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Infrastructure New Zealand Submission on the Draft Government Policy Statement on Land Transport 2024/25 – 2033/34

1. Introduction

- 1.1 Infrastructure New Zealand (INZ) welcomes this opportunity to make a submission on the Draft Government Policy Statement on Land Transport Funding (GPS 2024).
- 1.2 INZ is New Zealand's membership organisation for the infrastructure sector. We promote best practice in national infrastructure development through research, advocacy, and public and private sector collaboration. Our members come from diverse sectors across New Zealand and include infrastructure service providers, investors, and operators.
- 1.3 While INZ has submitted as the peak infrastructure sector organisation, our members may make their own submissions raising those issues specific to their areas of interest or expertise.

2. General Remarks

- 2.1 INZ welcomes the draft GPS, particularly the focus on the critical activities of maintaining and operating the system, including both roads and public transport. Proactive management and timely maintenance and renewal of our existing roading and infrastructure assets is a basic requirement. The repeated underfunding and deprioritisation of maintenance and renewal activities in the last decade or so, means we really are in catch up mode. As we are experiencing more extreme weather events as a result of climate change, it is more important than ever than we look after our current assets.

- 2.2 Long term sustainable funding of land transport activities is another critical aspect that requires addressing. INZ is pleased to see some steps have been taken to increase revenues flowing into the National Land Transport Fund. The reality now though is that Fuel Excise Duty and Road User Charges revenue is not enough to meet demand. The fund continues to be over-committed. We need to transition to a more fair and consistent funding approach which will apply to all vehicles using public roads.
- 2.3 Crown funding is now relied on for the significant capital projects. The pay as we go approach will limit our ability to put in place necessary transport infrastructure that will serve generations for decades into the future. The fund is now dependent on short-term Crown top ups that add a significant degree of uncertainty. There is an urgent need to also explore and committing to the use of alternative funding and financing tools to enable delivery of the required infrastructure now.

3. Detailed Comments on Sections

Section 3 *Strategic Priorities for GPS 2024*

3.1 The Policy Statement sets out six priorities for the Crown’s land transport investment strategy over the next ten years:

- Maintaining and operating the system
- Increasing resilience
- Reducing emissions
- Safety
- Sustainable urban and regional development
- Integrated freight system

3.2 We support the intentions of the priorities and think the primary objectives are well-drafted. However, with six drafted priorities, they carry significant overlap, and some are less-well formulated than others. We recommend reorganising the priorities into two groups, and placing the primary objectives beneath each heading:

- ***Improving our existing land transport network*** – including safety improvements to infrastructure; investing in resilience upgrades of the existing transport network; and improving maintenance and upkeep of the network.
- ***Building for tomorrow*** – covering investment in infrastructure to promote emissions reduction; strategically connecting land transport investment with sustainable urban and regional development; and integrating the freight system.

3.3 The current drafted priority on **maintaining and operating the system** draws deep interlinkages with promoting mode-shift and improving transport network resilience. While those interlinkages are helpful, it shouldn’t draw away from the need to maintain the infrastructure that we have in place already. Consistency in programmed maintenance works allows the sector to build and retain resources and grow capability which can improve value for money.

3.4 We note that the current drafted priority on **reducing emissions** includes interlinkages with the Vehicle Kilometres Travelled (VKT) reduction target in the Emissions Reduction Plan (ERP). We

think that it should made a direct reference to the other ERP targets on transport emissions reduction, noting that the GPS on land transport has a specific role to play:

- increasing zero-emissions vehicles to 30 per cent of the light vehicle fleet by 2035,
- reducing emissions from freight transport by 35 per cent by 2035, and
- (reduce the emissions intensity of transport fuel by 10 per cent by 2035)

3.5 The **safety** priority is vital, but we consider it needs further development, including examples of improvements can improve safety outcomes, such as the installation of median barriers or widening of transport corridors. Maintenance of the current asset and improving the network condition is also a vital contributor to safety outcomes.

3.6 The **integrated freight system** priority seems well-developed as an idea. The section notes that 70% of freight movements are less than 100km. Those short-haul movements require fundamentally different investments and considerations to integrate the freight system, compared to long-haul, inter-city movements. We recommend acknowledging those differences and drafting the priority accordingly.

Strategic Investment Programme

3.7 While it is useful to see a transparent list of projects included in the strategic investment programme, it is unclear the role of these project in relation to the various regional land transport plans and their priorities. The draft GPS is substantially more prescriptive on project selection than its predecessors. A trend of increasing politicisation on transport project selection is concerning and potentially interferes with the statutory independent role of Waka Kotahi / New Zealand Transport Agency.

