

4 September 2024

OC241012

Hon Simeon Brown

Action required by:

Minister of Transport

Monday, 9 September 2024

NEW ZEALAND TRANSPORT AGENCY: MONITORING PLAN

Purpose

To seek your agreement to a draft monitoring plan for the New Zealand Transport Agency (NZTA) – refer to **Appendix One**.

Key points

- The Ministry of Transport is developing monitoring plans for each transport Crown entity you have responsibility for. You received the first of these monitoring plans – for the Civil Aviation Authority – last week (OC240957 refers).
- The purpose of the NZTA monitoring plan is to:
 - Agree monitoring priorities for the next 36 months to June 2027, to support improved NZTA performance
 - Develop a shared understanding of NZTA's current performance, and what 'good' looks like
 - Confirm our monitoring deliverables/outputs for NZTA.
- The Plan provides an assessment of NZTA's current performance across five key performance dimensions from the Public Service Commission's "The Foundations of Good Practice: Guidelines for Crown Entity Monitoring"¹.
- The Plan identifies six key monitoring priorities:
 - Support improvements to the quality and timeliness of performance information (including updated strategic outcomes in NZTA's Statement of Intent, monthly reporting on 2024 GPS and enhanced quarterly reporting)
 - Establish a stronger relationship with the refreshed board (including supporting you to have structured quarterly performance conversations with the Board Chair)

¹ <https://www.publicservice.govt.nz/assets/DirectoryFile/Guidelines-for-Crown-Entity-monitoring.pdf>

- Ensure that NZTA delivers on its own Regulatory Strategy and gets the memorandum accounts back into surplus
 - Ensure that NZTA meets the Government's financial expectations (as signalled via the Budget process, 2024 GPS and Performance & Efficiency Plan)
 - Ensure that NZTA meets Government's expectations around asset performance (as outlined in Cabinet Office circular CO (23) 9 and 2024 GPS)
 - Achieve improved transparency and accountability of NZTA's capital investment programme, and assurance that the Board is providing effective oversight and control of the complete investment life cycle.
- Once you have agreed to the Plan, we propose discussing it with the NZTA Chair.

Recommendations

We recommend you:

- | | | |
|---|---|----------|
| 1 | agree to the NZTA monitoring plan, subject to any feedback you may have | Yes / No |
| 2 | agree to the Ministry sharing the monitoring plan with the NZTA Chair | Yes / No |



David Wood
Deputy Chief Executive, Investment and Monitoring

Hon Simeon Brown
Minister of Transport

..... / /

Minister's office to complete:

- | | |
|--|---|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Seen by Minister | <input type="checkbox"/> Not seen by Minister |
| <input type="checkbox"/> Overtaken by events | |

Comments

Contacts

Name	Telephone	First contact
David Wood, Deputy Chief Executive, Investment & Monitoring	s 9(2)(a)	
Tim Herbert, Acting Manager, Crown Entity Monitoring		✓
Chris Jones, Principal Advisor, Crown Entity Monitoring		



TE MANATŪ WAKA
MINISTRY OF TRANSPORT

Monitoring Plan for the NZ Transport Agency (NZTA)

1 July 2024 – 30 June 2027

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Purpose of monitoring plan

This purpose of this monitoring plan is to:

- Develop a shared understanding of NZTA's current performance, and what 'good' would look like
- Confirm our monitoring priorities for the next 36 months to support improved performance
- Confirm our monitoring approach, and our deliverables/outputs.

Once this plan has been confirmed with you, we intend to discuss it with the Chair of the Board.

Note that this plan covers a three-year period (to June 2027), to align with the 2024 GPS. It will be updated as priorities and/or expectations change and reviewed annually.

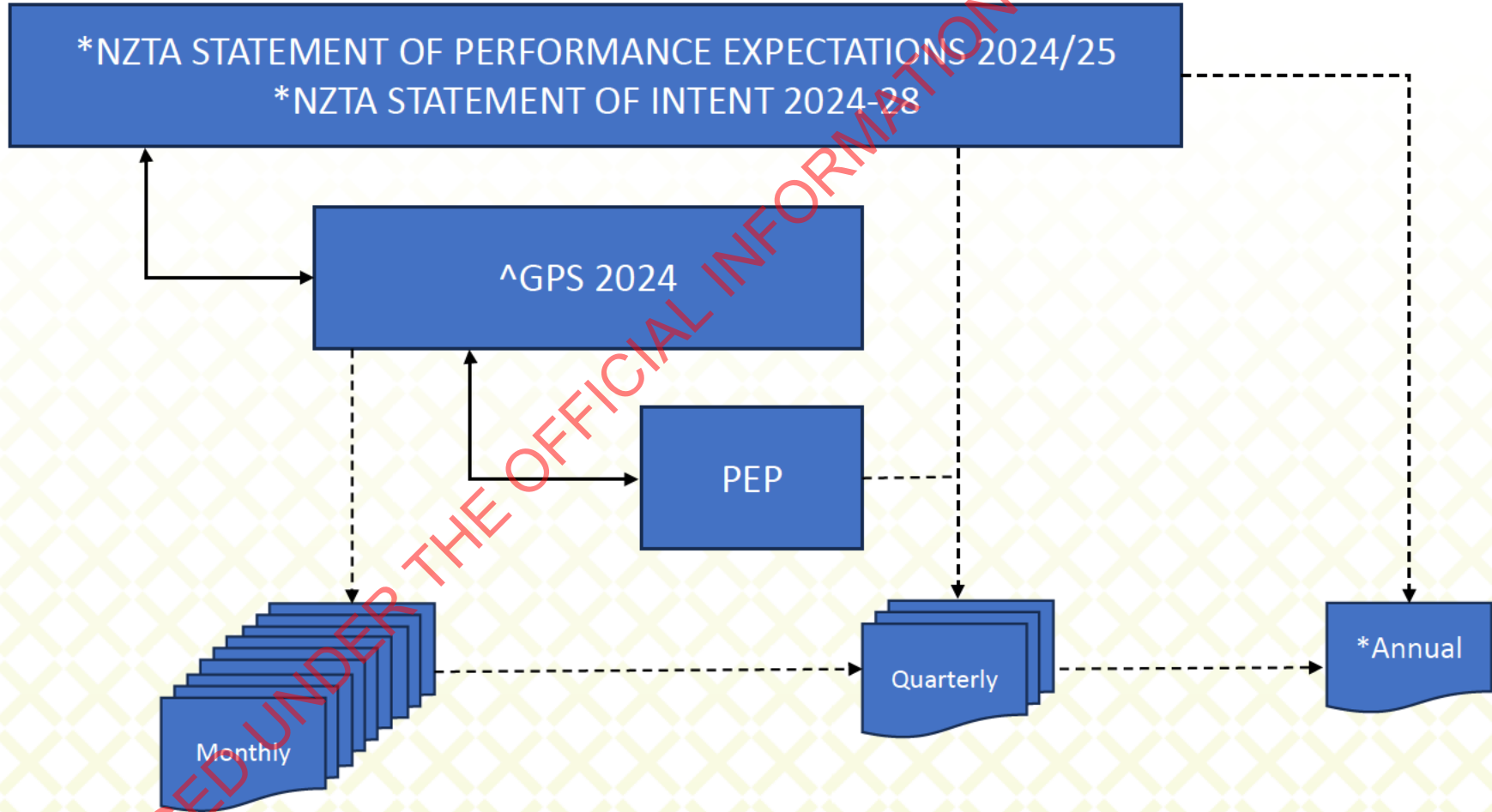
Scope of monitoring plan

*Statutory documents under the Crown Entities Act

^Statutory document under the Land Transport Management Act

PLANNING AND ACCOUNTABILITY DOCS

REPORTS



What shifts are we looking for from NZTA over the next 3 years?

The following slides provide an assessment of NZTA's current performance across five key performance dimensions from the Public Service Commission's *Foundations of Good Practice for Crown Entity Monitoring*.

Performance dimension	Key questions for NZTA
Alignment: <i>Is the Crown Entity aligned to the priorities, strategic direction and policies of the Minister and Government?</i>	<ul style="list-style-type: none"> What are the key gaps between the Government's strategic priorities for NZTA, and its current policies & performance metrics?
Results: <i>Is the Crown Entity delivering outputs and outcomes in accordance with expectations, managing resourcing effectively, and meeting legal requirements?</i>	<ul style="list-style-type: none"> Is NZTA meeting the Minister's delivery expectations (GPS etc)? Is NZTA operating efficiently and effectively? Are customers (levy payers) satisfied with the level of service?
Risk management (and assurance): <i>Does the Crown Entity understand its key risks, and have effective risk identification and management frameworks in place?</i>	<ul style="list-style-type: none"> How does the NZTA risk management function compare to similar capital-intensive entities? What risk maturity target does NZTA have beyond June 2025?
Organisational capability: <i>Does the culture of the Crown Entity support a healthy, safe, inclusive work environment, and is the agency well placed to have the capacity and skills necessary for success now and in the future?</i>	<ul style="list-style-type: none"> What are NZTA's key capability gaps, given the Government's priorities and expectations? What actions does NZTA have underway to address these gaps?
Governance performance: <i>Is the Board providing effective Crown Entity Governance, including holding the executive to account?</i>	<ul style="list-style-type: none"> Is the Board operating effectively, getting to the right level of detail at the right time, and asking the right questions of the Executive?

