

Draft Government Policy Statement on Land Transport

Submission to the Ministry of Transport regarding the Draft Government Policy Statement on Land Transport Te Tauāki Kaupapa Here a te Kawanatanga mō ngā Waka Whenua.

September 2023



What is Taituarā?

Taituarā — Local Government Professionals Aotearoa (Taituarā) thanks the ministry of Transport (the Ministry) regarding the draft Government Policy Statement for Land Transport 2024 (the draft GPS).

Taituarā is an incorporated society of approximately 1,000 members drawn from local government Chief Executives, senior managers, and council staff with significant policy or operational responsibilities. We are an apolitical organisation that brings a wealth of knowledge of the local government sector and of the technical, practical, and managerial implications of legislation.

Our vision is:

Professional local government management, leading staff and enabling communities to shape their future.

Our role is to help local authorities perform their roles and responsibilities effectively and efficiently. We have an interest in all aspects of the management of local authorities from the provision of advice to elected members, to service planning and delivery, to supporting activities such as elections and the collection of rates.

As always the local government (including Taituarā) welcomes the publication of the GPS. The GPS establishes the fiscal parameters for investment strategies in land transport and provides a level of predictability in the funding levels and sources.

The GPS is a critical information source for local government long-term planning.

The draft GPS is correct in its statements about land transport as an enabler of wider social, economic, and environmental outcomes. Local authorities are a partner in the delivery of land transport infrastructure and services. Something like 89 percent of the network (by length) are roads under the control of local authorities. We are a co-funder. Land transport infrastructure and services are either the largest or second largest expenditure item on most current local authority budgets (and affordable water reforms will make it the largest for most). We have a substantial regulatory role with (among other things) setting speed limits on local roads and parking (including an enforcement role).

In that sense the draft GPS serves as the first intimation of funding support from central government for the coming long-term planning (LTP) round. From that perspective, the draft GPS has come later than is desirable for local government and for other transport agencies. In an ideal world a Minister would release a final GPS

nine months before the calendar years, giving Waka Kotahi six months to make any implementation decisions and advise local authorities nine months before adoption of their LTPs.

Recommendation

- 1. That future Ministers of Transport ensure that the GPS Land Transport Funding be adopted no later than 15 months before the commencement of the first financial year to which they relate.**

The GPS needs a longer-term outlook and to support better aligned processes for Waka Kotahi and in local government.

There is no statutory statement of purpose for a GPS. Section 68(1) of the Land Transport Management Act comes closest in noting that it's a statement of "the results that the Crown wishes to achieve from the allocation of funding from the national land transport fund over a period of at least 10 consecutive financial years".

The draft GPS fulfils that requirement though not always in a convincing way – for example in some output classes the amount of funding for improvements has been straight-lined i.e \$x per year. We observe that a local authority submitting a long-term plan for audit with that expenditure track would expect (and would receive) some searching questions from its auditors about expenditures and levels of service. (Which raises a question as to what independent quality assurance has the forecast expenditure plans had – we see similarities with some of the early long-term plans in that there is obvious frontloading, albeit some of it is explainable).

As a whole those in the 'infrastructure business' are moving to longer and longer planning cycles. Local authority long-term plans are ten years, but the key infrastructural component (the infrastructure strategy) has a thirty-year life.¹ The regional spatial strategies required under the Spatial Planning Act have a minimum statutory timeframe of 30 years (as did the Auckland Plan and those spatial plans local authorities prepared voluntarily).

Recommendation

¹ We add that many of the leading infrastructure strategies take an even longer-term view in some respects – with information such as 100 year maintenance and renewal profiles.

2. That future GPS Land Transport Funding have a planning horizon of at least thirty years, aligning with regional spatial strategies and local authority infrastructure strategy.

The demonstration of value for money out of the draft GPS is spotty.

Like all other infrastructure, transport is the servant of the community. We invest in transport infrastructure and services for the bundle of social, environmental, and economic outcomes that they provide or generate. It is this bundle of outcomes that provide the rationale for investment, the true 'so that' as opposed to this bus terminal or that extension.

