



MINISTERIAL BRIEFING NOTE

Subject CERF Transport Choices programme
Date 7 December 2023
Briefing number BRI-2921

Contact(s) for telephone discussion (if required)				
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Action taken by Office of the Minister

- Noted
- Seen by Minister
- Agreed
- Feedback provided
- Forwarded to
- Needs change [please specify]
- Withdrawn
- Overtaken by events

5 December 2023

Hon Simeon Brown – Minister of Transport

CERF Transport Choices Programme

Introduction

1. This briefing provides you with more detailed information from the NZ Transport Agency Waka Kotahi (NZTA) about the Transport Choices programme – specifically, what has been built, what has been spent and what funding can be returned.
2. This briefing builds upon prior advice provided to you from the Ministry of Transport Te Manatū Waka (OC230950 refers) and our own briefing on Crown funded programmes, dated 28 November 2023 (BRI-2886 refers), which provide broader information regarding the Climate Emergency Response Fund.
3. Of the \$305 million in approved funding for the programme: \$164.5m has been spent or committed (via signed funding agreements), leaving \$140.5m in uncommitted funds (projects for which no Schedule 2 funding agreement¹ has been signed).
4. We have a substantial risk with a small number of key 'inflight'² projects that we have partly funded (works which cannot be completed without full funding) and that have already begun construction. They are also enablers for key projects in other programmes of work. This amounts to \$16.4m which, if you agree to fund, leaves \$124.1m in uncommitted funding that could be returned.
5. There is an additional group of projects (total funding value of \$40.7m³) that could be considered for funding approval. These projects are at less critical stages of implementation and market engagement but represent a strong benefit to stakeholders and pose a significant degree of potential political risk and dependency, should they be cancelled.
6. Should you wish to commit the required funding and mitigate these risks (\$40.7m), this would return a final balance of \$83.4m to the Crown.
7. This briefing provides you with an overview of the funding commitments related to the Transport Choices programme and additional information relating to the above options.

¹ NZTA's Funding Agreements with councils are divided into two parts: Schedule 1 agreements cover pre-implementation activities (planning; Schedule 2 agreements relate to the construction activities required to deliver the project.

² *Inflight projects* are those that met the criteria, aims and objectives of the CERF Programme and have been partially funded towards delivery with councils beginning to engage external providers and suppliers (in some cases with contracts already in place).

³ Note the original total figure for this component was originally \$32.2m. Since the original drafting Christchurch City Council has withdrawn the Westmorland Cycle Project, so this has been removed and replaced in Appendix 2 with the New Plymouth District Council 'Cycling networks and access improvements package,' which was endorsed by their Elected Members on 6th of December 2023. This has adjusted the total for the list of additional potential projects, but has no impact on the 'Inflight' proposals.

Transport Choices – Additional Detail

8. Transport Choices aims to deliver more choices for local communities at pace, using cost effective standardised delivery solutions.
9. Along with the Vehicle Kilometres Travelled (VKT) Reduction programme, the Transport Choices programme is funded from the Crown's Mode Shift Appropriation.
10. Total programme funding is \$305m (to 30 June 2025), with \$278m made available to participating councils to fund the implementation of Transport Choices projects, as well as providing a council support package, contingency support and overhead recovery.
11. There was extremely strong council interest in the programme, with more than 125 projects from 46 councils in 13 regions across the country that submitted to NZTA for consideration in August 2022. All of the major urban areas were represented (Auckland, Hamilton, Tauranga, Wellington, Christchurch). Gisborne, Marlborough, West Coast, and Southland are the regions not currently represented in the TC programme.
12. In August 2023, the Government directed NZTA to find \$50 million in savings from the joint Transport Choices / VKT appropriation.
13. As of 20 October 2023, when the decision to pause CERF-related funding approvals was announced, \$153m of the \$278m available to councils had been committed through funding agreements with councils (\$164.5m including additional operating and support costs).
14. The \$164.5m noted as committed funding does not include any contingency figure. Originally \$26m was assigned for Programme Contingency, with \$18m held for funded project overruns and \$8m held by Ministers as general contingency.
15. The Contingency reduced from \$26m to \$13m (\$8m Ministerial and \$5m for project over-runs) in the \$50m savings initiative. An approximately 10% contingency has been factored into the implementation costs of the committed council projects.
16. In September 2023, the then Minister of Transport and Minister of Finance granted a 12-month extension to all Transport Choices initiatives, taking the delivery deadline through to June 2025.
17. On 20 October 2023, following the General Election, it was agreed that NZTA should pause all future CERF-funding commitments, in line with the conventions of operating under a caretaker government. This pause has been communicated to all key stakeholders.
18. The overall funding summary for the Transport Choices / VKT appropriation is set out in Appendix 1.
19. There are 186 projects (making up over 90 work packages). 109 have met our requirements but are subject to the current funding pause. 15 have been declined/deferred and 62 have been committed (approved for implementation).
20. Appendix 2 provides a full list of the inflight projects and other projects which NZTA is recommending for implementation funding. Table 1 (below) shows all fully completed projects to date.

