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# **Infrastructure New Zealand Submission on the Draft Government Policy Statement on Land Transport 2024 – 2034**

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## **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 boldness of the draft GPS 2024 and the clear direction that the Minister has set, particularly in terms of addressing the funding challenge. We support the Minister of Transport bold decision-making approaches and encourage the continuation of this direction.
- 2.2 We welcome the increased spending of \$20.2 billion through the National Land Transport Fund (NLTF) over the next three years from 2024/5 – 2026/7. We agree that it will assist in addressing the transport infrastructure deficit that we face as a country.

- 2.3 INZ particularly supports the draft GPS 2024's signalled intention to move to a longer 10-year transport investment regime which will align better with the local authorities' Long Term Plans and provide greater confidence and certainty for all stakeholders. This will allow longer term financial planning and support a more certain pipeline in the provision of transport infrastructure. But real progress requires an enduring stable direction supported by adequate funding.
- 2.4 As Regional Land Transport Plans are developed to give effect to the GPS 2024, it may also become evident the difficulty that local authorities have in finding their local share to fund their share of the programme given the other demands on their budgets, such as water infrastructure. Further thought is required to consider local government financial sustainability as part of the wider government work programme.
- 2.5 INZ is also pleased to see a focus on delivery, efficiency, and transitioning the National Land Transport Fund towards new future revenue streams. The financial constraints have been recognised now for a number of GPS periods and there needs to be real commitment to addressing this with a realistic timeframe for the inevitable transition.
- 2.6 The reintroduction of Roads of National Significance (RoNS) has been well-signalled, and it is no surprise to see these 15 projects specifically set out in the GPS. This commitment to progressing significant infrastructure is welcomed, as is the signalling of specific projects to the sector, to help improve pipeline certainty.
- 2.7 It is very encouraging that the use of alternative revenue, funding and delivery models will be used to support the RoNS and other transport investments. INZ supports the tolling of all these new roads.
- 2.8 The Transport Minister's press release emphasises PPPs as well as the increased use of tolling, equity finance schemes and value capture to generate the necessary revenue to deliver these projects. NZTA and the Ministry of Transport have been tasked with examining these and reporting back to the Minister of Transport within three months of the GPS being finalised. INZ, and its members, are keen to contribute industry ideas and expertise to this process as appropriate. We have established a working group of industry experts to inform the Government's decisions around funding and financing, including providing advice as part of our briefing to the incoming government<sup>1</sup> and would welcome the opportunity to engage with you.
- 2.9 However, we note the reluctance of Auckland Mayor, Wayne Brown, to support the Mills Road and East-West Link projects. There must be alignment between both national and local transport aspirations to make real progress delivering our infrastructure priorities. Establishing a new agreed Auckland Integrated Transport Plan will be critical to making progress to address the transport infrastructure deficit in this region.
- 2.10 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. Planned increases in

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<sup>1</sup> <https://infrastructure.org.nz/wp-content/uploads/2023/12/Briefing-for-Incoming-Minister-INZ-7.12.23.pdf#msdyntrid=jMXSp5mf-aQkrB6SM6zitWKPZAOOZuVByFN2iNDVAk8>

vehicle registration fees and the introduction of RUC for electric and plug-in hybrid vehicles is welcomed as all road users should be fairly contributing to transport infrastructure and services.

- 2.11 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 either through grants or loans 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 and we support this intent.

