are realised.
- 9. There are some options in the savings package that may create risks to the Crown.

Initiative 15720 – Retaining and Recruiting Bus Drivers Funding [33]

- 10. This initiative proposes to return [33] funding for bus driver recruitment and retention interventions (base wage uplift, improved conditions for late night or split shifts, [33] This funding was intended to address shortages that were resulting in significant service cancellations and delays.
- 11. Although shortages are largely now in hand, there is a risk they could return if these industry-agreed measures are reversed. Acknowledging the need for hard choices, we support the saving *conditional on* the Minister providing assurance that the saving will not contribute to further driver shortages.

12. [33

Initiative 15722 Clean Car Standard Operation (Back office) (\$47.368 million Opex): Support after seeking assurances

- 13. This initiative proposes to cost recover administration costs for the Clean Car Standard beginning in 2025/26. We support the transition to cost recovery, but the savings are being taken from a year *before* cost recovery will begin (with costs in that year to be met out of 'section 9' funding already top-sliced from the NLTF for regulatory functions).
- 14. We recommend seeking assurance from the Minister that this will not adversely affect other regulatory functions before a user-pays system has been set up.
- 15. The Minister's proposal that administration costs (even once cost recovered) should be halved risks regulatory failure. Reducing administration funding could reduce low/zero

- emission vehicle purchase rates, or lead to poor emissions data which is key to tracking Emissions Reduction Plan targets.
- 16. We recommend discussing the possibility of expediting the user-pays system, and ensuring it is set at a sufficient level, to manage these risks.

New Spending / Cost Pressures (where invited and relevant)

17. We consider all three initiatives to be critical and urgent this Budget and aligned with Government priorities and recommend scaled versions given constraints on Budget allowances.

Initiative 15769 - Civil Aviation Authority Liquidity Funding (time limited funding) (Total Opex \$122.971 million): Support Scaled (Total Opex \$46.757 million)

- 18. Continued Crown assistance ensures CAA can carry out its core operational functions while its FR to return to cost recovery is completed (expected on or before 30 June 2025). [33]
 - , and assumes underspends in the liquidity facility for 2023/24 are returned to the centre (\$45.013 million). To reduce the ask on the Crown, we recommend CAA retain the underspends, [33]
- 19. We recommend <u>directing the Minister of Transport to expedite the process</u> to ensure the review is completed as soon as possible (ideally before 30 June 2025) to minimise calls on Crown funding, and unused liquidity funding returned to the centre.

Initiative 15771 North Island Weather Events (NIWE) Road Response, Recovery [33]
Support Scaled (Total Opex \$330 million, Total Capex \$609.25 million)

- 20. This initiative aligns with the Government's commitment to recovery works for regions impacted by NIWE and resilience to severe weather events. We recommend the full amount for State Highway (SH) Recovery (\$609.25 million capex) as the works are critical to restoring the network to its pre-cyclone state and we have higher confidence in costings and delivery.
- 21. Local Road Response and Recovery works are also critical; however, cost estimates are low quality, and the significant amount of funding requested is not feasible in the current environment.
- 22. We recommend a scaled option to fund works until 2024/25 only, to provide some forwards certainty to enable NZTA to continue contracting in the short term, with the expectation that remaining costs are transitioned back into the 'business as usual' NLTF system in the medium term (i.e., met within GPS funding where the board considers they are a higher priority than other works). We recommend you ask the Minister what he considers the risks and trade-offs are if remaining local road recovery work is shifted into the NLTF beyond 2024/25.
- 23. [33]

24. To ensure continuity and enable contracts to be put in place in time for the summer construction window, NZTA require an indication of the level of funding which will be provided **by 31 March 2024** at the latest. We will need to notify NZTA if there are issues with this deadline.

Capital Pipeline Review

Initiative 15765 Auckland's Rail Network Rebuild [25] and [33];
Initiative 15766 Metropolitan Rail Backlogs and Network Management Plan [33]

25. [33]

relate to critical works on the metropolitan rail network (passenger rail in Auckland and Wellington) which, if unfunded, could result in asset failure or significant disruption (i.e., cancellations) to core public transport services.

- 26. 15765 largely relates to completion of 'one-off' critical works, so we have recommended funding in full.
- 27. 15766 relates to ongoing maintenance. A formal review (Metro Rail Operating Model (MROM) review) is currently underway to reset funding arrangements going forward; however, we recommend a single year of funding to continue maintenance works in the interim while that review is carried out. You may wish to seek an update from the Minister of Transport on how the MROM review is progressing.