The draft GPS is uneven in its approach to providing the reader with a 'so that'. It is difficult to disagree with the six priorities un and of themselves – though there is no clear sense of whether and how the Government ranks these. (A question that officials might usefully ask is "if the Government found itself with a billion dollars more where would it choose to put it?") Equally it should also usefully ask if we had to remove a billion dollars from our budget where would we make the savings and what would be the flow-on effect in terms of reduced outcomes? This process can be helpful for forcing a focused discussion on what are our true priorities and does the current bundle of proposed investments reflect those priorities? If so why and if not why not?

The section regarding strategic priorities sets out the draft GPS' contribution to transport outcomes.² While we do not disagree with the description of these contributions there is nothing to demonstrate how the draft GPS is intended to 'shift the needle' on many of these outcomes. Merely providing the transport outcomes monitoring framework overview diagram is not sufficient – especially as the diagram doesn't actually list or show the outcome measures themselves (let alone the targets).

The environmental sustainability outcomes are well demonstrated, with references to specific targets out of the Emissions Reduction Plan (page 20). The safety aspects of the health and safety outcome are partially dealt with by referring to targets out of the Road to Zero.

What we don't see are specific targets or indications of the 'so what' in the following areas:

- the health-related aspects of the health and safety outcome – for example emissions of PM₁₀ particles

² This includes healthy and safe people, economic prosperity, inclusive access, resilience and security, environmental sustainability.

- indicators around access to the transport system – and as and aside, the draft GPS has little or no content around issues such as access for the disabled. Commentary around access is wholly framed as access to passenger transport. We'd also have expected to see some consideration of affordability
- resilience and security and
- economic prosperity.

This draft GPS should be signalling how Government intends transport planning and funding will support the regional spatial strategies.

On pp 26-27 under the heading "Sustainable urban and regional development" the draft GPS is fulsome in its description of the contribution that the transport system plays achieving urban form outcomes (especially housing). It is a great deal more 'generic' in its description of the contribution transport makes to regional development.

As we write this the Natural and Built Environments Act and the Spatial Planning Act have received royal assent. The first regional planning committees are to be stood up over the next 10 months, with the first regional spatial strategies due in or around mid-2027.

A key part of those strategies will set out existing, planned or potential infrastructure projects necessary to meet the objectives set out in those strategies. Many of the priority projects that the partners agree to will be land-transport focussed. In many cases the central government representatives on the planning committees are likely to be senior staff from Waka Kotahi or the Ministry.

We were somewhat surprised that the references to resource management reforms scattered through the document refer either or both of the National Policy Statement – Urban Development or the Medium Density Residential Standards. That is to say the discussion is entirely housing focussed. Its also interesting to note the recently appointed Minister of Transport is also the Minister for the Environment.

We would expect the final GPS would both recognise that regional spatial strategies are now under development, and be more specific as to how the Government will use transport funding to support the regional spatial strategies.

This GPS will also need to consider whether the National Land Transport Fund is the appropriate source for meeting the Government contribution to any transport related commitment, or whether there is a need for direct Crown funding. Early signals of funding methodologies would also provide regional planning committees with a greater level of certainty (e.g. what business case processes, if any, are required).

Recommendation

- 3. That the final GPS explain how the Government intends to use land transport funding to support the objectives set, and agreed projects from, regional spatial strategies.**