Alignment: Government priorities & expectations

Current State: What are we observing?

NZTA has made significant progress adapting to the Government's change in transport priorities and expectations outlined in the 2024 GPS and elsewhere. Considerable work remains however, particularly with respect to implementing the direction set out in GPS 2024, achieving the targets (i.e. 2% of SH rehabilitated and 9% of SH resurfaced per annum) and delivering the programmes of work set out within it (e.g. RoNs). NZTA will need to find the right balance between rapid delivery of key projects and putting robust processes/ disciplines in place to achieve better value for money.

You were broadly pleased with the first iteration of the Performance and Efficiency Plan (PEP) but asked for the Plan to be updated by the end of 2024 to include all activity classes and provide more detail on the impacts and outcomes being targeted. You also asked for more information on the Road Efficiency Group (REG) by 30 Sept 2024.



Future State: What would we like to see?

NZTA is focussed on its core role and taking a 'back to basics' approach, with a culture focussed on delivery, robust project management, and value for money. It will be able to demonstrate programme delivery and steps it has taken to reduce costs and deliver continuous improvements in productivity, leveraging its significant purchasing power with its supply chain. It will be able to clearly show how it has given effect to the Government's strategic priorities outlined in the GPS and the 2024/25 Letter of Expectations.

NZTA provides regular and transparent reporting through the PEP, which shows tangible improvements over time, including:

- Improved management of benefits, costs, and risks at the programme and activity class level
- Increased capacity & capability of the transport sector to deliver
- Business cases and cost estimation reflect best practice, with fewer cost overruns
- Reduced overheads and back-office costs.

Results: investment and regulatory functions

Current State: What are we observing?

NZTA is struggling to deliver a large and complex investment (including maintenance and resilience) programme on time and within budget. While this is partly due to circumstances beyond its control, evidence suggests that better capability, scrutiny and accountability can help deliver projects to agreed scope, time and budget. Cost and milestone variations for projects purchased directly by the Crown have often been raised too late, when limited options are available other than increasing funding. The Board has responded to NZTA's delivery risk by commissioning an independent review of Transport Infrastructure Capital Projects.

Despite recently completing a comprehensive fees and funding review, NZTA's regulatory function remains financially vulnerable and unsustainable (including a significant and growing deficit in its memorandum accounts). Current performance measures also need improvement.



Future State: What would we like to see?

1. Less variance (on average) between forecast project budgets and milestones, and actuals
 2. Evidence that NZTA is focussed on productivity improvements and project scope & design issues to reduce construction costs (i.e. that it's actively managing factors that are within its control)
 3. Ministers are presented with a range of options and choices when additional Crown funding is being sought.
-
1. A mature, financially sustainable and cost-effective regulator that achieves the five capability shifts outlined in NZTA's [Regulatory Strategy](#) (2023-32), including the application of modern best-practice regulation across NZTA and its land transport partners
 2. Performance measures which better articulate impact, value for money & financial sustainability.

Risk management (and assurance)

Current State: What are we observing?

NZTA has made good progress since the Board approved a Risk and Assurance Strategy in July 2022. NZTA's risk maturity rating* has increased from 1.8 (out of 5) in mid-2022 to 2.5 in mid-2024. The Strategy set a stretch target of 3 by June 2025.

* Refer to [All of Government Enterprise Risk Maturity Assessment Framework](#)



Future State: What would we like to see?

1. By 30 June 2025, NZTA achieves a risk maturity target of 3, meaning that (amongst other things) risk management practices are well defined & documented, and consistently applied across all business units
2. Before June 2025, the Board updates the Risk and Assurance Strategy and establishes an appropriate longer-term risk maturity target with reference to comparable entities
3. NZTA is confident that Road Controlling Authorities receiving NLTF funding comply with the ministerial expectations outlined in 2024 GPS
4. The Ministry and NZTA have a mutual understanding of key NZTA risks and how the Board is identifying, prioritising and managing risks including the delivery of key projects.

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Organisational capability: financial and investment management

Current State: What are we observing?

NZTA has responded positively to the Government's expectation around improved financial management by reprioritising funding as part of the Budget 2024 process, reducing expenditure on contractors & consultants and initiating an internal efficiency and effectiveness programme to reduce back-office costs. Ongoing cost savings and productivity improvements will be required.

NZTA does not have a strong track record of delivering capital projects on time and within budget, with a material decline in delivery during 2023/24 due to "unprecedented cost challenges".

NZTA receives regular feedback from its employees through Tapatahi, its engagement survey. NZTA has an SOI target of 7.5 or greater (out of 10) for its staff engagement survey. This has remained relatively stable in recent years.



Future State: What would we like to see?

1. A fiscally responsible Crown entity that meets or exceeds the Government's financial expectations
 2. More accurate forecasting of future operating and capital requirements
 3. A culture of continuously seeking productivity improvements and more cost-effective ways of delivering its outputs and outcomes.
-
1. NZTA consistently meets capital project delivery milestones, budgets and scope targets, with a recognised culture and practice of continuous improvement
 2. Increased confidence in NZTA's ability to deliver its future pipeline of capital projects (proxy for 'Investor Confidence Rating').
-
1. NZTA maintains a healthy organisational culture and consistently achieves its SOI target of 7.5 or greater in engagement surveys.

Governance performance

Current State: What are we observing?

Four out of nine Board members are relatively new, including the Chair. This presents a risk in terms of continuity and cohesion of Board members, but also an opportunity to reset the direction and culture of NZTA.

The Chair recently announced the Chief Executive's departure at the conclusion of her term in mid-February 2025. Filling that vacancy will be a key focus for the Board over the remainder of 2024.

The Ministry does not currently have a good understanding of Board performance.



Future State: What would we like to see?

1. The Board undertakes a robust process for selecting a new chief executive, incl. compliance with s117 of the Crown Entities Act
2. The Board maintains trust and confidence of the Government, and has the following "high-performance" attributes:
 - a. Is focussed on what matters most, including oversight of the Minister's strategic priorities
 - b. Holds itself and the Executive to account for NZTA's financial and delivery performance
 - c. Asks questions of the Executive based on a clear understanding of NZTA's performance drivers and strategic context
 - d. Has clarity on NZTA's legislative responsibilities, & complies with the Code of Conduct for Crown Entity Board Members
 - e. A culture that draws on member's expertise and encourages healthy & robust conversations with the Executive
 - f. Expects robust data and advice to help focus on long term outcomes and opportunities for new thinking/initiatives
 - g. Evaluates itself annually (including an independent assessment every three years) and shares these evaluations with the Ministry and Minister.

How will we know if NZTA is heading in the right direction?

We will determine whether NZTA is heading in the right direction through performance reporting, regular engagements with the Board Chair, feedback from the sector, and reviews of key accountability documents. Key things we will look for include:

Performance reporting

- NZTA's strategic measures (in draft 2025-29 SOI) align with the Govt's strategic priorities (in GPS 2024)
- Projects are delivered with less variance (on average) between agreed budgets and milestones, and actual budgets and milestones
- Monthly GPS reporting tracks RoNS progress and other metrics agreed as part of 2024 GPS
- Quarterly performance reports track progress against SPE/SOI targets and the PEP

Board engagement

- The Board maintains trust and confidence of the Government
- The Board manages delivery, risk and budgets effectively, and seeks reporting that best informs board decision-making
- Information is shared and issues raised early on a 'no surprises' basis
- The Board has a deep understanding of the entity's strategic context, and an ability to strategically position the organisation to meet the needs of today and the future
- The Board maintains ongoing focus on organisational culture

Sector feedback

- NZTA conducts various surveys to assess user experience of the transport network and of itself (as a service provider), including:
- User experience of transport network by mode (PT, active and private vehicles)
 - State highway user experience
 - Digital service quality
 - Overall service quality
- We would expect to see a gradual improvement in these survey results over time (all else being equal)

Accountability documents

- Strategic measures and written narrative aligns with Government priorities and expected outcomes
- More consistent delivery of capital projects in line with SPE milestones
- Evidence that savings are being realised and value for money improved over time
- Improved service delivery and customer satisfaction results
- Ongoing refinement in PEP and more consistent delivery against targets

Our monitoring priorities

The key areas of focus for NZTA monitoring for the period 1 July 2024 – 31 December 2027 are:

1. Support improvements to the quality and timeliness of performance information (including updated strategic outcomes in NZTA's SOI, monthly reporting on 2024 GPS and enhanced quarterly reporting)
2. Establish a stronger relationship with the refreshed board (including supporting you to have structured quarterly performance conversations with the Board Chair)
3. Regulatory performance: ensure that NZTA delivers on its own Regulatory Strategy and gets the memorandum accounts back into surplus
4. Ensure that NZTA meets the Government's financial expectations (signalled via the Budget process, 2024 GPS and PEP etc), including a requirement to better manage overheads and back-office costs
5. Asset management: ensure that NZTA meets Government's expectations around asset performance, as outlined in Cabinet Office circular CO (23) 9 and 2024 GPS
6. Achieve improved transparency and accountability of NZTA's capital investment programme, and assurance that the Board is providing effective oversight and control of the complete investment life cycle (including investment planning and delivery of project benefits, budgets and milestones).