Initiative 15774 Rail Network Investment Programme [33]

- 28. The RNIP is unfunded from 2026/27. In addition, the revised draft GPS reduces NLTF funding for RNIP by around \$140 million p.a. This funding situation represents a critical risk to maintaining current levels of service for New Zealand's rail network. However, there are genuine options here around ongoing levels of service for rail.
- 29. [33]
- 30. Outside of rail the most significant capital initiatives are for the GPS and NZUP. There is a high level of ambition for what can be delivered through the GPS and NZUP given constrained funding, and you should ask the Minister what assurances he is seeking from the NZTA Board to mitigate the risk of delivery failure, or further cost pressures.

Treasury Contact: Mark Hodge [35] David Taylor [39]

					Departm	ent Subm	nissions						Treasur	/ Package	- Budget Minis	sters 2											
							Operat	ing Allov	ances			Multi-Year Allowance			Operating	g Allowa	nces			Multi-Yea	r			Indicat	ive, noti	loyees and ng further a	or Contractors) nalysis is
ID	Budget Track	Vote	Initiative Title	Initiative Description	4	5	6	2026/2 7 (\$m)	(\$m)	Operati a	annum	Total Capital (\$m)	2023/2 4 (\$m)	2024/25 (\$m)	2025/26 20: (\$m) (\$r		ŝm) C		annum	Total Capital (\$m)	Overal Recom endati	m ·	V D	4 (Net	2024/2 : 5 (Net	7 Net (Net	2027/2 Core 8 Public (Net Service change or) wider Public sector
15764	Cost Pressures Capital Cost Escalations	Transport	New Zealand Upgrade Programme (NZUP) being delivered by NZTA - cost pressure risk	There is insufficient funding to deliver the NZUP roading projects with an estimated shortfall of \$0.5-\$1.5 billion. No savings from NZUP are available. NZUP is well advanced reducing the choices available. Several projects are contractually committed, in construction or well advanced through procurement. NZTA recommends managing NZUP within the \$6.54 billion envelope and addressing the shortfall by: *Prioritising and completing projects in construction and significant projects in procurement *For projects in pre-implementation completing this phase and making delivery decisions in mid-late 2024 once affordability is clearer. *Remove two projects from NZUP and transfer these to the National Land Transport Programme. Then, reprioritise the allocated funding within the NZUP.			-		-	-	-	-	-					-	-	-	Not Supporte	[See also: related Capital Pipeline Reprioritisation initiative 15755] d Not Supported. Funding cost escalations on remaining projects by artificially removing or deferring projects from NZUP risks creating future cost pressures on both NZUP and the NLTF; assumes (without meaningfully considering descoping options) that the remaining cost increases must be funded; and provides no assurance on how the high risk of further escalations will be managed. Hard choices are required, and better information is needed to support that. Noting systemwide constraints on funding and delivery capacity, it is important that decisions on NZUP are not taken in isolation and that the relative priority of, and options to align NZUP with, similar programmes (e.g. RONS, NLTP, NIWE rebuild) is fully understood.	2 1		-		
15765	Cost Pressures Capital Cost Escalations	Transport	Auckland's Rail Network Rebuild ^[33] and ^[38]	This initiative enables KiwiRail to continue delivery of the following: *Auckland Rail Network Rebuild (RNR) (\$159.2m OPEX sought). This supports the final tranche of the programme lif this remaining work is not funded the full benefits of CRI which are based on greater frequency and capacity of services will not be fully realised. [33] and [38]		nd [38]	•														Support	[See also: related Capital Pipeline Reprioritisation initiatives 15757 and 15760] Support, given the risk of metro rail services becoming unable to operate as normal due to unsafe operating conditions, and the flow-on economic implications this would have. Without the Auckland component in particular, the network would not be able to safely accept the higher frequency trains which City Rail Link is specifically supposed to enable when it opens in late 2025, meaning CRL's key benefits would not be realised. [33] and [38] . KiwiRail has made a credible effort to find reprioritisation options that could be used to offset some of this amount (see summary template).	4 3		-		- Wider Public Sector
