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Infrastructure New Zealand is the peak industry body for the infrastructure sector and promotes best practice in national infrastructure development through research, advocacy and public and private sector collaboration. Infrastructure New Zealand members come from diverse sectors across New Zealand and include infrastructure service providers, investors and operators.

This submission represents the views of Infrastructure New Zealand as a collective whole and may not necessarily represent the views of individual member organisations.

Infrastructure New Zealand feedback on the Draft Government Policy Statement for Transport

Infrastructure NZ commends the Government on publication of the GPS.

Strategic direction

We support the strategic priorities.

1. Safety

We support the focus on safety, noting New Zealand death and accident rates appear to be comparatively high.

Care should be taken, however, with respect to comparing New Zealand with some other countries.

Snow conditions in northern Europe, for example, could make death and severe accidents less likely, as drivers travel less, with greater caution and at slower speeds.

Also, the higher wealth of Scandinavian countries, resulting in higher incomes and newer, more expensive and safer cars, could play a role independent of land transport policy.

Small changes in policy and acknowledgement of local economic and driving conditions may account for the majority of the difference, though we agree that reducing transport injury and death costs is important.

2. Access

We support the prioritisation of access to opportunities via improved mobility and well aligned land use-transport policy.

It is critical that investment in basic transport services which unlock land for housing is prioritised through the GPS and reflected in New Zealand Transport Agency (NZTA) priorities.

A key aspect of this policy should be a shift in fast growing centres to transit-oriented development, whereby access to rapid transit is used as a catalyst for urban development.

Retrofitting public transport services to development areas after roads have been built and homes occupied is inefficient. It challenges residents to change behaviour, rather than enabling decisions aligned with policy in the first instance, can be met with local opposition and often requires the purchase of high value land which pushes up project costs.

We support additional revenue for tourism infrastructure. It is not economically sustainable for local authorities with small rates bases to invest in roads and rail to support large numbers of tourists when the benefits of tourism almost all flow to central government (in the form of GST, income and corporate tax).

We emphasise that an objective of transport policy should not be to reduce the number of single occupancy vehicles. Though it should be expected that in dense urban areas good transport policy leads to higher vehicle occupancy rates, single occupancy vehicles are not the problem.

The problem, rather, is if pricing for transport does not reflect the true economic, social and environmental costs of private decisions.

Identifying and charging the “right” price to use transport networks must be the ultimate priority of the Government and to achieve this road pricing is required.

However, we observe road pricing is not referenced in relation to access despite it being a key tool to improving access over the medium-long term.

When deployed as a mechanism to balance demand with revenue, road pricing is the fairest and most affordable option to improve national transport outcomes, principally access.

We do not support road pricing as a demand management tool alone. If deployed as a demand management tool, road pricing will disincentivise travel, increase costs to users and reduce access.

Road pricing is a tool to enhance access and this should be highlighted in the GPS.

3. Environment

An advantage of the shift to road pricing in the nearer term is the freedom this grants from a network funding perspective to shift to electric vehicles.

By far the most effective way for New Zealand to lower its emissions profile (and improve local air quality) is to move to electric vehicles.

Public transport can reduce by some degree carbon emissions per traveller, but in total this impact is marginal. Bus fleets remain largely diesel fuelled and operate on bitumen roads. Rail services, which also largely run on diesel, require large amounts of steel and “last mile” connectivity.

Even under the most ambitious public transport scenarios, some 90 percent of travel in cities will always take place in private vehicles.

To reduce New Zealand’s carbon emissions, the private vehicle fleet must migrate to electric (or other carbon neutral) vehicles.

Overseas evidence suggests that around 2021 the price to buy a new electric vehicle will fall below the price to buy a similar combustion engine vehicle for common models.[1]

In our view, the Government could have a much greater impact on carbon emissions by facilitating and encouraging the shift to electric vehicles than from investing in public transport for this purpose (the shift to public transport should always be guided by a desire to move large volumes of travellers and effect land use change).

The Government should give some serious consideration in the GPS update to establishing a conventional engine termination horizon.