3.8 GPS 2021 included a focus on just four Government commitments – Auckland Transport Alignment Plan, Let’s Get Wellington Moving, Road to Zero and the New Zealand Rail Plan. By contrast, this draft GPS is much more prescriptive in its project selection, identifying some 14 projects, in addition to the 8 Government commitments equivalent to the commitments section in GPS 2021.

3.9 Regardless of whether these projects should be funded and delivered, such a prescriptive approach breaks with the general objective of the GPS as depoliticising at least some of the decision making on projects taken by Waka Kotahi.

3.10 Politicisation of decision-making creates significant uncertainty for the wider infrastructure sector as projects are increasingly subject to the whims of the political cycle, making it substantially more difficult for providers and operators across the sector to plan and invest to build the capacity and capability required to deliver New Zealand’s infrastructure.

3.11 INZ recommends that the final GPS reflects the value of the strategic investment projects in the activity classes but allow the determination of the National Land Transport Programme to be determined by Waka Kotahi.

3.12 The dwindling relative share of funding from the NLTP is also of significant concern when considering the politicisation of New Zealand’s transport infrastructure.

3.13 As the proportion of direct, non-hypothecated funding from the Crown increases in percentage of the total land transport budget, relative to a decreasing share from the NLTF, politicisation is likely to become a greater issue.

- 3.14 The purpose of hypothecation of the National Land Transport Fund (NLTF) was to provide a more consistent approach for long-term funding. In 2008, there was concern that existing appropriations were time limited, and capital focused they did not provide a long-term funding solution and did not address the increasing cost of maintenance. Future funding was expected to be met through increased fuel excise duties and road user charges.
- 3.15 It is disappointing to see that the revenue review committed to within the current NLTP period has provided the long-term sustainable funding solution that was promised and expected to be contained within this draft GPS. The challenge of the inadequacy of the NLTF now needs politicians to be brave and provide New Zealanders with an honest description of the costs and trade-offs being faced.

How progress will be measured

- 3.16 INZ strongly supports the GPS monitoring framework and its ongoing development. INZ supports the embedding of value for money across the framework which is consistent with the Land Transport Management Act.
- 3.17 Table 1 *Monitoring the outcomes sought* provides a list of the measures that will be used for monitoring. More detail on these specific measures would be useful and should be linked to the GPS document and displayed clearly on the Ministry of Transport website.
- 3.18 The GPS monitoring framework outlined in Appendix 6 also provides a useful overview of the system and the inter-related aspects. However, the outcomes specified in the short to medium term won't adequately reflect whether progress is being made against the strategic priorities stated. For instance, under maintaining and operating the system achieving long term value for money is admirable but doesn't necessarily align to the expectations of the New Zealand public and businesses who use the network and transport services and want a quality and safe experience that enhances their own productivity and facilitates access and connections.

Section 4 Investment in land transport

Context for investment

- 4.1 INZ supports the Intervention Hierarchy in Figure 4. Integrated land-use and transport planning to create better cities and urban environment where people can easily access their daily needs and enjoy their lives is critical. Using our existing infrastructure better and maintaining it properly need to be the key priority. Over the last decade we have seen the maintenance and renewal activities underfund and this has resulted in significant deterioration of the assets. This is not sustainable and will ultimately cost the country more in the long term.
- 4.2 While the figure of main land transport funding flows and table showing main sources of investment are useful, they also serve to illustrate the limited revenue base for land transport activities and the number of which are subject to the political trade-offs and reprioritisation. Excise taxes and road user charges do not work as an efficient and fair funding mechanism. We need a workable user-pays system, and we also need to enable investment from external infrastructure funds. We are disappointed no consideration has been given to private funding, which could bring projects forward and take the pressure off already strained government finances.
- 4.3 INZ supports the Ministry of Transport's work on considering the future of revenue system, but think it has some gaps that should be considered further:

- With petrol vehicles becoming more efficient, and an increasing uptake of plug-in hybrid, and battery electric vehicles, the fuel excise duty risks being eroded, as vehicle users consume less fuel. We recommend a review into the FED/RUC charging model, to ensure that the revenue model is sustainable.
- We recommend enabling the collection of congestion charges / transport pricing of the time of use charges in city centres, to help alleviate network pressures, and fund upgrades to local networks.

4.4 The list of Crown investments in land transport outlined in the document is underwhelming, and many of the examples quotes already have committed funding. There is a greater opportunity for drawing in private capital, to accelerate projects and leverage private sector expertise. We recommend drawing this out as a potential funding mechanism for further projects – which could apply to new roading projects, improvements to the existing network, or to mass rapid transport projects.