Table 1: Completed projects

Council	Project
Auckland Transport	Hendry Ave cycleway
Matamata-Piako District Council	Morrinsville Recreation Ground walkways
Hamilton City Council	Killarney Road - Queens Ave to Western Rail Trail
Hamilton City Council	Lake Road / Commerce St Roundabout
Hamilton City Council	Anglesea St South

21. A key milestone for Transport Choices was 27 October 2023, when councils were required to submit the final designs for all the remaining proposed Transport Choices projects. NZTA has evaluated the projects that completed their pre-implementation requirements and is now well placed to finalise the programme once direction is received from you.

Uncommitted funding – specific risks to note

22. The \$16.4m in additional recommended funding approvals to enable the full completion of partially completed works is designed to manage a specific set of risks and issues that emerged as a result of the interaction between the original delivery timeframes, expression of interest deadlines, contracting, and the timing of the General Election.
23. The most significant issue relates to councils that have signed contracts with contractors to undertake work on their project, prior to having a signed Schedule 2 agreement in place.
24. The time pressure associated with the original delivery schedule meant that councils felt that it was critical to ensure contractors were secured to undertake the work within the 2023-2024 Summer construction window, which required contracts to be in place before the summer began.
25. While guarantees were never made regarding implementation funding, there was an expectation by councils that if they met the Transport Choices programme criteria they would proceed to implementation. The funding envelope available at the time supported this assumption.
26. Many local authorities made commitments to their communities and have secured construction partners, based on meeting the programme criteria. A further decrease in the funding envelope may negatively impact on relationships with local authorities and the construction sector.
27. Local authorities have indicated that they require timely guidance on next steps and a number have written to you directly, asking for funding to be approved.
28. Appendix 2 provides the full list of approved programmes and the options for returning uncommitted funding to the Crown.

Risk Assessment

29. This section provides a more specific summary of each key risk that needs to be managed.

30. **Market contracts in place/ funding required for project completion - risk to market trust and confidence, future availability:** NZTA is aware of four⁴ councils/projects that have already engaged with the market and have signed contracts in place. The total value of these contracts is approximately \$8m. Should no further funding be provided, councils will need to terminate these contracts or be left holding assets like bus shelters and not be able to install them. Not providing funding poses potential flow-on reputational risks for the Crown, the councils, and the affected commercial providers. Additionally, councils will expect to pass on any penalty fees and exit costs to NZTA.
31. **Community/Local Government disappointment - reputational risk to Crown and Councils/AOs:** All councils have engaged widely with iwi and local communities as part of the pre-implementation process (it is a funding condition). Of the inflight projects NZTA recommends funding, six⁵ of the seven have featured particularly significant levels of community engagement. Failing to fund these works is likely to leave a lasting impact on local community partners and stakeholders.
32. **Negative impact on other dependent initiatives – delivery risk to dependent programmes:** A number of the recommended and inflight projects are directly connected to other initiatives, such as Streets for People, Low cost, low risk programmes and maintenance works. For example, Transport Choices funding would have enabled the completion of specific connecting sections of cycleways and other networks or potentially covered costs of work which may have been included in future maintenance budgets. Cancelling the Transport Choices component of these wider work packages will mean councils are unlikely to be able to complete the work as a whole, as the Transport Choices funding was the sole source of funding for these components within the wider package of initiatives.

⁴ Tasman District Council, Western Bay District Council, Waikato Regional Council, Christchurch City Council).

⁵ Auckland Transport - Northwestern Busway Feeder Routes; Christchurch City Council - sustainable school travel Linwood schools cluster and public transport improvements; Dunedin City Council – South Dunedin Schools; Tasman District Council – intersections and crossings; Waikato Regional Council – real time passenger information displays.

- 33. These are the core, specific risks that NZTA recommends mitigating for affected councils, based on the inflight and other recommended projects in Appendix 2.