Enhancing our monitoring methodology

The Ministry recognises the need to improve our monitoring methodology for NZTA. We propose some changes to our current approach, including:

1. Establishing quarterly, structured performance discussions between you and the Chair, supported with robust advice from the Ministry
2. Strengthening our capacity to support the Board to improve its performance metrics
3. Taking a more active approach to our monitoring, including regular engagements with the sector to gain feedback and insights.

The purpose of our monitoring is not to second-guess the Board, but to ensure that we are well positioned to provide you with good second-opinion advice on how issues and risks are being managed, and to enable us to support the Board to meet your expectations.

Monitoring plan: Key outputs & deliverables (2024/25 and 2025/26, to Dec)

	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Monthly GPS performance report	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Quarterly performance reports (followed by meeting with Chair)			Q1			Q2			Q3						Q1	
Annual reports	Draft (23/24)	Final (23/24)											Draft (24/25)	Final (24/25)		
Letter of Expectations						Final (25/26)										
Statement of Performance Expectations								Draft (25/26)		Final (25/26)						
Statement of Intent								Draft (2025-)		Final (2025-)						

Additional monitoring outputs will be agreed with you as required, e.g. where there is a need to undertake additional assurance on key risks or areas of concern

25 September 2024

OC241127

Hon Simeon Brown**Action required by:****Minister of Transport**

Friday, 27 September 2024

AVIATION ON-TIME PERFORMANCE REPORT

Purpose

To seek your approval to publish the attached aviation on-time performance report for July and August 2024.

Key points

- Consistent with the revised scope agreed with you last week, this report covers:
 - domestic jet services between Auckland, Wellington, Christchurch, Dunedin and Queenstown
 - Air New Zealand and Jetstar
 - routes that are serviced by both airlines.
- The Ministry will expand the scope over coming months to include international and regional routes. We will need to continue to work with the airlines on this given their strong interest in the underlying data.
- The Ministry has modelled this report on Australian on-time performance reporting by the Australian Bureau of Infrastructure and Transport Research Economics (BITRE).
- The airlines provided the data for this report. They have seen a draft of the report and are comfortable with the approach we have taken. Despite this, there is some risk that they could be dissatisfied with media coverage on the report.
- The report notes the main factors that affected on-time performance in July and August, which included bad weather and the CrowdStrike IT outage. Safety will always take priority over timeliness.

Recommendations

We recommend you:

- | | | |
|---|--|----------|
| 1 | approve the attached On-Time Performance Report for publication on the Ministry's website | Yes / No |
|---|--|----------|

S Routledge

 Siobhan Routledge
Director - Aviation
 25 / September / 2024

 Hon Simeon Brown
Minister of Transport
 /

- Minister's office to complete:**
- | | |
|--|---|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Seen by Minister | <input type="checkbox"/> Not seen by Minister |
| <input type="checkbox"/> Overtaken by events | |

Comments

Contacts

Name	Telephone	First contact
Siobhan Routledge, Director – Aviation	s 9(2)(a)	
Tom Forster, Manager – Aviation		✓
Natalie Howell, Senior Advisor – Aviation		

The Aviation on-time performance report for July and August 2024 is refused under section 18(d) as it's available here: <https://www.transport.govt.nz/assets/Uploads/Aviation-on-time-performance-July-August-2024.pdf>

27 September 2024

OC241090

Hon Simeon Brown
Minister of Transport

MEETING WITH THE NEW ZEALAND AIRPORTS ASSOCIATION

Snapshot

You are to meet with Billie Moore, Chief Executive of the New Zealand Airports Association (NZ Airports), on 1 October 2024. This briefing covers issues she has signalled she would like to raise at the meeting.

Time and date	1:30 pm, 1 October 2024
Venue	Minister's office, EW5.1, Beehive
Attendees	Billie Moore (Chief Executive)
Officials attending	Siobhan Routledge, Director Aviation, Policy Group
Agenda	No specific agenda
Talking points	See Annex 1

Contacts

Name	Telephone	First contact
Siobhan Routledge, Director Aviation, Policy Group	s 9(2)(a)	
Tom Forster, Manager, Aviation		✓

MEETING WITH THE NEW ZEALAND AIRPORTS ASSOCIATION

Key points

- Many aviation participants are concerned about upcoming increases in government fees and charges affecting the sector, which they expect will have a negative impact on passenger numbers and New Zealand's tourism recovery.
- NZ Airports is concerned about the challenges associated with regional connectivity in New Zealand. NZ Airport's long held view is that the government should provide bespoke funding to promote wider regional air connectivity. The Regional Infrastructure Fund (RIF) offers a potential source of support in this area.
- You will be speaking at the *NZ Airports Hui 2024* on 12 November 2024. The Hui will give you the opportunity to signal your priorities for the civil aviation sector.

Many aviation participants are concerned about upcoming increases to fees, charges and levies

- 1 The Civil Aviation Authority (CAA) is carrying out consultation on pricing options to meet its forecast funding shortfall, replenish reserves, and return to sustainability. A range of government agencies have also recently signalled upcoming increases to other fees and charges, such as border processing levies, the International Visitor Conservation and Tourism Levy, and immigration visa fees.
- 2 Many aviation participants, including airports, are concerned about the cumulative effect these increases may have on passenger numbers and the competitiveness of New Zealand as a tourist destination.
- 3 You have emphasised to the CAA that increases to fees, levies, and charges must be proportionate and reasonable, and deliver tangible results for both the sector and passengers. Billie Moore has signalled she would like to discuss with you how NZ Airports can help to support the achievement of these objectives.

Consultation is under way on alternative delivery arrangements for aviation security services

- 4 On 27 August 2024, we released a discussion document to a targeted group of stakeholders, including NZ Airports, seeking feedback on options to increase flexibility in the delivery of aviation security services. The document sets out options for outsourcing aviation security services to airlines and airports. The purpose of the consultation is to gauge the interest of airports and/or airlines to deliver specific aviation security services at airports.
- 5 The consultation closes on 22 October 2024. The feedback received will help determine the next steps for this work. We understand that NZ Airports is working with individual airports to develop a submission.

There are currently risks to regional air connectivity

- 6 NZ Airports are concerned about the current challenges and uncertainty faced by regional airports. They believe that the challenges identified in their 2017 publication, "*Linking the long white cloud*" have if anything intensified since then, and that the

recommendation at the time that the government should provide bespoke funding to support wider regional air connectivity remains relevant.

[COMMERCIAL-IN-CONFIDENCE]

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s 9(2)(b)(ii), s 9(2)(g)(i)

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9

We understand that Billie Moore may be looking to organise a meeting with regional airlines and airports to identify possible sector-driven solutions to regional connectivity issues.

10

s 9(2)(b)(ii)

s 9(2)(f)(iv)

Airports have been seeking greater transparency on airfares and airline performance

11

NZ Airports has publicly called for domestic airfares and airline performance to be disclosed to provide greater transparency for consumers.

12

You asked us to develop a monthly on-time performance report for airlines, to provide insights into on-time arrivals, departures, and cancellations and give New Zealanders a clear picture of how well our aviation services are performing.

13

The recently released first report only covers jet services to the main trunk airports. NZ Airports is interested in on-time performance reporting to and from regional airports. We will work with airlines to extend the reporting to include regional and international services.

14

We will also explore options to introduce public reporting on airfares. This would further enhance transparency in the sector and empower consumers with the information they need to make informed decisions and encourage greater competition within the market.

You will be speaking at the NZ Airports Hui on 12 November 2024

15

The theme for the Hui, which will be held in Hamilton over 11-14 November 2024, is 'Stronger Network – Better New Zealand'.

16

The Hui will give you the opportunity to signal your priorities for the civil aviation sector, building on the messages you presented in your speech to the Aviation Industry Association Conference on 27 August 2024.

Biography

Billie Moore, Chief Executive



Billie has been Chief Executive since December 2022. She has extensive government and stakeholder management experience. Billie is a former diplomat and served as New Zealand’s Consul-General to New South Wales and Queensland for four years. She returned to Wellington in 2019 to lead government relations for Tourism New Zealand, including joining its executive team during the response to Covid-19.

Prior to her current role, Billie was chief adviser at the Ministry for the Environment, working with the chief executive and executive team across the Ministry’s engagement and key relationships.

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Annex 1: Talking Points

MEETING WITH THE NEW ZEALAND AIRPORTS ASSOCIATION

Government fees and charges

- I'm aware that some aviation participants are concerned about how the fees and levy increases planned by several government agencies, including the Civil Aviation Authority (CAA), will affect the sector.
- I've been clear to the CAA that increases to fees, charges and levies must be proportionate and reasonable, and deliver tangible results for both the sector and passengers. I strongly encourage you to participate in the CAA's consultation process.

Regional connectivity

- I understand the significant challenges being experienced by some regional airports. The Regional Infrastructure Fund may offer an avenue of support to address regional connectivity issues in some cases.
- What solutions do you see to help address regional connectivity issues?

Consultation on alternative delivery arrangements for aviation security services

- What are your views on the options for outsourcing aviation security services to the airlines and airports presented in the Ministry of Transport's consultation document?

Transparency on airfares and airline performance

- The Ministry of Transport has begun to produce monthly on-time performance reports for airlines, reflecting my commitment to improving transparency and performance reporting. The reports will give both the sector and New Zealanders a clear picture of how our aviation services are performing.
- I've asked officials to also explore options to report publicly on airfares. This would further enhance transparency, empower consumers with information to make informed decisions, and encourage greater competition within the market.