Activity Class Framework

4.5 INZ supports the continuity of the NLTP activity classes with the effectively carried over from the 2021-24 NLTP. We note the introduction of the new Inter-regional public transport activity class and the limitation of this to the two existing inter-regional rail public transport services initially. Certainty of funding for these services is to be commended however, we would expect any extension of funding to other regionally services will be fully evaluated and should stack up against other public transport investments proposed by regions.

4.6 We also note that there is a significant range in the funding bands for activities between the upper and lower bands. This provides a level of uncertainty, particularly in regard to the forward work programme which affects sector capacity and capability. An almost \$0.5b range for state highway maintenance is a case in point. Given the modelling that has been undertaken, based on robust asset management plans, we would expect to see the amount allocated to be within a smaller range.

4.7 We note the significant amount of work that has been undertaken to address the cyclone recovery, including the commitment of over \$1.2b. We would expect that further work on the National Resilience Plan will include the proactive work needed to improve climate resilience that has already been identified, rather than just using this fund as an ambulance at the bottom of a cliff.

Mass Rapid Transit Projects

4.8 It is quite correct that the mass rapid transit projects are identified as city-shaping project with funding required from beyond the NLTF. Again, INZ considers the need for private investment funding to be identified as a likely source, along with Crown funding. INZ supports the development of a comprehensive framework for the funding, financing, and integrating decision making processes for MRT projects. This timeframe for the development of this needs more urgency and should be produced around the same time as the final GPS 2024, given the significant projects already in the transport infrastructure pipeline.

Section 5 Statement of Ministerial Expectations

Ministerial expectations will need to translate into action

- 5.1 INZ strongly the transparency of the ministerial expectation both within the GPS and through the annual letter of expectations which should be made public within a reasonable timeframe.
- 5.2 INZ supports point two in the letter of Ministerial expectations – “consider the full range of options and alternatives”. Non-built solutions and improving the use of existing infrastructure including through demand management will be key to addressing New Zealand’s infrastructure deficit in a constrained economic environment. When it comes to congestion charging, there are also co-benefits such as mode-shift and reduced stress on existing transport infrastructure, meaning a reduction in operations and maintenance cost.
- 5.3 We also strongly support the guidance to ensure a robust programme and portfolio approach, with a focus on moving away from a siloed system. We support a delivery integration focus including a whole of system approach to assessing transport solutions.
- 5.4 Building back better is strongly supported. There is an opportunity to leverage the rebuild and incorporate climate resilient designs. Restoring assets to an improved standard will be costly, need to leverage all available capital. INZ strongly supports focus on private investment but notes that this pales in comparison to GPS 2021’s focus on alternative funding and financing models.
- 5.5 We note that GPS 2021 outlined the need to properly consider financing approaches ahead before seeking investment from the NLTF. This appears to, outside of the Ministerial statement of expectations, have been largely unengaged with in this draft GPS. It stated that:

When seeking investment from the Fund for large intergenerational projects (over \$100 million) and projects where transport and other outcomes are advanced together, financing approaches should be considered. This includes considering alternative sources (e.g. new Infrastructure Funding and Financing tools) and alternative operational models (e.g. Public Private Partnerships). The Ministry of Transport and Waka Kotahi will expect confirmation that there has been adequate consideration of financing before supporting such large projects.
- 5.6 While we support the private investment focus in the Ministerial expectations, we note the lack of comparative focus. In the interim between the two documents, we note that the Government has delivered transport projects through Public-Private-Partnerships with varying success.
- 5.7 We encourage the Ministry to acknowledge that New Zealand is early in its journey towards market maturity which properly assesses and successfully delivers PPPs regularly. Private capital will enable New Zealand to deliver the major infrastructure projects it needs, faster, and bring about the benefits earlier and often more efficiently.
- 5.8 We hope that while higher level, this focus will translate into action and an acknowledgment of the need to move forward to deliver infrastructure more effectively and efficiently for New Zealanders.

4. Conclusion

- 6.1 INZ supports the draft GPS overall and its role in providing guidance for the land transport sector on the government’s funding priorities. We are disappointed that the sustainable funding issues affecting the NLTF still appear to be largely unaddressed.

6.2 We also believe that the GPS should be providing a clearer steer on the transition path to a new more direct user pays funding system, including a commitment to providing tools for councils to determine their own congestion charging / road pricing systems to funding transport infrastructure and services. Given the funding challenges, there is a role that private equity financing could also play in delivering long life transport assets for our communities.

6.3 Thank you again for the opportunity to provide feedback. We look forward to the release of the final GPS in the coming months.

Yours sincerely



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Policy Director

Infrastructure New Zealand