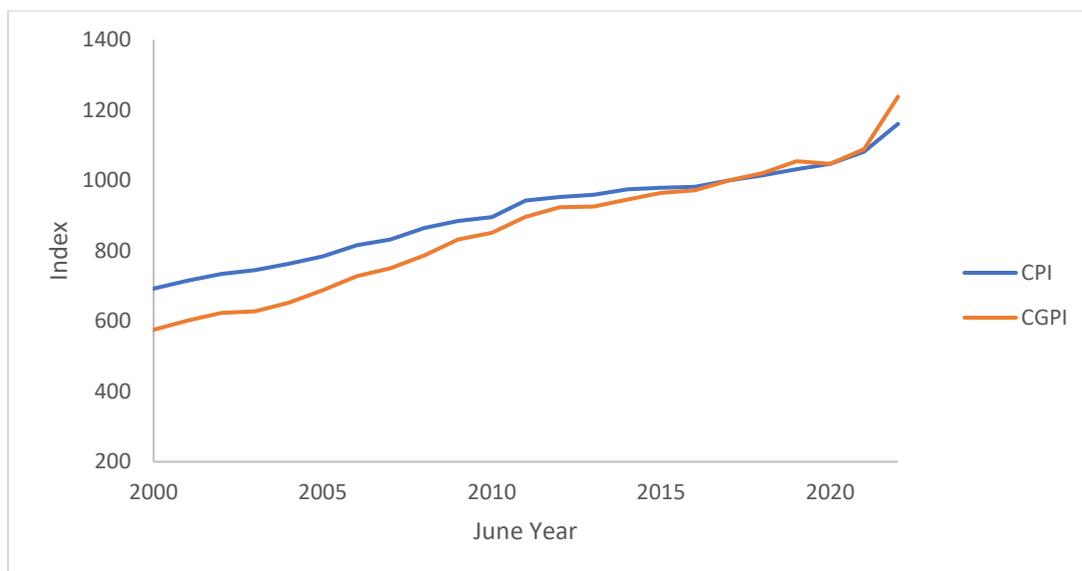
Capacity constraints are a major (and largely unrecognised) challenge to the delivery of objectives set in the draft GPS,

"Like many other organisations, we and our partners have been affected by the economic fall-out from COVID-19, which has seen significant supply chain disruption and price inflation. These issues have affected the costs and delivery of many of our capital projects, as well as increased the costs of maintenance and other operational activities. A tight and increasingly competitive labour market is a compounding factor."³

Even the best laid strategies and plans fail if they are not developed from a strong understanding of market conditions and the capacity to deliver. Merely increasing transport funding into an already constrained civil construction market is more than likely to create a 'demand pull' on construction costs.

As can be seen in the graph below the prices of capital goods have increased at a faster rate than the CPI. The drivers are many and varied, and include international supply constraints, a lack of capacity in civil construction in New Zealand, and some suggestion that procurement processes could be better managed.

³ Waka Kotahi (2022), *Waka Kotahi New Zealand Transport Agency Annual Report 2021/2* page 7.



As the quote that opens this section demonstrates there has been something of a spike in the costs of civil construction. To provide some concreteness to that claim, in the year to June the Transport Ways element of the Capital Goods Price Index increased 8 percent, following a 12 percent increase in the year to June 2022. This is readily apparent in the above graph.

We would expect the draft GPS to document more of its planning assumptions. For example what are the forecasts for population growth and demand for housing; economic growth, traffic, key drivers of transport costs, the available contracting resource.

While we are sure both the Ministry and Waka Kotahi have information on hand, we can advise that our own forecasts have all roading costs increasing by 24 percent over the next ten years, and transport costs increasing by 23 percent.⁴ Without this information it is difficult for any reader to make an informed assessment of the GPS, its impacts and its likely effectiveness.

The above quote from Waka Kotahi points to labour market constraints. As we write this, the Infrastructure Commission has also released a report highlighting capability as a major constraint on the nation's ability to deliver major infrastructure projects.

The draft GPS contains scant treatment of capability issues. Much of what is in the document goes to Waka Kotahi and its role in working with the sector to develop skills (see page 60). While these are all reasonable expectations, Waka Kotahi is not the sector steward. The Ministry needs to be looking at broader strategies than increasing the skill mix of the present players but looking to increasing the supply of

⁴ Prepared on our behalf by BERL.

these skills long-term including immigration policy, education and skills policy, better planning.

We welcome the work that is being undertaken on the sustainability of the public transport network. The above is focussed more on the capacity of the civil construction industry. As the steward of the local government workforce, Taituarā offers to work alongside the Ministry in this task.