NZ Airports Hui on 11-14 November 2024

- Thank you for inviting me to participate in the Hui. I note the theme is '*Stronger Network – Better New Zealand*'. What are your main priorities for this event?

27 September 2024

OC241108

Hon Simeon Brown
Minister of Transport

MEETING WITH BOARD OF AIRLINE REPRESENTATIVES NEW ZEALAND

Snapshot

The Board of Airline Representatives New Zealand (BARNZ) represents airlines operating in New Zealand. You are scheduled to meet with Cath O'Brien on 1 October 2024. This briefing provides background information on issues BARNZ may raise.

Time and date	1.00 - 1:20pm, 1 October 2024
Venue	Minister's office, EW5.1, Beehive
Attendees	Cath O'Brien, Executive Director
Officials attending	Siobhan Routledge
Agenda	No specific agenda
Talking points	See Annex 1

Contacts

Name	Telephone	First contact
Siobhan Routledge, Director Aviation, Policy Group	s 9(2)(a)	
Tom Forster, Manager, Aviation		✓

MEETING WITH BOARD OF AIRLINE REPRESENTATIVES NEW ZEALAND

Key points

- Following the Commerce Commission's draft report on Auckland Airport's charges, BARNZ persists in calling for a government inquiry into airport regulation, with the understanding that final decisions will be made once the Commission's final report is completed by March 2025. ^{s 9(2)(f)(iv)}
[REDACTED]
- The new Mānawa Bay shopping centre at Auckland Airport is reported to have caused significant traffic congestion getting to and from the airport. BARNZ is concerned that airlines fund the roads leading to the shopping mall, yet the returns from the mall do not contribute towards funding aeronautical investments at the airport. ^{s 9(2)(f)(iv)}
[REDACTED]
- The Ministry has released its first report on-time performance, which covers jets flying New Zealand domestic routes. We will work with BARNZ to extend it to international airlines.
- Many aviation participants are concerned about upcoming increases in government fees and charges affecting the sector, which they expect will have a negative impact on passenger numbers and New Zealand's tourism recovery.

Auckland Airport Pricing

- 1 In July, the Commerce Commission released its draft report on Auckland Airport's pricing for the five-year period from 1 July 2022 to 30 June 2027. The Commission's preliminary view is that the Airport's planned investment appears appropriate based on the information received. However, the Commission concluded that the Airport's charges over the five-year period are excessive, with the Airport expected to earn about \$200 million in excess profit compared to the Commission's benchmark.
- 2 BARNZ submitted domestic demand studies to the Commission and Auckland Airport during the price-setting process. ^{s 9(2)(b)(ii)}
[REDACTED]
- 3 In response to the draft report, airlines have reiterated calls for the Government to urgently commission an independent inquiry into airport regulation. The Minister of Commerce has previously indicated that any decision on whether to commence an investigation into airport regulation will be made after the Commission issues its final report, expected no later than 31 March 2025.

- 4 ^{s 9(2)(f)(iv)}
[REDACTED]

5

s 9(2)(f)(iv)

Currently the information disclosure requirements in the Commerce Act applies to Wellington, Christchurch, and Auckland airports.

s 9(2)(f)(iv)

6

If questioned, you should let BARNZ know that decisions will be made on the next steps once the Commission has published its final report on Auckland Airport's pricing.

s 9(2)(f)(iv)

Mānawa Bay shopping centre

7

A new premium outlet shopping centre, Mānawa Bay, opened within the Auckland Airport precinct on 19 September 2024. It features 188 shops and 2,500 car parks.

8

During the opening weekend, significant congestion hindered travellers and workers trying to access the airport. This resulted in one flight being delayed as the crew was stuck in traffic.

9

The New Zealand Transport Agency (NZTA) is working closely with Auckland Airport to minimise delays. Airport journey timings are now displayed at 26 locations across Auckland.

10

The Airport is likely to face ongoing traffic congestion, particularly during busy retail periods like Christmas, Easter, and school holidays. Future planning for key high-demand shopping days is underway between the Airport and NZTA, and lessons identified from the opening weekend will support this planning.

11

According to BARNZ, airlines were not consulted about the mall development and had no chance to discuss traffic flow, demand for the mall, or its impact on passengers and staff. BARNZ notes that the roads developed by the Airport to the new outlet mall have been included in aeronautical pricing, and airlines have paid up to s 9(2)(b)(ii) of the road costs.

12

Airlines are concerned that the commercial profits from Auckland Airport's activities do not support its aeronautical business. Money earned from the mall does not contribute to the airport rebuild underway.

s 9(2)(f)(iv)

On-Time Performance (OTP) Reporting

13

Following your announcement to commence OTP reporting, the Ministry has developed and published the first report on Friday 27 September.

s 9(2)(f)(iv)

- 14 BARNZ was disappointed that they had not been consulted prior to the announcement. However, following your announcement we met with the airlines and BARNZ to discuss the report, and they made a number of suggestions.
- 15 Following this meeting, you agreed that we would start with domestic jets and gradually extend the report to include international and regional travel. The airlines also suggested alternative data sources and Air New Zealand and Jetstar provided the data used for the first report.
- 16 We will continue to work with BARNZ and the airlines as we undertake work to extend the OTP report to include regional and international services.

Ohakea

- 17 Ohakea airbase is used as an emergency alternative port for some long haul international flights to Auckland. When Ohakea is not available as an emergency alternative, aircraft need to use another alternative port, generally Christchurch Airport. Using Christchurch requires planes to carry more fuel, which affects aircraft weight and, therefore, passenger and freight capacity.
- 18 Progress has been made regarding the firefighting issues that had previously been an issue at Ohakea. However, Ohakea's availability remains limited due to the lack of overnight air traffic controller (ATC) services.
- 19 BARNZ is working with Airways on possible solutions to the ATC issues.

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Border levy increases

- 21 The Civil Aviation Authority is carrying out consultation on pricing options to address its forecast funding shortfall, replenish reserves, and return to sustainability. This process follows recent government consultations on other proposed fee increases, including the International Visitor Conservation and Tourism Levy, as well as immigration visas.
- 22 The airline sector is concerned about the cumulative impact of rising border charges on New Zealand's competitiveness as a destination. BARNZ believes these increasing costs will make New Zealand unattractive, as international airlines will need to pass the additional expenses on to travellers.
- 23 BARNZ has informed the Ministry that visitor demand for New Zealand is soft, and airlines are observing this in bookings during New Zealand's traditional peak season, particularly in February and March.
- 24 BARNZ and NZ Airports have asked for a meeting with Minister Doocey to discuss the impacts of the border levies on tourism.

Biographies



Cath O'Brien, Executive Director of Board of Airline Representatives NZ

Cath O'Brien, leader of BARNZ, is a strong advocate for aviation recovery in New Zealand. With a background in aviation and energy regulation, she effectively represents BARNZ members, particularly on airport pricing. Before joining BARNZ in 2022, she was Head of Regulatory Affairs at Air New Zealand, working on sustainable aviation and Covid-19 response. She holds a Masters in Art History and has studied at the London School of Economics (LSE) and Harvard.

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Annex 1: Talking Points

MEETING WITH BOARD OF AIRLINE REPRESENTATIVES NEW ZEALAND

Auckland Airport Pricing

- Once the Commission makes its final determination the Minister of Commerce will decide on the next steps regarding the regulatory settings for aviation.

Mānawa Bay Shopping Centre

- NZTA is working closely with the airport to minimise traffic delays. Future planning is also underway for key high-demand shopping days.

On-time performance reporting

- I am committed to improving transparency and performance reporting.
- I want to make it very clear that this reporting is not intended to undermine the industry's commitment to making safety its first priority.

Ohakea Airport

- Are there other solutions you have explored with Airways outside the current proposals?