15766	Cost Pressures Capital Cost Escalations	Transport	Metropolitan Rail Backlogs and Network Management Plans (cost pressure)			107.700	[33]		•			-	-	107.700		-		107.700	26.925	-	Support Scaled	[See also: related Capital Pipeline Reprioritisation initiative 15761] We support a scaled version of this initiative, to manage critical risks of service failure in the short term while the Minister of Transport's Metro Rail Operating Model (MROM) review is underway to address and reset respective Council/Crown funding responsibilities moving forward. We recommend providing a single year of funding, and then re-assessing at Budget 25 based on findings arising from the MROM review. Not funding this pressure risks further network degradation, service disruptions and operating restrictions on the Wellington and Auckland metro rail networks. Kiwikail has made a credible effort to find reprioritisation options that could be used to offset some of the amount recommended (see summary template).	4 3	-	-	-	- Wider Public Sector
15774	New Spending Capital Investment	Transport	Rail Network Investment Programme	[33] fund the operation, maintenance and renewals of the national rail network, through fully funding financial year 2026/27 [33] . This investment is critical to enable KiwiRail to continue efficient and effective network services for all rail users and to support future growth on rail. This includes an inflation adjustment [33] KiwiRail recognises the fiscal constraints of the new Government and has prepared reprioritisation options to lessen this request by [33] and a scaling option to reduce funding commitments to the next National Land Transport Programme period only (FY25-FY27). This initiative assumes an ongoing funding commitment from the National Land Transport fund of \$120 million per annum being confirmed through the next GPS.		[33]	,		,			-	-		-	-		-	·		Defer	[See also: related Capital Pipeline Reprioritisation initiative 15756] Defer. RNIP is unfunded from 2026/27. In addition, the revised draft G95 reduces NLTF funding for RNIP by around \$140m p.a. This funding situation represents a critical risk to maintaining current levels of service for rail. We recommend further work be done to confirm the Government's priorities for rail, and desired levels of service. While that work is completed, Ministers have a choice: defer funding decisions until further work is undertaken (i.e. to Budget 25), but accept that this leaves an unresolved risk of acute service failure in the near term (in light of pressures on allowances, this is the approach we have assumed); or, provide up to \$338m to enable a credible minimum RNIP to be issued for 2024-27.	2 2		-		- Wider Public Sector
15769	New Spending Government Policy Commitment	Transport	Civil Aviation Authority Liquidity Funding (time limited funding)	This initiative will enable the Civil Aviation Authority (Authority) to undertake its statutory functions by bridging the gap between the revenue recovered from the aviation sector and its costs of delivery. [33] The gap in operating revenue is a legacy of COVID-19 disruption. While traveller volumes are recovering, in the interim the Authority's costs have risen and a moratorium was in place for funding reviews during that period which meant funding settings for sector recoveries could not be adjusted. A funding review is now underway to address this, but Crown support is required for the Authority to remain solvent until that can be implemented.		[33]						-	-	(45.013)	91.770	-	-	46.757	11.689	-	Support Scaled	Support scaled. Providing liquidity funding for CAA until its fees and funding review is complete is critical and urgent for Budget 24, to enable CAA to continue carrying out its core functions, without which the aviation sector cannot operate. However, we propose that underspends in 2023/24 be permitted to be carried forward for use in 2024/25, and that no funding be provided towards [33] We recommend all steps be taken to finish the fees and funding review as soon as possible to minimise the call on liquidity funds, with any remaining unused funds required to be returned at 30 June 2025.	4 3	-	-		- Wider Public Sector
15771	New Spending Government Policy Commitment	Transport	North Island Weather Events (NIWE) Road Response, Recovery [33] (Time-Limited Funding)	This initiative provides time limited funding for the ongoing recovery, response ^[S3] of New Zealand's state highway and local road network following the North Island Weather Events (Cyclone Gabrielle and Auckland Anniversary Floods) in early 2023.	50.000	280.000	[33]			,	,		50.000	280.000		-	-	330.000	82.500	609.250	Support Scaled	Support scaled. We support funding State Highway recovery in full this is critical work to restore the network to its pre-cyclone state. While local road recovery is also critical, we support a scaled option to 2024/25 only. Any costs beyond this date should be assessed for funding through the standard NLTF prioritisation process. Given cost estimation uncertainty, we support ongoing monthly reporting. If no new funding is available we recommend recovery works be prioritised within the NLTF ahead of RONS, to ensure works critical to the network are completed. [33] Investment System. Note: indicative decisions needed by 31 March to enable contracting for the summer season.	3 2	-	-	-	- Wider Public Sector