Recommendation

- 4. That the final GPS document its key forecasting assumptions (including but not limited to economic growth, traffic growth, take-up of passenger transport and other alternatives, and the availability of resource).**
- 5. That the Ministry of Transport work with Taituarā to develop a transport sector skills strategy.**

Increases in funding for maintenance are welcomed, though it is not clear they represent much more than maintaining of the status quo.

The draft GPS indicates that maintenance and operation of the GPS is a strategic priority. Some historic failure to recognise (or at least undervalue) the total life cycle cost of our network has created a legacy of past underinvestment in the system.

The GPS appears to signal an increase in the level of investment for maintenance and renewals of 30 percent over the life of the strategy. That is welcomed. However, this increase is not as substantial as it first appears. As noted earlier, our economic forecasters BERL are predicting an increase of some 18 percent in roading costs over the life of this draft GPS. When modest traffic growth, say 1-2 percent, is added, it's not clear to us that the proposed level of increase does significantly more than keep pace,

The condition of the road network (all of it, not just the State Highways) is one of the most publicly visible representations of value for money. Significant investment in maintenance and renewals is needed to uplift our existing network to an appropriate standard.

Recommendation

- 6. That the government makes further increases to funding for maintenance and renewals.**

The draft GPS should set out clearly whether the Government will advance any of the recommendations of the recent inquiry into inter-regional passenger rail transport.

This draft GPS was being pulled together as the Transport and Industrial Relations Select Committee released its report covering its Inquiry into Inter-regional Rail Passenger Transport Services. It is unclear to us whether and how the Government was able to take account of the recommendations out of this inquiry.

Looking at the financial estimates for funding out of the NLTF and direct from central government it appears that the recommendations were too late for evaluation in the draft. It appears in the 2024-7 period between \$20 million and 50 million per annum has been allocated for interregional passenger transport. That does not seem sufficient to, for example, conduct the series of evaluations of the four business cases identified by the Select Committee on top of existing commitments.⁵

It appears the default assumption is that none of these cases will be investigated, much less advanced. It was also unclear to us whether there are options for inter-regional passenger rail in the South Island – most notably on Christchurch-Dunedin-Invercargill line.

As an aside, Te Huia need further improvement to meet its desired objectives. The service lacks some aspects of convenience in that it terminates short of central Auckland (or requires a transfer), and that tickets and pricing are not integrated (a person travelling from Hamilton to destinations in Auckland needs both a Bee Card and a HOP Card).

Recommendation

7. That the final GPS clarify which of the recommendations out of the inquiry into inter-regional passenger transport for business cases will be pursued

Is it the intention that the draft GPS downplay the Road to Zero strategy?

⁵ These were Auckland-Tauranga, Auckland-Wellington (upgrade), Napier-Wellington, extending the capital connection to Fielding.

Local authorities have expressed concerns that Vision Zero is being somewhat downplayed in this draft GPS. So the GPS 2018 promoted "A safe transport system, free of death and serious injury" and GPS 2021 promoted "Developing a transport system where no-one is killed or seriously injured" (GPS 2021) to "Transport is made substantially safer for all" is a huge step backward for New Zealand's commitment to the Stockholm Declaration which calls for the global target to reduce road traffic deaths and injuries by 50 percent by 2030.

We are also concerned that the safety performance measures in the Road to Zero Strategy are no longer referred to in the Draft GPS 2024 (Table 1, page 36). These are significant departures from the previous GPS and it is concerning to us that they not referred to in the "Appendix 2: Changes from GPS 2021 through to GPS 2024". As we've said earlier there is a lack of specific and measurable targets – leaving the demonstration of value for money somewhat light.

A review of the future revenue sources is welcomed, but is well and truly overdue.

Taituarā agrees that the present transport revenue system is no longer fit for purpose, although we consider that the drivers are not solely (or even largely) a matter of modal shift as the draft GPS suggests. Modal shift is a factor to be sure, but changes in technology, changing work patterns and societal change, and international crises have played their part.