It is recommended that you:

- 1. **Note** that \$164.5m of the \$305m approved funding for the CERF Transport Choices programme has been spent or committed. This does not include any programme contingency funding, and that approximately 10% contingency has been factored into the implementation costs of committed projects.
- 2. **Note** that \$16.4m would be required to fund inflight projects, which leaves \$124.1m in uncommitted funding that could be returned.
- 3. **Note** that a further \$40.7m would be required to fund additional recommended projects (leaving \$83.4m in uncommitted funding that could be returned).
- 4. **Note** not funding the inflight and other recommended projects presents significant delivery, financial, related dependencies, and reputational risks.
- 5. **Advise** your preferred option for the remaining funding:
 - a. **Option 1:** agree \$16.4m for inflight projects and return \$124.1m to the Crown. Yes / No
 - b. **Option 2:** in addition to Option 1, agree \$40.7m in further funding for additional recommended projects and return \$83.4m to the Crown. Yes / No
 - c. **Option 3:** agree no funding should be allocated to the in-flight or other recommended projects and return \$140.5m to the Crown. Yes / No
- 6. **Advise** if you require any further information Yes / No



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Chris Bunny
 Group General Manager – System Leadership
 CERF Programme Sponsor

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Hon Simeon Brown, Minister of Transport
 Date:

Appendix 1: Overall life-to-date funding summary - Transport Choices/VKT appropriation (\$m)

Initiative	Appropriation Total	Approved Funding as at 30 June 2024	Appropriation funding to 2026/27 (outyears)	Actual Spend LTD as at 31 October 2023	Committed funds as at 31 October 2023	Forecast but Uncommitted funds* as at 31 October 2023	Non-forecast and Uncommitted funds as at 31 October 2023
Transport Choices	22/23: 13.6 23/24: 291.4	305.0	*	3.9	164.5	140.5	0.0
VKT Reduction Planning	22/23: 2.0 23/24: 13.5	15.5	0.0	3.9	8.8	3.0	3.7

*Transport Choices out-years note: approval to extend to 30 June 2025 was given by the previous Ministers of Transport and Finance.

Additional Table Notes:

- *Approved funding*: the total funding appropriation made available to the programme to the current date (LTD = life to date).
- *Actual spend*: approved funding that has been drawn down by approved organisations.
- *Committed funds*: funds that have been approved in signed funding schedules and agreements.
- *Forecast but uncommitted funds*: funds that are forecast to be spent based on council implementation, but for which no funding agreements have yet been confirmed.
- *Unforecast and uncommitted funds*: funding from the appropriation that is not yet forecast to be spent.
- On 20 October 2023 the NZTA paused confirming any further funding approvals for CERF Programme initiatives, with a few minor exceptions, until we receive Government direction regarding priorities for uncommitted CERF funds. More information about this can be provided on request.

Appendix 2: List of critical and high value projects

In-flight projects: total cost \$16.4m.

Funding these but not the other recommended projects leaves \$124.1m to return to the Crown.

Region	Council	Code	Package name	Project name and description	Value
Auckland	Auckland Transport	AT01	Northwestern Busway Feeder Routers	Improvements to local bus network to boost effectiveness of NW Busway. Construction of bus lanes are critical to maximising the performance and capacity of recently launched WX1 service. Rest of project is already funded. \$ 9(2)(9)(1)	\$4,438,536
Canterbury	Christchurch City Council	CCC03	Sustainable school travel - Linwood schools cluster - 5 schools	Part of wider area-wide improvements, the project improves safety and travel options for local residents. Capitalises on previous spend on school travel options that allow students to travel to school on their own, easing school related traffic congestion. Part of the program has already been funded and costs incurred. \$ 9(2)(9)(1)	\$1,384,620
Canterbury	Christchurch City Council	CCC04	Bus Stop Improvements Linwood	Bus shelters have already been purchased and this funding will cover the cost of their installation and surrounding upgrades. Will deliver maintenance improvements freeing up future maintenance budget. \$ 9(2)(9)(1)	\$1,236,509
Otago	Dunedin City Council	DCC05	South Dunedin Schools	Project has very strong local support and buy-in from several local schools. It provides safety improvements to protect school children travelling to and from school. \$ 9(2)(9)(1)	\$2,581,920
Tasman	Tasman District Council	TDC02	RE-imagine Richmond	Project has interdependence with Streets for People programme, revitalising the town centre and is based on the Richmond Programme Business Case. Contracts have already been signed for some elements, and there is strong community support. \$ 9(2)(9)(1)	\$5,887,333