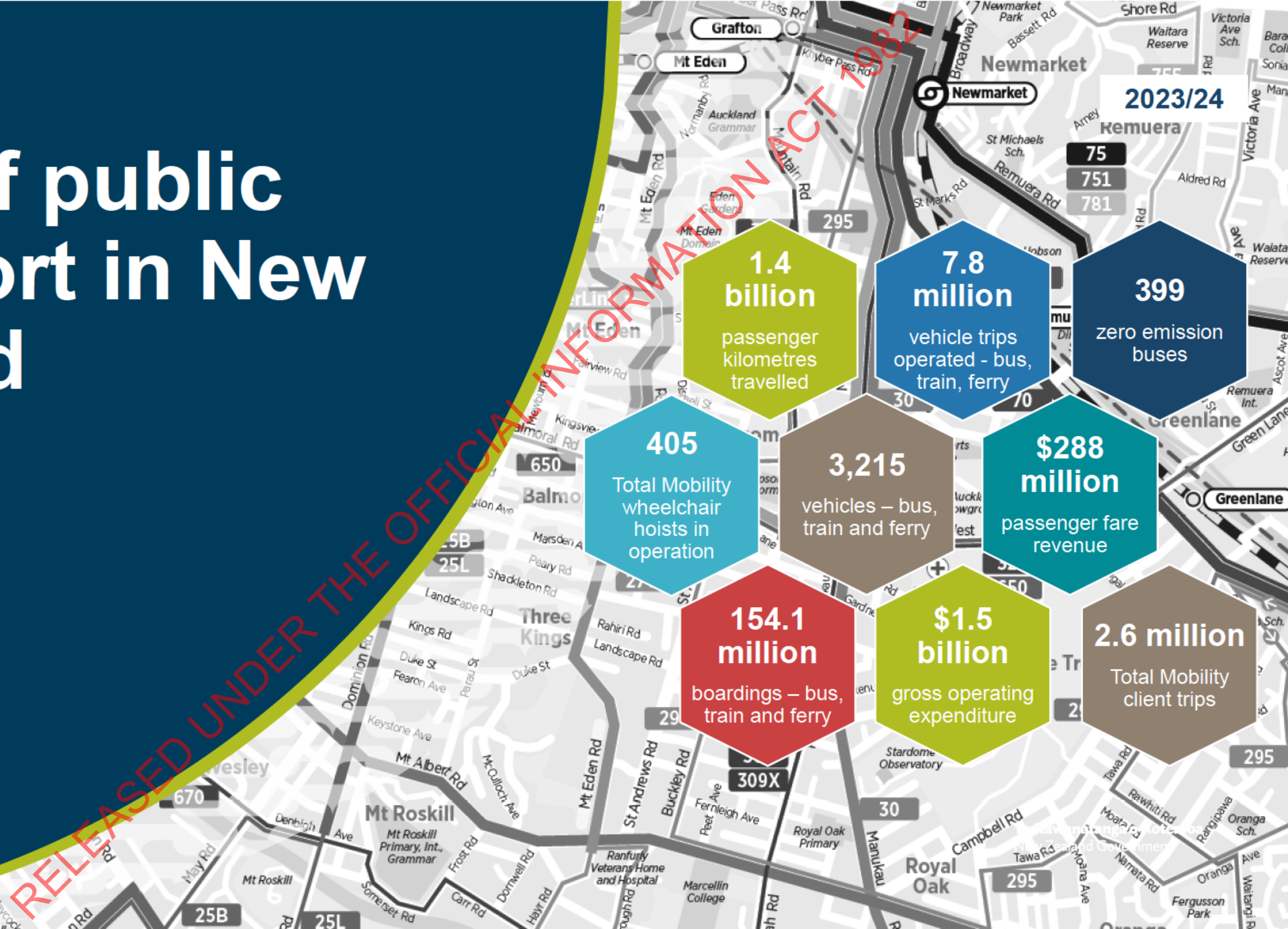
Border Levy Increases

- This Government is committed to delivering better results and improved public services for New Zealanders while managing within tight fiscal constraints. Value for money delivery of services and fiscal sustainability expectations apply to all public services, including those that are funded through third party fees, charges and levies.

State of public transport in New Zealand

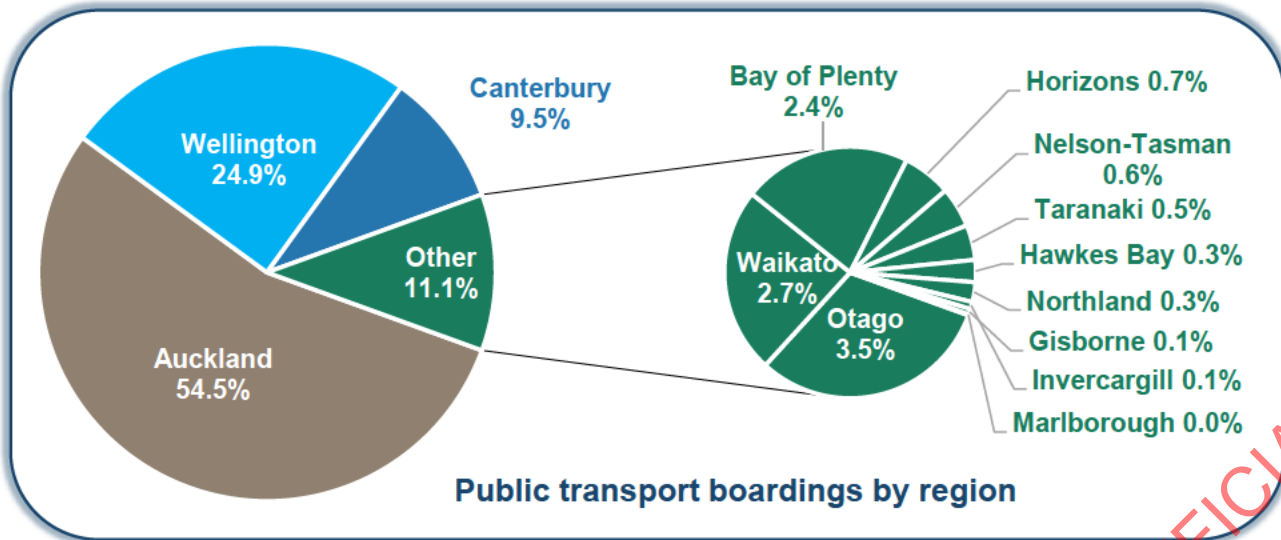
2023/24

16 September 2024



Public transport boardings by region, mode and concession type

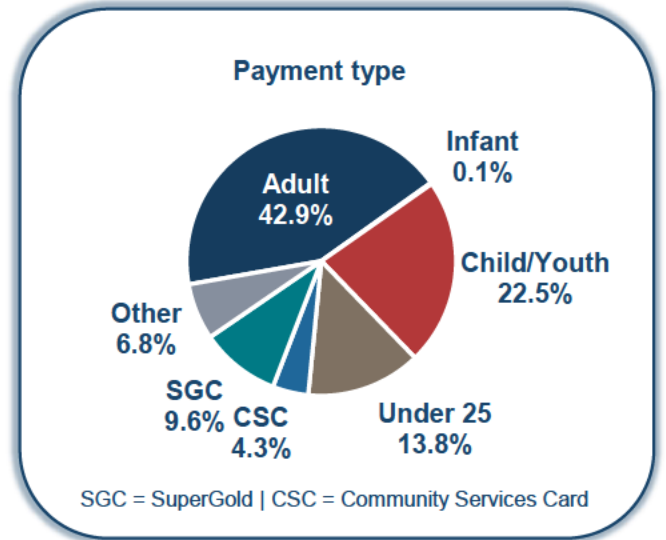
2023/24



Crown fare concessions (SGC and CSC) account for **14%** of all boardings

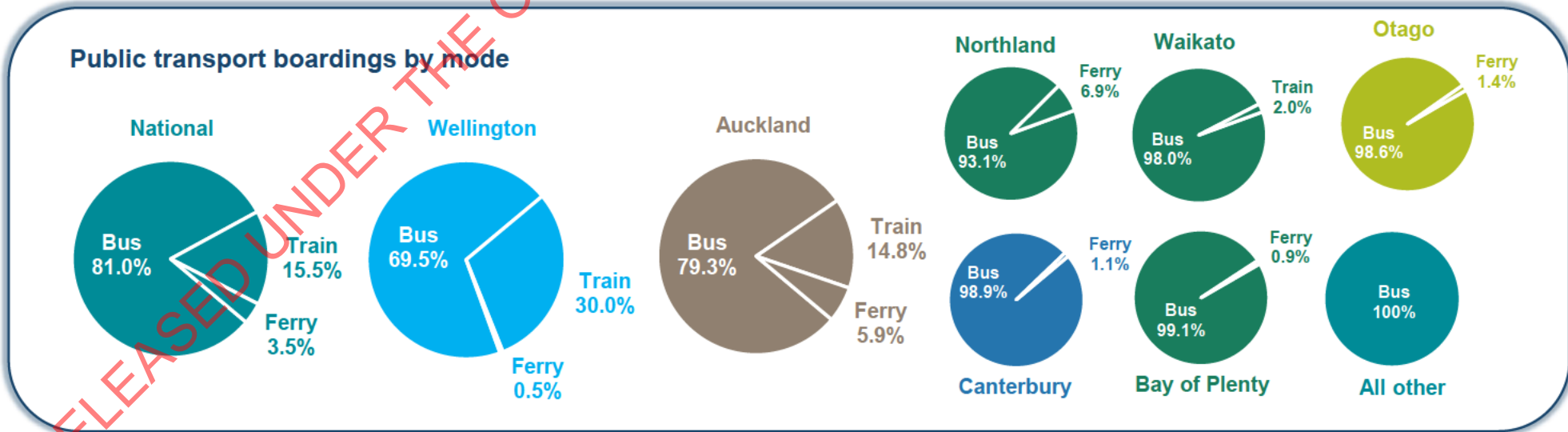
Nationally defined fare concession for child/youth account for **23%** of all boardings

NB: Under 25 is no longer available in most regions following its removal from Community Connect funding in Apr 2024.