Having said that, we feel obliged to note that this is a review that should perhaps have taken place twenty years ago. Almost without exception the factors that undermine the long-term viability of fuel excise and roaduser charges have been long known about. Hybrid technology and hydrogen cells have been known about since the 1990s. Enhancing fuel efficiency has been a policy objective since at least the 1970s. Their potential impact on the revenue system has been a staple of briefings to Ministers since 1999. And while the Covid-linked rise in working from home could not have been foreseen, (then) Transfund was considering funding support for piloting teleworking schemes as far back as 2006.

This review needs to proceed from a few basic understandings. First, the review must proceed from a common understanding of what we expect from land transport, and its connection with the transport sector (i.e. what are the outcomes we expect expressed in measurable terms) Second there must be a recognition that the costs of providing for the levels of service we want from the transport system are increasing, and that these costs are an investment in the country's future. Third, the design of the future revenue system should support good management of the overall land transport system now and in the future.

We accept that there are legitimate policy debates to be had around the merits of this investment or that. But we consider that there should be some attempt to establish a political consensus as to the mix of outcomes we expect from the transport system, an overall level of investment and a consensus around funding sources and methods.

There appears to be some level of public acceptance (perhaps grudging) that a higher level of investment is needed in transport. The Koi Tu report *The Future of Transport in Aotearoa New Zealand* seems also to suggest that there is some public acceptance of methods such as congestion charging, increasing parking charges, pollution/emissions pricing etc.

A 2018 Review of International Road Pricing Schemes, Previous Reports and Technologies undertaken for the Ministry of Transport concluded that clarity on use of revenues is critical to public acceptance.⁶ A publicly accepted plan will overcome many of the public objections to tolling.

The options have been identified and canvassed over the years. Road pricing and tolling have been on policy agendas since the original Land Transport Pricing Study undertaken a generation ago. We are aware of at least three published studies on road pricing in the last 20 years, not counting various consultations (such as *The Congestion Question*).

The local government sector has long advocated for the use of road pricing. This is soundly based in the principles of orthodox economics which holds that when users of a service face the true costs of their demand, they demand only what they value. It is little different from the principles underpinning policy instruments such as the New Zealand Emissions Trading Scheme (NZETS).

The technology to enable road pricing is available and has been tested and proven reliable for road pricing purposes (at least on a city or regional basis) in overseas jurisdictions. Research undertaken by D'Artagnan Consulting notes that Global Navigation Satellite System (GNSS) technology has matured to the point where it is being trialled for use to administer time, location, and distance-based pricing in Singapore from 2020 and potentially in London soon after that.⁷

The key factor in building acceptance though is that the end result is visible – that there is a demonstrable improvement in service and/or the associated outcomes. We return to our earlier points about the general lack of clearly specified targets or service levels.

⁶ D'Artagnan Consulting (2018), *Review of International Road Pricing Schemes, Previous Reports and Technologies – review undertaken for the Ministry of Transport*, page 131.

⁷ D'Artagnan Consulting (2018), page 99.

The draft GPS accurately describes the local government role a co-funder of transport infrastructure and services. This makes local government more than just 'another stakeholder' in the Future of the Revenue System review described on page 43 of the draft GPS. It must co-design the future revenue system alongside central government. Taituarā and Local Government New Zealand intend to work together during on the depth of knowledge our organisation have from our contributions going back to the so-called 'blue book' submission in 1993.

We conclude this submission with an offer to assist the Ministry and LGNZ to develop a process for co-design of future revenue system.

Recommendation

- 8. That the Minister of Transport direct officials to work with representatives of Local Government New Zealand and Taituarā to develop a process for the co-design of the future revenue system.**



Professional excellence in local government

Taituarā — Local Government Professionals Aotearoa

Level 9, 85 The Terrace, Wellington
PO Box 10373, Wellington 6143

T 04 978 1280

E info@taituara.org.nz

W taituara.org.nz