Bay of Plenty	Western Bay District Council	WBP04	Te Puke Cycleways	<p>\$ 9(2)(g)(i)</p> <p>A pump Track has already been purchased on the assumption of funding. The project has high levels of community support for this element. Pump Tracks have proven extremely popular in other communities and generating support for future investment.</p>	\$110,000
Waikato	Waikato Regional Council	WRC01	Real time passenger information displays	<p>Council have already procured the digital displays on the assumption of funding. A portion of the old displays would have been replaced at a later date as part of general maintenance, but this programme has allowed a very competitive price to be secured and all of the displays to be upgraded at the same time. Will significantly improve the user experience for PT users.</p> <p>Potential saving to future maintenance budgets by covering with this fund.</p> <p>\$ 9(2)(g)(i)</p>	\$750,000
Total				\$16,388,918	

Other recommended projects: total cost \$40.7m.

Funding these and the in-flight projects leaves \$83.4m to return to the Crown

Region	Council	Code	Package name	Description	Value
Auckland	Auckland Transport	AT06	Karanga-a-hape cycleway	Project will maximise the investment in the City-Rail Link Station development by improving access to the station. It is time critical to be able to deliver during the station construction period. This project will improve footpaths, pedestrian crossings, mobility parking, loading zones and cycling facilities on Canada Street and Mercury Lane in preparation for the new Karangahape CRL station opening. § 9(2)(g)(i)	\$2,500,000
Auckland	Auckland Transport	AT03	Manurewa Package - Pop-up cycleways and intersections	Project delivers more travel options for people in Manurewa, which is a high priority area for safety investment in Auckland. § 9(2)(g)(i)	\$7,200,000
Otago	Dunedin City Council	DCC04	Dunedin Safer Streets - Bank / George Street	Project extends the Dunedin Cycle and PT Network, providing more options for people travelling to the University and town centred. This work will deliver safety and access improvements. Will also include bus stop upgrades along the Bank Street/George Street route. § 9(2)(g)(i)	\$4,900,000
Waikato	Hamilton City Council	HCC01	Hamilton pre-implementation cycling programme - Bader St Connection to River Path & Hospital	This project will provide upgrades to Lorne Street and Bader Street with safer crossings and new bus stops to support a future extension of the popular Comet bus service, which crosses the city linking the hospital to The Base. The project will also create biking connections to the Te Awa River Ride and Western Rail Trail. § 9(2)(g)(i)	\$3,500,000
Waikato	Hamilton City Council	HCC01	Hamilton pre-implementation cycling programme - Killarney Road	Project has strong support from local councillors and has interdependencies with planned local SH network upgrades. It is a continuation of previously built infrastructure and the completion of a missing link, providing improved safety and better travel options. Local business's concerns have been accommodated and included in the design. § 9(2)(g)(i)	\$1,700,000

				<p>SH1C Greenwood St to Western Rail Trail</p>	<p>\$ 9(2)(a)(i)</p>
Wellington	Masterton District Council	MADC02		<p>Lansdowne to Kuripuni Cycle Facilities</p>	<p>The project will build on the success of the Waitarapa rail trail which has provided benefit to the local economy. This path will provide connections to schools, colleges, shopping areas and trails through Henley Park. \$ 9(2)(g)(ii)</p>
Manawatu-Wanganui	Palmerston North City Council	PNCC01		<p>Palmerston North core urban cycle network - Featherston Street</p>	<p>This project will create 2.6km of protected on-road cycleway. It is critically linked together with a Streets for People project and a Safety intersection project on SH3 (Low Cost, Low Risk). Connections and safety improvements will provide parents, students, shoppers and commuters more travel choice. \$ 9(2)(g)(ii)</p>
Manawatu-Wanganui	Palmerston North City Council	PNCC01		<p>Palmerston North core urban cycle network – Summerhill Drive</p>	<p>Project will create 2.5km of protected on-road cycleway along SH 57 that will provide more travel choice to parents, students, shoppers and commuters in this high growth area. Significant changes to the design have been made to accommodate local business requests and planned resealing work has been factored into the delivery schedule. \$ 9(2)(a)(ii)</p>
Bay of Plenty	Tauranga City Council	TCC03		<p>Arataki multi-modal corridor</p>	<p>Improves cycling and bus facilities on a core transport corridor. Links several schools with safe cycling facilities. Strong support from local community. Will reduce the need for children to be driven to school, improving safety for students, and provide more options for parents, and decrease vehicle congestion around the school. Project well supported by councils Commissioners. \$ 9(2)(g)(ii)</p>