### 3. Detailed Comments on Sections

#### Section 2 *System Reform*

- 3.1 The reality is that the National Land Transport fund is starved of sustainable revenue and ultimately the once world-leading hypothecated model is broken beyond repair. INZ is pleased to see this reality acknowledged and the limited life of the current funding system is signalled. A new revenue system is touted from 2030 but there is a significant work needed to meet this transition timeline.
- 3.2 It is good to see the connection with the other major system changes not only involving the transport system but also the Resource Management Act including the fast-track approvals process, the establishment of the National Infrastructure Agency and its role with the Infrastructure Commission and NZTA to develop a 30-year plan for transport infrastructure and connecting with international investors.
- 3.3 We fully support the proposal to amend the LTMA to require future GPSs to adopt a 10-year investment plan. Transport infrastructure comprises long term assets which take time to plan, construct and then operate. Providing a longer investment plan timeframe will give more certainty and confidence that projects will be seen through beyond the immediate three-year funding cycle.
- 3.4 We note the very brief reference to climate change and emissions reduction in this draft GPS. The Emission Trading Scheme (ETS) is acknowledged as the Government's key tool to reduce emissions and the role that transport plays is left to be worked through separately as part of the development of the second Emissions Reduction Plan (ERP).
- 3.5 It is imperative that New Zealand can meet the emissions reduction budgets that the Government has committed to as we track toward net-zero emissions. While the timing is difficult, INZ considers that the GPS should clearly articulate how transport activities will deliver on these emissions reduction targets and how it will be aligned with the forthcoming ERP2. We emphasise our concern that the impact of climate change (in relation to mitigation and, even more so, adaption) should be fully reflected in the final GPS. This is especially important as we are aiming for an affordable, resilient, and long-lasting infrastructure.
- 3.6 We are concerned that New Zealand is not currently on a pathway to achieve the first emissions budget. Emissions Budgets 2 and 3 are progressively more ambitious and achieving them relies

on actions in the first Budget being fully implemented and achieving the emission reduction levels targeted.

- 3.7 INZ considers that the GPS needs to state transport's role in decarbonisation and the specific activities that will be undertaken to contribute to the achievement of the emission reduction targets. We require resilient roading infrastructure, which must be invested in alongside a greater focus on active and public transport.

### Section 3 *Strategic Priorities*

- 4.1 INZ generally supports the GPS's four strategic priorities and the overarching nature of the first priority, ***Economic Growth and Productivity***. Optimisation of existing networks and services to deliver an appropriate level of service for users is a critical aspect of this, including the greater use of digital infrastructure and information systems. The introduction of road pricing in various forms is welcomed in order to fund the transport infrastructure we need.
- 4.2 We support the introduction of the RONS but must stress that the Government should seek regional support to ensure their success. Alternative funding and financing of the RONS is recognised as necessary, and supported, as is the requirement to toll all new roads. The current legislation should be reviewed to ensure this intent is enabled e.g. where an existing route is upgraded from two lanes to four separated lanes, this should be deemed a new road. INZ also recommends that the decision to toll be moved from the Minister of Transport to the New Zealand Transport Agency board. This would remove the political aspect of this decision to charge and ensure it has a sound operational basis and improve the longevity of the policy.
- 4.3 Roads of Regional Significance have also been identified. Public transport networks in the metros and the provinces will continue to meaningfully contribute to the economic growth and productivity and need to be supported to maintain and improve services.
- 4.4 INZ strongly supports the continued priority of the additional Waitematā Harbour Connection and the investigation of private funding including equity financing and value capture mechanisms. Improved public transport connections need to be part of this solution also, and future proof for future growth in the North Shore and beyond. Completion of the City Rail link is recognised but it is vital that the government supports additional work to optimise rail services, including the removal of rail crossings to improve safety and efficiency. The three Auckland busways identified for delivery are strongly supported too.
- 4.5 Figure 3 Illustrating the local, private and NLTF / Crown shares of public transport services and infrastructure funding is somewhat misleading. Farebox recovery, internationally has been based on operational costs and excludes infrastructure capital. The contribution of crown funding has been used to target specific user groups to reduce their fares such as under 25-year-olds. The impact on fares of reducing NLTF support for public transport to public transport authorities needs to be fully understood during this current cost of living crisis. Soaring public transport fares could negatively impact economic growth and productivity as workers and students struggle to pay their increased transport costs.
- 4.6 The support of metro rail networks and the lower North Island Rail integrated mobility programme are acknowledged, along with a focus on the key freight routes around the upper North Island. The reduction in capital from the NLTF to fund rail infrastructure, maintenance and operations does raise some concerns. The Rail Network Investment Programme will need to clearly outline the work required and the extent to which this will now be Crown funded. Track

user charges are a small contribution to the maintenance and operation costs but there needs to be recognition of the wider benefits of having a rail option available that is reliable and fully utilised.