15789 New Spending Transport Government Policy Commitment	PLACEHOLDER - Government Policy Statement on land transport 2024 - Crown grant and Crown loan	This initiative provides capital funding (via both a grant and a loan) to support implementation of priorities set out in the Government Policy Statement on land transport 2024 (GPS 2024), including the Roads of National Significance programme. Operating costs associated with GPS 2024 are proposed to be met through increases in Fuel Excise Duty / Road User Charges and Motor Vehicle Registration fees, as well as a reduction to New Zealand Transport Agency overhead expenditure (7.5% efficiency dividend) and reductions to GPS 2024 activity class ranges.			- [33]	-	(161.000) (2	(25	(100.00	00) (716.000) (1	1,955.000	0 Support Scaled	Support scaled. The funding sought here (\$3.144b capex and a \$3.081b loan) reflects the total grant/loan amounts in the revised draft GPS24 package, as distinct from the level of new funding required. \$1.189b capex and \$0.716b opex towards GPS24 is already accounted for in forecasts due to pre-commitments by th previous government. Our recommendation for Budget 24 is therefore to provide \$1.955b of new capex from the MYCA (with the \$1.189b already in forecasts this totals the \$3.144b capex sought), and to return the \$0.716b opex to the centre, as no opex grant is now required for GPS24. We support the loan componen but, as the loan doesn't require new funding from allowances, it in the included in our recommended amounts. Cabinet is expected to consider the GPS (and funding) on 4 March.	e c t t	3	3	Public Service
15659 Savings Baseline Transport savings	Ministry of Transport (Policy and Back-office) – Efficiency Return	This initiative would reduce the Ministry of Transport's departmental baseline by 5%. (in addition to the 16% reduction in funding the Ministry faces under the status quo). The initiative will see a reduction in the overall establishment of the Ministry of Transport, with 24 roles having already been removed, and further reductions expected to occur incrementally over the budget period. The Ministry will also reduce is consultant and contractor spend, anticipated to be in the region of 10-20%. The exact mix of reduction of both expert advice (external spend) and core establishment will be finalised as the work programme priorities are confirmed and the specific mix of capabilities to deliver this are known.	- (2.793) (2.708)	(2.627) (2.627) (10.75	(2.689) -		(2.793)	(2.708)	(2.627)	(10.755)	(2.689)	Support	Support. We are comfortable that this offers a realistic level of 'back office' savings - noting that it represents an additional 5% ciagainst a baseline that would already have reduced by 16% over the forecast period, and is on top of a 2023 restructure which has seen 24 roles already removed to date. Proposed savings here would be delivered through further roles being removed, and a reduction to contractor/consultant spend. Detailed operational decisions will be taken following confirmation of the Budget package, but we are satisfied that the proposed work areas being deprioritised or stopped are the lowest value areas. Further reductions in FTE beyond this would necessitate trade-offs between adequately resourcing core functions, and being able to progress Ministerial priorities.		4	3	Public Service
Savings Baseline Transport savings	New Zealand Transport Agency Regulatory Service (Policy and Back-office) – Efficiency Return	This initiative identifies savings from the following services funded within the Land Transport Regulatory Services appropriation: •crash analysis and research services •the provision of advice and services by NZ Transport Agency Waka Kotahi to support Ministers to discharge their portfolio responsibilities relating to transport; and •subsidy for older drivers to renew a licence.	- (0.193) (0.193)	(0.193) (0.193) (0.77	(0.193) -		(0.193)	(0.193)	(0.193) (0.19	33) (0.772)	(0.193) -	Support	Support. Funding for the crash analysis system and ministerial servicing will not be cut per se, just shifted to be funded within th NLTF, indicatively within the existing Section 9 regulatory allocation. This reduces the call on Crown funds, while having a neglible impact on service outputs. Given the small scale, these costs can credibly be managed within the NLTF without disrupting other expenditure. The only component of the bid which propose a genuine reduction in funding/service levels is the proposal to reduce the Older Driver Subsidy (~\$13 per person in total) by 5%. We consider this is a sufficiently small reduction in the subsidy level that it will not affect older drivers' ability to access a licence [33]	g :s	3	3	Wider Public Sector