Canterbury	Timaru District Council	TIMDC05	Timaru Arthur Street West	Looks to progress the City's strategic cycling network with significant safety improvements to a busy street within Timaru. The project will improve the performance of the SH network by reducing access from local streets. \$ 9(2)(B)(i)	\$709,920
Canterbury	Timaru District Council	TIMDC01	Timaru coastal package	Will improve safety for people using the busy port access road. The project adds a safe connection to a recently installed cycleway in the port area. The project has strong support from the community, including the Port. \$ 9(2)(B)(i)	\$1,485,000
Taranaki	New Plymouth District Council*	NPDC01	Cycling network and access improvements package - SH44 - Ngamotu Road and Devon St East	Significant safety improvement project. This project has been strongly supported by Councillors and has undergone significant community consultation. This package of projects provides improved travel options for people travelling to New Plymouth town centre. It improves safety for road users on and around the SH network which has high levels of heavy vehicles. \$ 9(2)(B)(i)	\$7,220,190
Total					\$40,684,954

Note: The New Plymouth District Council 'Cycling networks and access improvements package' has been included as a recommended project based on the Elected Members decision on 6th of December to fully endorse the projects. This has replaced previously included Christchurch City Council Westmorland cycleway project which is no longer endorsed by their Elected Members.

Appendix 3: Background context – CERF Funding

1. NZTA was allocated \$1.3 billion from Budget 2022 from the CERF to deliver key ERP-committed transport emission reduction initiatives. This was adjusted to \$543 million in March 2023, as a result of funding reductions, which included \$21 million in returned Community Connect surplus, and the closing of the Vehicle Transition Programme, (which returned \$550 million to the Crown). Budget 2023 allocated \$374 million in additional funding, so the total CERF delivery programme funding now stands at approximately \$920m.⁶
2. There are three core delivery programmes within the overall CERF initiative: Transport Choices, Vehicle Kilometres Travelled (VKT) Reduction Planning, and the CERF Public Transport programme (which includes Bus Decarbonisation, Recruiting and Retaining Bus Drivers, and Community Connect).
3. The total approved funding for the Transport Choices delivery programme is \$305 million (to 30 June 2025). As of 31 October 2023, \$34.5 million has been spent, from \$164.5 million in funding commitments, and a further \$140.5 million is forecast to be spent.
4. The total approved funding for the Vehicle Kilometres Travelled (VKT) Reduction Planning delivery programme is \$15.5 million (to 30 June 2024). As of 31 October 2023, \$8.8 million has been committed (with \$3.9 million already spent), with a further \$3 million forecast to be spent. This leaves \$3.7 million in remaining funding (neither committed nor forecast to be spent).
5. The total approved funding for the Public Transport (Bus Decarbonisation) programme is \$13.3 million (to 30 June 2024). As of 31 October 2023, \$0.9 million has been spent from \$20.5 million in funding commitments, and \$6 million is forecast to be spent. This initiative has funding commitments through to June 2027.
6. The total approved funding for the Public Transport (Retaining & Recruiting Bus Drivers) programme is \$44.9 million (to 30 June 2024). As of 31 October 2023, \$4.7 million has been spent from \$44.5 million in funding commitments, and \$2.5 million is forecast to be spent. This initiative has funding commitments through to June 2026.
7. The total approved funding for the Public Transport (Community Connect) delivery programme is \$118.3 million (to 30 June 2024). As of 31 October 2023, \$22.5 million has been spent from \$80.4 million in funding commitments, and \$14.5 million is forecast to be spent. This leaves \$23.4 million that is neither committed nor forecast to be spent by June 2024.

⁶ The additional Budget 2023 funding included \$49.3m for Tranches 2 and 3 of the Recruiting & Retaining Bus Drivers initiative out to 2026/27; \$268m for Community Connect Under 25 & Under 13 Concessions (out to 2026/27); \$48m for Community Connect Total Mobility Concessions (to 2026/27); \$2m for Community Connect Local Share Funding Shortfall (to 2023/24 only); and \$7m for Community Connect Administration costs (out to 2026/27). This also included \$550m in returned funding from the closure of the Vehicle Transition Programme and \$21m returned from a Community Connect surplus for the 2022/23 year.