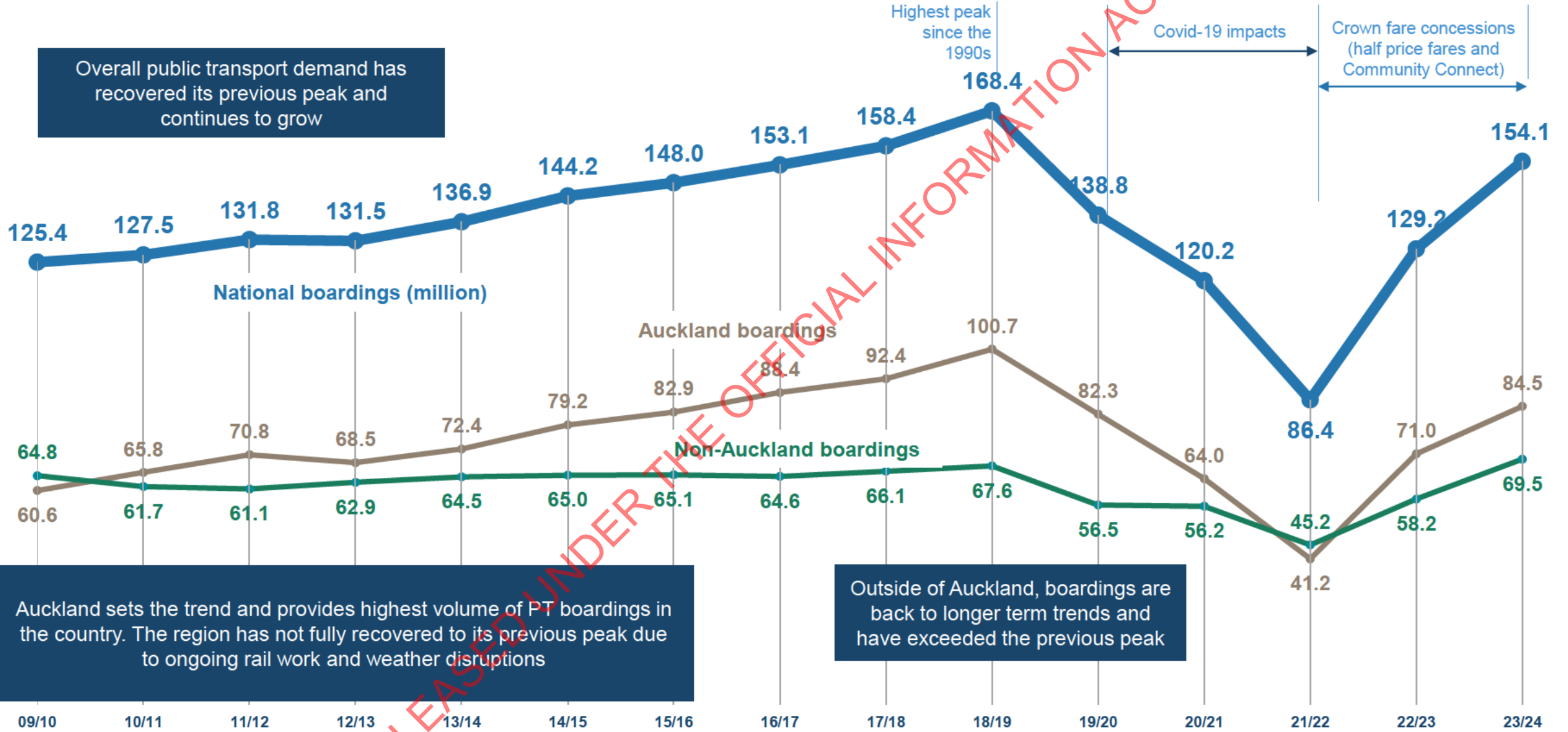
Auckland and Wellington account for **80%** of total public transport boardings. Almost **90%** of boardings are from the 3 largest regions only

Over **80%** of total public transport boardings nationally are on buses.

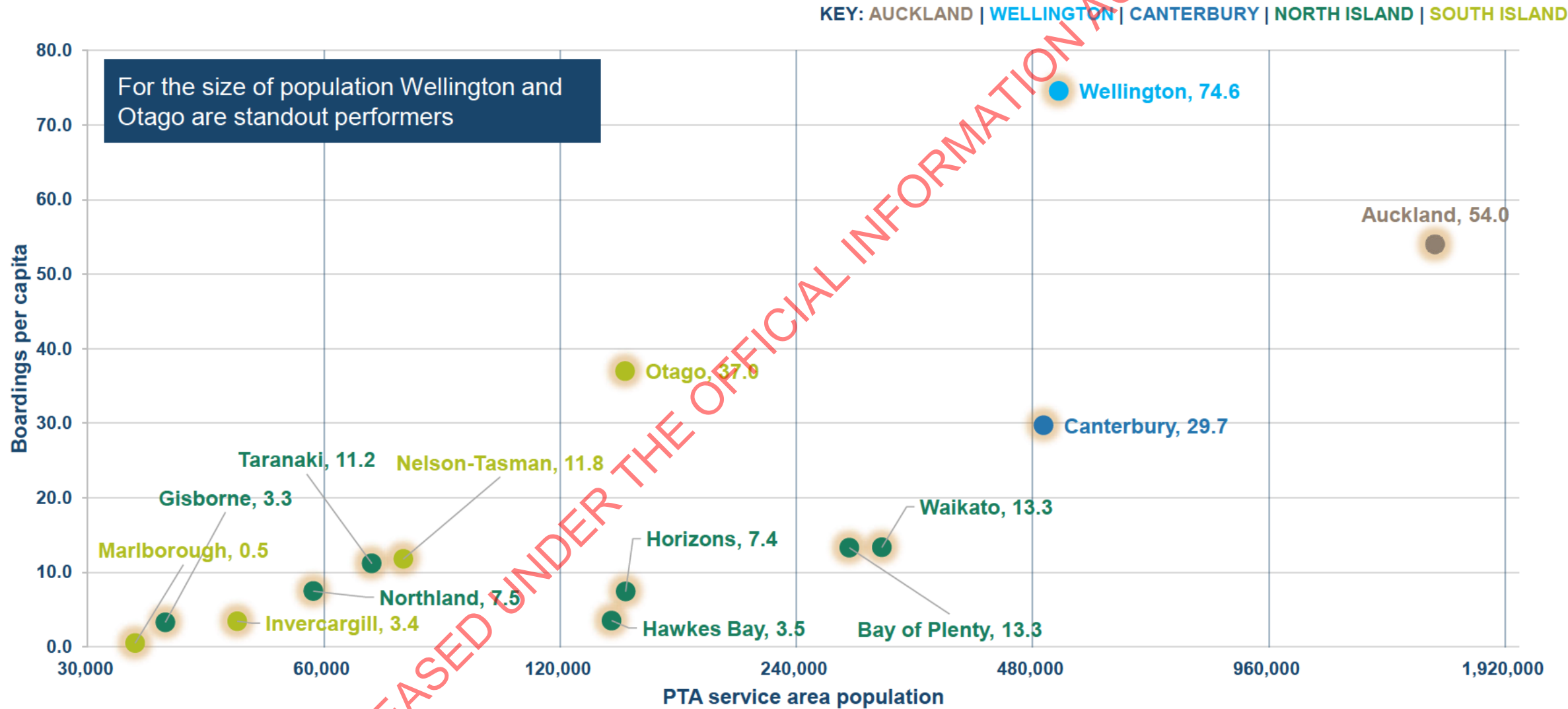


Public transport boardings over time

2023/24



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Note: Per capita is based on service area population, using statistical area 2 (SA2) medium population projections from StatsNZ for 2023 using 2018 census as base. SA2 areas included that have bus stops within them and are part of a functional urban area.

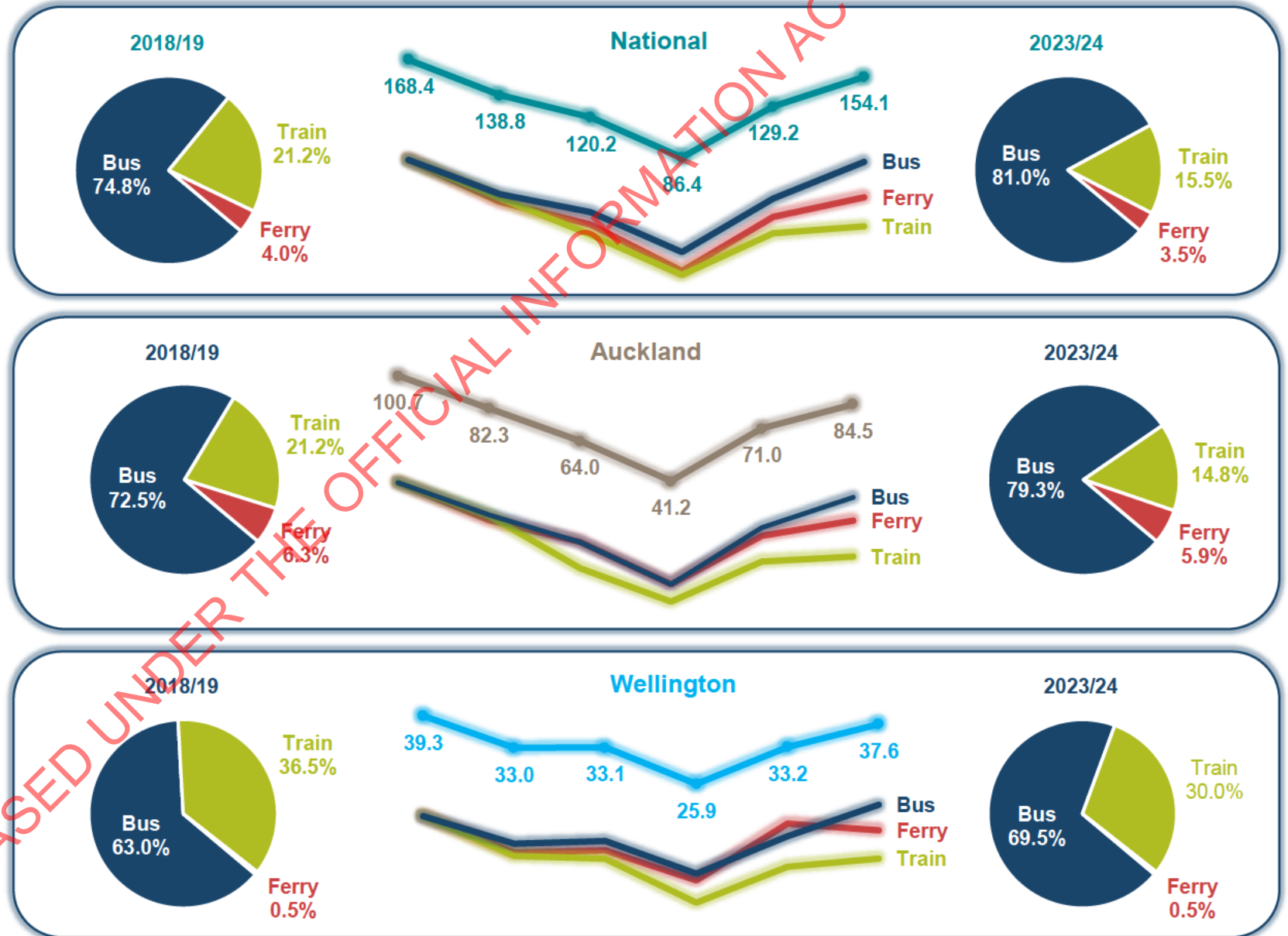
Public transport boardings by mode – since 2018/19 - 2023/24