15694 Savings Baseline Transport savings	[33]													4	1	2	Wider Public Sector
15697 Savings Baseline Transport savings	Improving Resilience of th Roading Network – Operating Costs (Back- office) – Efficiency Return	This initiative seeks a 20% funding reduction for the Improving Resilience of the Roading Network (operating costs) appropriation. This operating budget allocation supports the Improving Resilience of the Roading Network - Local Roads appropriation (on site project delivery costs on local roads) and sits alongside the Improving Resilience of the Road Network – State Highways appropriation.	- (0.200) (0.200)	(0.200) (0.200) (0.80	00) (0.200) -	-	(0.200)	(0.200)	(0.200) (0.20	(0.800)	(0.200) -	Support	Support. We are comfortable this is a realistic back-office saving, representing a 20% reduction in administration costs for the Roading Resilience 'quick wins' programme. The savings will be delivered through the removal of one FTE, alongside reorganisation of management and reporting on the programme. Ministers should be cognitive that the reduction from 3 to 2 FTE may affect timeliness and quality of reporting. However, we are confident this will not have a significant impact on the actual delivery of resilience works.		4	4	- (1.00) (1.00) (1.00) (1.00) Public Service
15710 Savings Baseline Transport savings	 Return of funding for 	The initiative reduces administration funding for the n Community Connect Scheme, to reflect decisions taken by the Government to end half price fares for under 25 year e olds, and free fares for under 13 year olds.	- (1.683) (1.719)	(1.719) (1.719) (6.84	- (1.710)	-	(1.683)	(1.718)	(1.719) (1.71	(6.839)	(1.710)	Support	Support. Cabinet took decisions through the Mini Budget to end Community Connect public transport subsidies for under-25s, significantly reducing the size of the Community Connect programme, and therefore the level of ongoing administrative workload required. As such, we are confident that the proposed administrative funding can safely be returned without jeopardisir delivery of the remaining elements of the Community Connect subsidy scheme. The funding being returned represents (from 2024/25 onward) 100% of the administrative funding provided for the under-25 discounts when they were introduced through Budget 23.	ng	4	4	Wider Public Sector
15714 Savings Baseline Transport savings	Response Service (Policy and Back-office) – Efficien Return	cy of Budget 2024		(0.525) (0.525) (2.10				(0.525)		(2.100)		Support	Support. We agree with Maritime New Zealand's assessment that the viable area for savings is in the policy space, as the other thre key workstreams (safety, security, search and rescue) represent critical frontline services. The bid assumes no redundancy costs in light of this we recommend indicating to the Minister of Transport that if redundancy costs do ultimately arise, the expectation is that these would be managed within remaining baselines. We note that the identified positions to be disestablished will not have a negative impact on Maritime Security or Operational Policy, as proposals being agreed through Maritime New Zealand's fees and funding review include funding for additional roles in these areas - effectively transitioning these positions to be user-pays.	е	3	4	- (3.00) (3.00) (3.00) (3.00) Wider Public Sector
15717 Savings Baseline Transport savings	Civil Aviation and Maritim Security (Policy and Back- office) – Efficiency Return		- (0.158) (0.118)	(0.096) (0.096) (0.46	(0.117)		(0.158)	(0.118)	(0.096)	(0.468)	(0.117)	Support	Support, with caveats. We support the quantum of the proposed saving but note that it is unclear exactly which of several function would be scaled back to deliver the saving. We recommend the Minister of Transport seek a report back from the Civil Aviation Authority (CAA) by the end of the financial year on the final operational decisions made to deliver the savings. We are comfortable that the potential for reduced ministerial servicing and a narrowed policy focus is appropriate with respect to deprioritising low-value functions, and Ministers should be prepared to accept lower response times. Cost recovery options, which could generate additional savings, are available subject to further work - we recommend these be considered as part of the current fees and funding review for CAA.	S	3	2	Wider Public Sector