For example, the Government could announce that, as of 2030 or 2040, depending on ambition and public feedback, “no” conventional engine vehicles will be available to purchase in New Zealand and/or be permitted to use public roads.

We would expect a number of exceptions to this “bright line” rule, to the point where in practice the policy would ideally have limited enforcement.

The objective, rather, would be to send a clear public signal to consumers at the earliest opportunity about the future direction of vehicle technology, helping to generate momentum and scale at the same time as electric vehicles become a financially sensible decision for most consumers.

Momentum and scale are critical to enabling public and private infrastructure providers (including refuelling station operators) to invest in new assets.

The urgency of government direction is important given that new cars today can be expected to be on New Zealand roads well into the 2030s.

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[1] For example, Rethink X, Rethinking Transportation 2020-2030, May 2017.

The coordination of this policy with the shift to road pricing would be mutually supportive and would help explain to consumers why both initiatives are essential.

4. Value for money

We support the Government's intentions for value for money.

We are pleased that there is flexibility in the language around value for money which reflects the fact that not all benefits are measurable and that lowest cost is not always best value.

Implementing these policies in a consistent manner will require transparency of decision making and genuine public engagement.

We welcome the GPS commitment to transparency.

Themes

We strongly support the three identified themes in the draft GPS

1. Mode neutrality

We support mode neutrality in the consideration of investment decisions.

However, investment mode neutrality is meaningless unless funding is also mode neutral.

At present, the National Land Transport Fund is overwhelmingly resourced by private vehicle users. Pedestrians, cyclists and public transport users are net consumers of the NLTF, while (conventionally powered) private vehicle owners are net contributors.

Two major issues result.

First, private vehicle users can be exposed to additional costs which overstate the true cost of their decisions and disincentivise travel.

Where road users are asked to fund investments which benefit other users or activities, for example, cycleways where the principal benefit is improved physical health for cyclists, an inaccurate price signal is generated regarding the true cost of private travel decisions.

As well as overcharging road users, there is a risk that, if the planned outcomes are not achieved, additional costs will be levied on road users to promote a flawed policy which underestimates the value road users place on mobility and access.

Second, non-private vehicle users do not receive signals about the costs of their priorities, potentially leading to higher project costs

The tension between taxation and expenditure is critical to keeping costs in check, projects affordable and the speed of investment consistent with willingness to pay. Where users do not pay for a service there is a high risk that their expectations will become inconsistent with the value they receive from the service.

In order for investment decisions to be made which reflect the actual and changing needs of individuals and businesses, the relationship between the funders of the NLTF and the beneficiaries of the NLTF needs to be as robust as possible.

Funding sourced from road users must be invested to the benefit of road users and other revenue sources need to be exploited to fund parts of the network which do not benefit private vehicles. This will ensure true “mode neutrality”.

One option, given the local impact of public transport, walking and cycling infrastructure, is a targeted regional or local rate dedicated to these activities.

Another option for large, transformational rapid transit projects with strong agglomeration tendencies or active investments targeting improved physical health and well being is for the Government to allocate capital (as it does currently for heavy rail) from the consolidated account.

Regardless of where non-private vehicle funds are sourced, it is critical that “tension” is created which recognises the scarcity of capital. If this tension is not created either through the democratic process or through carefully designed funding processes, projects will be “gold plated” and users will demand services which cost more than the same users value them.

2. Technology

We are pleased to see additional focus on transport technology in the draft GPS.

We consider there is significant scope to improve traffic flows via emerging (and even established) transport technologies.

3. Integrating land use and transport

We strongly support the added emphasis on land use and transport integration.

This is the first time in many years a major Government transport document has been so explicit about the relationship between transport and land use.

However, further detail is required. The current level of discussion in the GPS remains light and needs to be strengthened given the criticality of the land use-transport relationship.

Most notably, there is bare recognition in the GPS of the Government’s urban policy centrepiece, the Urban Growth Agenda, nor of its signature housing policy, Kiwibuild.

It is of the highest national priority that the GPS is aligned with Government priorities in urban development.