2023/24

Bus boardings are increasing faster than train and ferry boardings

Ongoing rail disruption is holding back growth in Auckland and Wellington.

Rail is expected to maximise its share in the market once key projects open and disruption eases, e.g. Papakura to Pukekohe, CRL



NB: Chart has been plotted so each mode has the same index value for 2018/19

Performance of public transport services – reliability, punctuality, cancellations

2023/24

Reliability trips that depart on time

Cancellations difference between scheduled and operated trips

Punctuality trips that depart and arrive on time

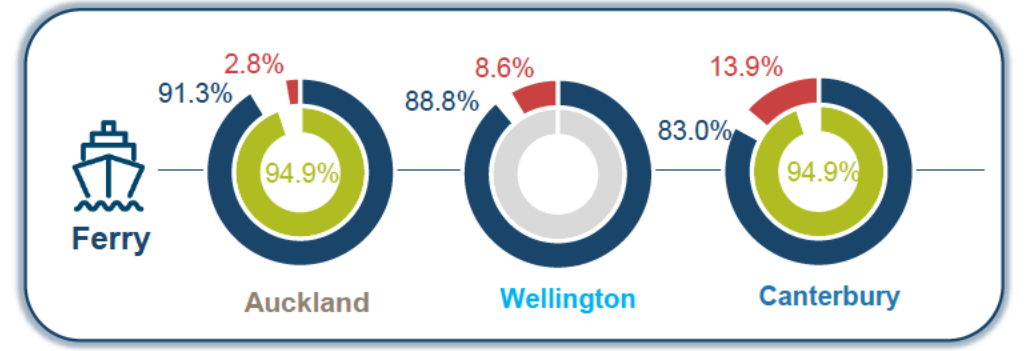
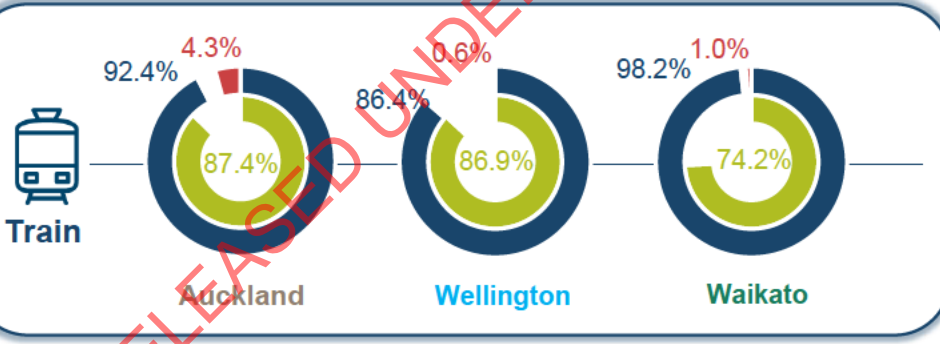
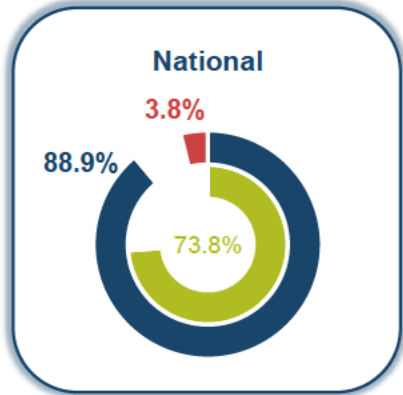
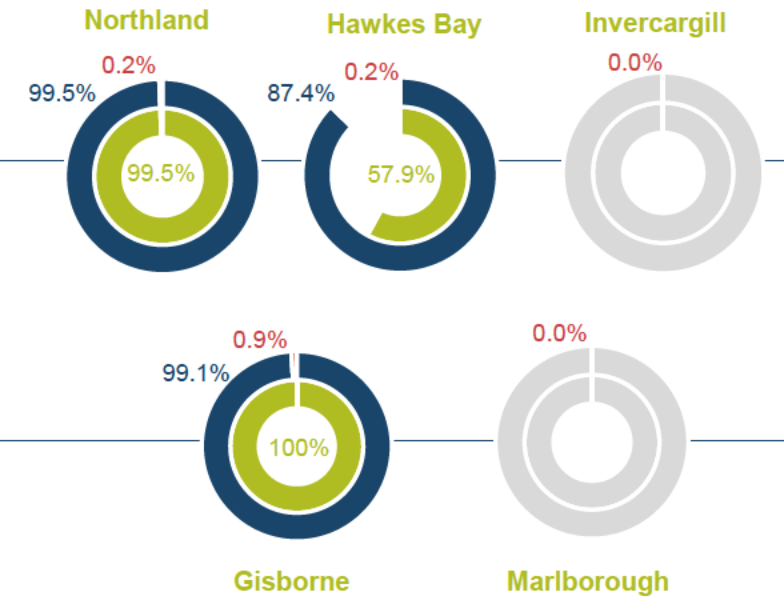
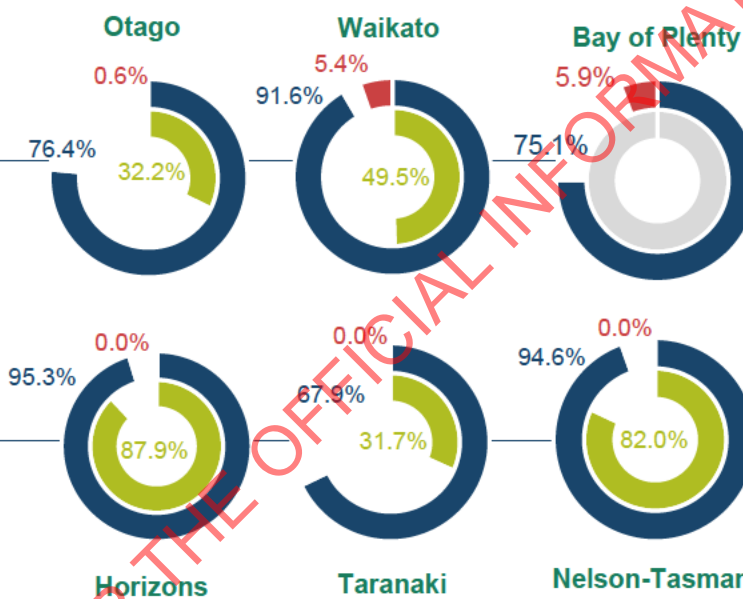
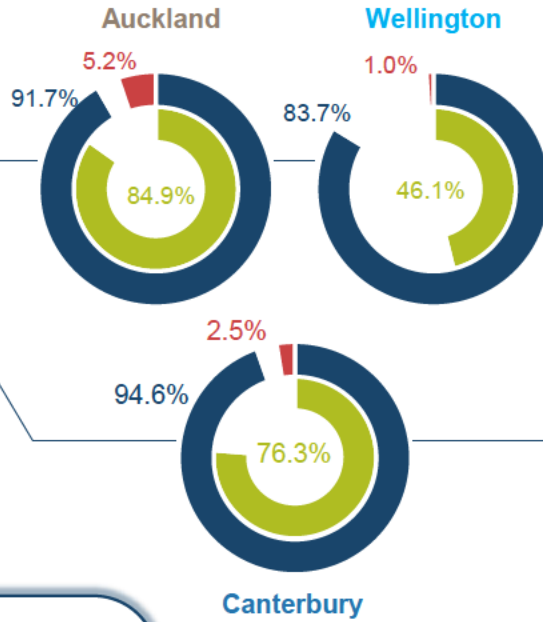
Large regions