15719	Savings Baseline savings	[33]		,												3	3	4	-	-	-		Wider Public Sector
15720	Savings Baseline savings	Transport	Retaining and Recruiting Bus Drivers Funding – Discontinuing Programme	This initiative is for a [33] reduction in uncommitted project funding that will descope Tranches 2 (focused on penal rates and split shifts) [33] of the Retaining and Recruiting Bus Drivers appropriation	- [33]			, , ,						Support	This programme was established to address the underly of bus driver shortages that were resulting in consistent cancellation/reliability issues - therefore, this proposal c impacts frontline services that are closely aligned with t Government's 'Better Public Transport' priority. We con is a significant risk of shortages reoccurring without the interventions being delivered through the programme. recommend asking the Minister of Transport to provide that core public transport networks will continue to be a operate at current levels of service if this saving is imple and whether he considers a scaled option (for example, we have suggested) would be appropriate to mitigate the	rectly e der there attended //e sssurance ole to attended, attended	1	3	-	-	-		Wider Public Sector
15722	Savings Baseline savings	Transport	Clean Car Standard Operation (Back-office) – Downsizing Programme Funding	This initiative will return 100% of the Clean Car Standard's (CCS) annual operational funding by: •Transitioning to a user pays model from 2025/26 •Reducing administration costs by 50% in 2024/25, and meeting this cost through reprioritising current NZTA Section 9(1A) funding under the Land Transport Management Act 2003 (LTMA).	- (11.842)	(11.842) (11.842) (11.84	2) (47.368) (11.	-	- (11.8	42) (11.842) (11	(11.84	(47.368)	(11.842)	- Support	Support. We support shifting to a cost recovery model, it consider 2025/26 is a viable timeframe on which this co though efforts should be made to accelerate that if poss However, there are two key risks: firstly, that funding is returned a year earlier than when cost recovery will beginterim costs to be managed within 'Section 9' funding ('top-sliced' funding from the NLTF for regulatory function recommend seeking assurance that this will not material delivery of other regulatory functions in 2024/25. Secon proposed ongoing level of funding is just 50% of current creating a risk of regulatory failure. Given this, we recon Minister of Transport be asked to consider what a credil scaling would be.	nd 4 Id occur - ole. eing ,, with sisting s). We y impact ly, the evels, mend the	2	2	-	(19.00)	(19.00)	(19.00) (19.0	00) Wider Public Sector
15726	Savings Baseline savings	Transport	[38]								1			,		3	3	4	-	-	- (.	(45.00) -	Public Service
15755	Savings Capital Pipeline Review	Transport	New Zealand Upgrade Programme (NZUP) – proposed reduction to NZTA delivered programmes	There is insufficient funding to deliver the NZUP roading projects with an estimated shortfall of \$0.5-\$1.5 billion. No savings from NZUP are available. NZUP is well advanced reducing the choices available. Several projects are contractually committed, in construction or well advanced through procurement. NZTA recommends managing NZUP within the \$6.54 billion envelope and addressing the shortfall by: • Prioritising and completing projects in construction and significant projects in procurement • For projects in pre-implementation completing this phase and making delivery decisions in mid-late 2024 once affordability is clearer. • Remove two projects from NZUP and transfer these to the National Land Transport Programme. Then, reprioritise the allocated funding within the NZUP.					-		-		-	- Not Supported	[See also: related Capital Pipeline Cost Pressure initiativ. Not Supported. Whilst we support the premise of mana within its existing \$6.54b envelope, genuine options had provided here to deliver on that. Shifting RONS-adjacen projects to be considered through the NLTF instead, and decisions on projects not yet in delivery, shifts rather the tissue and does nothing to address the underlying parepeated cost escalations across NZUP projects. Noting of the highest cost escalations and lowest BCRs are on p that NZTA considers' well advanced', we consider it prer have ruled these out as reprioritisation options, and rec NZTA be asked to reconsider lower cost/descoping option these projects.	ng NZUP not been NZUP delaying n solves eern of lat some ojects ature to mmend	2	1	-	-	-		Wider Public Sector
15756	Savings Capital Pipeline Review	Transport	Rail Network Investment Programme (First 5 Years)	No savings proposed.			-			-	-		-	- Support	[See also: related Capital Pipeline New Spending initiating Support. We agree with the assessment that funding to and renew the Rail Network is a critical priority, and that already insufficient funding appropriated to credibly delinext three-year RNIP. Without this funding, there is a most of the state of the service across the rail network spending initiative has been submitted through the Cap Pipeline track with a view to remedying this; taking furtifrom the existing RNIP allocation now would simply wore extent of the funding cliff that the new spending initiative address.	naintain there is eer the terial risk A new al er savings en the	3	3	-	-	-		Wider Public Sector
15757	Savings Capital Pipeline Review	Transport	Auckland's Rail Network Growth Impact Management (RNGIM) and Rail Network Rebuild	No savings proposed. The programme is delivered by KiwiRail and funded from the NLTF with Auckland I Transport (AT) as the funded organisation. These investments are delivering a programme of 'catch up' renewals and enhancements required to bring the Auckland metro rail network to a standard compatible with planned high frequency operations. It includes replacement of legacy assets and renewal of underlying formation and drainage. These programmes are necessary for network resilience ahead of City Rail Link (CRL) opening, given the greater train frequencies which are vulnerable to temporary speed restrictions. The overall programme is \$159.2 million underfunded. This cost pressure is included in the Auckland's Rail Network Rebuild [37] cost escalation initiative									-	- Support	We agree with KiwiRail's assessment that there are no c savings opportunities here. Renewals to make Auckland rail network compatible with planned high-frequency of ahead of City Rail Link opening in late 2025 are a time-cupriority, and there is already insufficient funding approperedibly deliver this work - meaning there is a risk that the sense that the sense is a risk that the sense is a ri	metro erations cical ated to e full evalised. c Capital er savings e extent	3	3		-	-		Wider Public Sector