The Government has identified an extremely ambitious programme for housing and urban growth. Transport investment must support, and be supported by, this programme if key political objectives are to be achieved.

As an organisation, we have been continually disappointed that the Auckland Transport Alignment Project has not experimented with different land use assumptions in its various rounds of analysis, in spite of weak outcomes under all transport investment scenarios.

In our view, the land use provisions of the Unitary Plan are fundamentally misaligned with transport investment. The Unitary Plan permits density in areas without adequate amenity or rapid transit, spreads greenfield growth around the region simultaneously and concentrates employment in existing, capacity constrained employment areas.

A satellite city, for example, where a higher number of jobs and homes are targeted in Auckland's south, could redistribute traffic flows around the region, support transit-oriented development and improve regional transport performance.

A true "mode-neutral" GPS should support and encourage different land use options as a means to improve transport outcomes.

The GPS should be more specific about the benefits of realigning land use to support transport investments, and vice-versa, and list opportunities to do so in order to achieve better transport outcomes.

We seek stronger and more defined direction in the final GPS regarding land use-transport integration.

Total funding

We acknowledge and support the increase in transport funding over the planning horizon of the GPS, including the lift in expenditure from $4 billion per annum to over $4.5 billion per annum.

However, we are concerned at the retrenchment in state highway investment.

We do not perceive a scenario which sees state highway investment in the late 2020s dropping to $500 million per annum as sustainable as charges to road users increase.

A more realistic programme for state highway improvements for New Zealand's growing population is required.

We recognise the Government's desire to shift the investment focus to public transport, but in reducing the amount invested in state highways by some 70 percent the Government risks a repeat of the same political dynamic which has given rise to the new Government's transport agenda.

Specifically, too much emphasis on one mode risks a proportionate swing to an alternative mode via the political process.

A reduction of state highway investment of this scale, especially in provincial New Zealand, increases the risk of another major policy swing in 2, 5 or 8 years.

Major changes in policy are bad for long term construction productivity.

The contracting industry which will be called upon to build both road and rail assets has been materially impacted by the sudden change of transport priorities following the 2017 election.

The reversal of a number of large roading projects and lack of certainty about the timing of new road and rail projects has undermined long term sector productivity.

People have lost their jobs, skilled labour has migrated overseas and businesses have recapitalised to meet shorter term financial targets.

It is possible that this level of disruption is repeated in two years.

To be clear, the industry will sustain this uncertainty. But it will do so with less participants in the market, fewer skills, underinvestment in productive capital and higher costs and longer timeframes for taxpayers.

These are mutually bad outcomes which must not be repeated.

The infrastructure sector requires long term certainty to invest in productive skills and capital. The GPS must recognise the importance of investment certainty to delivering the Government's transport programme.

NZTA should be instructed to develop a long term national investment programme, highlighting key corridors and projects and giving all political perspectives a suite of projects from which they can identify their preferred sequencing.

Funding land transport

We do not support the continued use of pay-as-you-go hypothecated funding as the primary approach to funding transport investment.

The model has not achieved good outcomes, with New Zealand cities continually performing at very poor levels on international comparisons of congestion for similar sized cities.[2]

This is not just an Auckland problem, it is evident in Wellington's rapidly deteriorating congestion and in Christchurch and Tauranga.

NZTA has a reliable, independent revenue stream. It can raise significant debt off the Crown's core balance sheet and should be empowered to invest in projects which unlock new housing and employment.

The hypothecated fund must be supplemented with transfers from the consolidated account to reflect benefits to all transport users.

Value capture tools are urgently required to reflect the benefits land owners experience from major transport improvements.

[2] See for example, TomTom.

If not supported by some form of value capture, a project like light rail to the airport in Auckland will represent a direct transfer of wealth from transport users to local property owners along the route.

We strongly support additional approaches to funding transport which better align the funding of transport with the beneficiaries of transport investment.

More investment will be required if New Zealand is to get “ahead of the curve” and reverse several decades of playing catch up with transport investment.

We thank the Ministry for this opportunity to submit.