Medium regions

Smaller regions

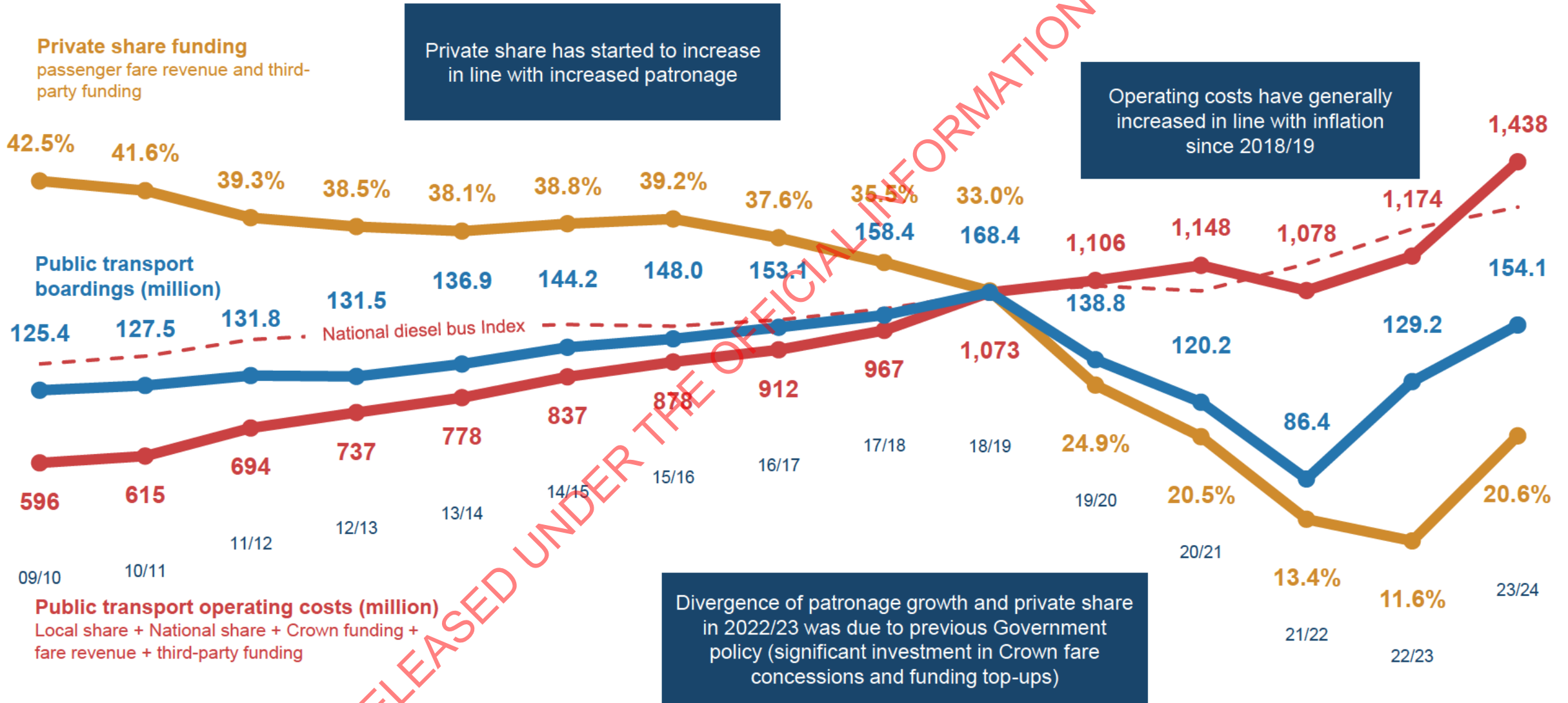


Bus



Boardings, operating costs and private share trends over time

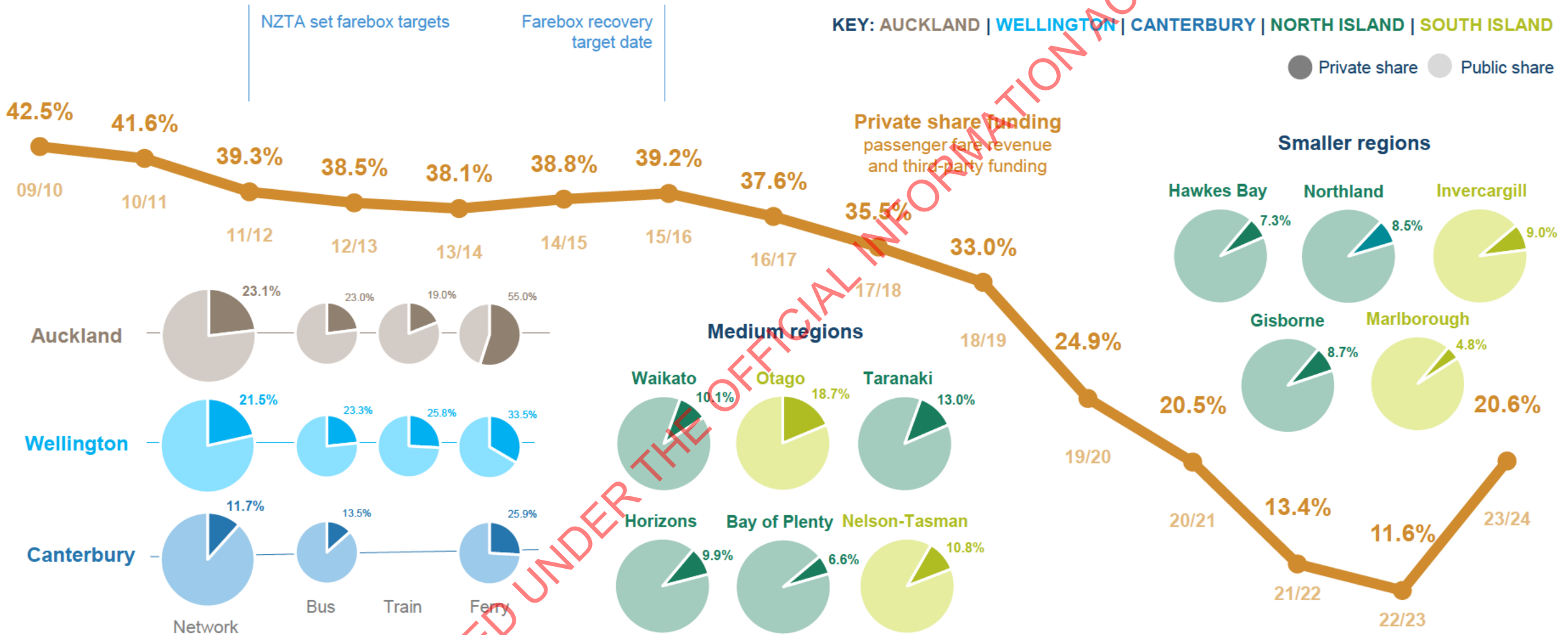
2023/24



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Private share of public transport operating expenditure

2023/24



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Key Findings: Where to from here?

Patronage

- Patronage outside of Auckland is now exceeding 2018/19 peak and back to long-term trends.
- Auckland PT usage is growing but remains below its 2018/19 peak, impacting national figures as Auckland represents over 50% of national patronage
- Bus patronage is leading growth in Auckland, with rail and ferry usage impacted by disruptions and not reaching their full potential
- Improved service reliability and on-time performance will help sustain bus patronage growth and lift rail and ferry patronage nationally
 - Auckland rail performance will improve post-completion of track work and City Rail Link
 - Increased infrastructure investment will improve bus on-time performance

Service performance reporting

- NZTA is focusing on improving service performance reporting nationally
- Improvements have been made, but further work is needed to improve data quality, which will benefit oversight and monitoring and inform patronage uplift measures

Operating expenditure and private share funding

- Since 2018/19, PT operating expenditure has increased in line with input cost increases, particularly fuel and labour
- Private share funding has increased between 2022/23 and 2023/24 and is trending up, driven by:
 - Patronage growth nationally
 - Reducing the scope of Community Connect to Community Service Card holders (reduced Crown subsidy)
 - Fare level increases across several regions, particularly Auckland
- Work is underway with PTAs to further increase private share funding

Discussion points

Increasing Private Share (IPS)

- **Increasing private share project launched and is underway with PTAs, including:**
 - establishing nationally consistent measures,
 - setting interim regional targets,
 - conducting research, and
 - developing policies and initiatives to drive private share growth.
- **Success requires enhanced cooperation between Regional and City councils,** encouraging innovative thinking and adopting a more business-oriented approach to service delivery and maximising value from PT assets in collaboration with the private sector.
- There is also an opportunity for NZTA and MoT to review and **ensure appropriate incentives** are in place for PTAs to accelerate progress and ensure ongoing improvement.

Improve local government (PTA) procurement

- Significant re-tendering to occur this NLTP 24-27 period, particularly bus contracts.
- A short window of opportunity but high potential to influence the sector
- Need clear expectations regarding LTMA changes to maximise certainty for the sector, including enabling value for money.
- Updating NZTA operational policies will help foster a competitive and efficient supplier market. Key focus areas:
 - PT procurement manual for PTAs,
 - standardising key contracting elements nationally,
 - fostering innovation and improving procurement practices, and
 - increasing data and information transparency.