	vings Capital peline Review	Transport	North Island Weather Events (NIWE) – Rail	This initiative proposes to reprioritise \$180.7 million from resilience improvements in two secondary lines to instead find cost processes in the action wild maintenance and	-	 180.700 45.175	- #	********	-	-	-	(180.700)	(45.175	-	Support	Support. Although the resilience improvements this funding is allocated to are desirable, we agree with KiwiRail's view that these	3	3	4	=	-	-	-	- Wider Public
			Resilience Improvements	fund cost pressures in the nationwide maintenance and renewal programme delivered through the Rail Network Investment Programme. This latter programme is not fully funded for FY27 and subsequent years, meaning without re-prioritisation a 39% cut will be the outcome.												resilience improvements (which are on secondary lines within the network) are not as critical or urgent as the funding shortfalls for the core RNIP and for maintenance of the metropolitan rail network. In light of the very constrained fiscal environment, it therefore makes sense to reprioritise this funding towards the								Sector
				Reprioritising \$180.7 million will mean some culvert, tunnel, and other structure renewals will not occur immediately on these lines, but similar renewals will occur												most critical/urgent works. The consequence of this choice is that the affected lines of the network will be less resilient and there is a risk of damage/disruption - on balance, we consider that this risk is								
				in higher volume parts of the network to ensure continuation of freight and passenger services												outweighed by the risks to higher volume parts of the network if RNIP and metro rail are not adequately funded.								
	vings Capital peline Review	Transport	Wellington Metro Upgrade Programme III (WMUP III) - Catch Up Renewals	- WMUP III is a programme of catch-up renewals of end-of- life track and civil engineering infrastructure on the Wellington Metro Rail Network. The primary focus is the	-		-	-	-	-	-	-	-	-	Support	Support. We agree with KiwiRail's assessment that there are no credible savings opportunities here. The affected track is already life-expired, and the work is critical to address the risk of asset failure. Moreover, the programme of renewals is already	4	3	4	-	-	-	-	- Wider Public Sector
				Wairarapa line as well as other critical civil (tunnels, bridges and slopes) track infrastructure on the busiest parts of the network. Addressing backlog renewals means the network can reach a steady state of maintenance, with the risk of asset failure reducing and with it network												substantially complete, with works largely wrapping up over the next year, meaning opportunities to stop or scale would be very limited.								
				service reliability increasing. The programme is delivered by KiwiRail and funded from the National Land Transport Fund (NLTF) through Greater Wellington Regional Council (GWRC). The programme is																				
	vings Capital peline Review	Transport	Wellington Metro Upgrade Programme IV – Unlocking	substantially complete. No savings proposed. This is a programme of network capacity improvements	-	 	-	-	-	-	-		-	-	Support	[33] and [37] We agree with KiwiRail's assessment that there are no credible	4	3	3	-	-	-	-	- Wider Public
			Capacity and Improving Resilience	on the Wellington Metro Rail Network delivered by KiwiRail and funded from the National Land Transport Fund (NLTF) through Greater Wellington Regional Council (GWRC).												savings opportunities here. Funded aspects of the programme are near completion and the work is committed. Moreover, there is already insufficient funding appropriated to deliver the third and final element of the programme - failure to complete the								Sector
				Two of the three elements of this programme have been completed within the budget currently available. [33] and [37]												programme will result in network disruptions, including speed restrictions. [33] and [37] ; taking further savings from the existing allocation now would simply								
761 6-	iinaa I Canibal	T	DNID Dublic Transport	Noncie											Communit	worsen the extent of the funding shortfall that the cost pressure initiative seeks to address.		2	2)A/: J
	vings Capital peline Review	Transport	RNIP - Public Transport Infrastructure	No savings proposed. This initiative is for projects delivered by KiwiRail from the Public Transport Infrastructure activity class which support improvements in passenger rail capacity, resilience and safety in the Auckland and Wellington Metropolitan areas.	-			-	-	-	-		-		Support	[See also: related Capital Pipeline Cost Pressure initiative 15766] We agree with KiwiRail's assessment that there are no credible savings opportunities here. Active projects are already in the implementation phase. Moreover, there is already insufficient funding in this space to credibly deliver on critical improvements	4	3	3	-	-		-	- Wider Public Sector
				Projects include the Integrated Rail Management Centre and Additional Traction Feed in Auckland and the signalling system business cases in Wellington and Auckland.												to resilience, capacity and safety for passenger rail, meaning there is a growing risk of asset failure and service disruption. A cost pressure initiative has been submitted through the Capital Pipeline track with a view to remedying this; taking further savings from								
				There is pressure on this funding, and a cost pressure template has been completed for Rail Network Rebuild [33] and [37] and Backlog Renewals funding. Most projects are in the implementation/ construction phases and are nearing completion. Costs to exit would likely												the existing allocation now would simply worsen the extent of the funding shortfall that the cost pressure initiative seeks to address.								
				exceed any remaining funding and any funding reduction would require engagement with regional authorities.																				
	vings Capital peline Review	Transport	NZUP - Whangarei to Otiria and Wellington Infrastructure projects	This initiative reallocates \$22 million of funding from the KiwiRail NZUP Whangarei to Otiria Project to the NZUP Wellington Infrastructure Programme. The savings of \$22 million reflect a reduction in scope on	-	 	-	-	-	-	-		-	-	Support	Support. We are supportive of this proposal to manage KiwiRaii's NZUP projects within the existing programme envelope by reprioritising funding from Whangarei to Otiria towards managing cost pressures on the higher-value Wellington Infrastructure	4	4	3	-	-	-	-	- Wider Public Sector
				the NZUP Whangarei to Otiria Project as a result of work being stopped on the section of line north of Kauri due to ongoing and unresolved disputes with hapu (a 2024/02/05 briefing to the Minister of Transport refers). Consistent												project. We are comfortable that this represents a genuine reprioritisation option, as the funding has been freed up as a result of descoping choices, rather than artificial deferral of work.								
				with the Board's delegation to manage NZUP cost pressures from within the programme, the \$22 million will be directed to the NZUP Wellington Infrastructure programme to fund cost pressures across the Wairarapa																				
763 Sa	vings Capital	Transport	Hopper Wagon	Rail Upgrades project and the Wellington Railway Station Safety Improvements project. This initiative reprioritises \$38 million intended for multi-			(38.000)							(30, 300)	Support	Support scaled. Wagon purchases have been on hold indefinitely	3	3	2			_		- Wider
	peline Review	Transport	Reprioritisation	commodity wagons in FY25 to fund RNIP cost pressures. As the Rail Network Investment Programme is under significant cost pressure, and KiwiRail is not invited to seek funding for it in Budget 2024, we are proposing reprioritisation of rail funding to address this cost			(38.000)								Scaled	due to no commitment from Bathurst Mining that there would be an appropriate pipeline of work. If Bathurst does later commit to a pipeline of work, KiwiRail would no longer have funding to purchase wagons. The Ministry has requested they be allowed to retain 57.7m to reprioritise towards a capital cost pressure within	3	3	2					Public Sector
				pressure. Further details on the rationale behind this reprioritisation can be found in the RNIP Budget 2024 templates.												baselines (relating to purchase of planned Ground Based Navigation Aids, which support aviation safety). We are comfortable with that approach and have recommended a scaled amount of funding to be returned to the Crown here accordingly								
																however, Ministers will have a further opportunity to consider or reject that reprioritisation proposal through the Budget technical package.								