- 4.7 A world class modern transport system includes safe facilities for pedestrian, cyclists and mobility device users. The restriction of all investment in infrastructure, maintenance and operations to the Walking and Cycling Activity class represents a significant reduction in the provision for these modes and will also force more costs onto local authorities at a time when they are under severe funding pressure. INZ supports the continued funding for active transport options and acknowledges its positive effect on economic growth and productivity.
- 4.8 The strategic priority of **Increased Maintenance and Resilience** is strongly supported as we have seen a deterioration in our existing road networks due to chronic ongoing underfunding of the maintenance and renewal activities for over a decade. It is pleasing to see that this continued underfunding is now being addressed as the 'sweating the asset' approach is not sustainable and ultimately costs the country more in the long term.
- 4.9 As our networks are increasingly impacted by severe weather events, there is a growing need to undertake more proactive work to address resilience issues. Excellent work has been undertaken to identify critical weaknesses in our key routes and networks, funding needs to be directed to implement the programme of recommended interventions across the country as per the National Resilience Plan.
- 4.10 The expanded role of the Road Efficiency Group Te Ringa Maimoa (REG) and inclusion of independent members is strongly supported. We would also recommend that there is a collaborative approach taken with consultants and especially contractors as REG works through its list of key focus areas to ensure work is being undertaken in an efficient manner. Other system issues such as the lack of access to aggregate and the difficulty consenting or extending existing consents for quarries needs to be examined.
- 4.11 The inclusion of **Value for Money** as a strategic priority is odd as it is already legislated that this is something that all expenditure from the NLTF must deliver on. More post-construction evaluations should be undertaken to help demonstrate this, especially in light of the recent Auditor General's report.
- 4.12 The **safety** priority is vital. We expect to see the development of a new Road Safety Strategy that uses all the levers to address our deteriorating death and serious injury record. Maintenance of the current asset and improving the network condition is also a vital contributor to safety outcomes, and the increased funding of these activities should assist. The draft GPS also states that *delivering improvements to level crossings, like installing safety barriers on rural roads and separating road from rail in busy metropolitan networks, are a key safety priority for road and rail infrastructure to be funded by NZTA, KiwiRail's RNIP and local councils*. A focus on this in respect to Auckland's road and rail network is required to enable the safe and optimal operational of all services. The ability to fund level crossing work is severely constrained and needs to be specifically provided for and not just expected to be enabled within the wider state highway or local roads improvements.

## Section 4 Investment in land transport

### ***National Land Transport Fund***

- 5.1 The increased spending of \$20.2 billion through the NLTF over the next three years from 2024/5 – 2026/7 is a welcomed and will assist in addressing the transport infrastructure deficit that we face as a country. It is noted that around a third of the NLTF now comes from the Crown in the form of grants and loans (which will need repaying in the future). The NLTF is no longer a fully functioning hypothecated fund as its revenue streams continue to reduced and planned expenditure rises.
- 5.2 INZ fully supports the increase in motor vehicle registration fees to allow increased funding to the NLTF. The contribution of RUC from electric and hybrid vehicles from 1 April 2024 is supported also. Users of the transport infrastructure need to contribute to its development and upkeep of the assets they utilise.
- 5.3 Repealing the existing planned increasing in the FED and RUC over the period of the next National Land Transport Programme is a backward step. Scheduled increase in these charges from January 2027 are supported but in the interim, the NLTF is going backwards based on real terms. All fees should have inbuilt automatic CPI adjustments, which will help alleviate the need to seek political approval.
- 5.4 INZ is pleased the Government recognises that we need a workable user-pays system, and we also need to enable investment from external infrastructure funds, which can bring projects forward and spread the costs of significant long-term infrastructure over multiple generations of users, thus taking the pressure off already strained government finances.

### ***Funding ranges for activity classes***

- 5.5 INZ supports the new State Highway and Local Roads Pothole Prevention activity classes and their focus on resealing, rehabilitating and drainage maintenance on both these networks and the increase in funding now being directed here. However, overly constraining the work categories within these activity classes could have unintended consequences, for example how will street lightening maintenance and replacement of median safety barriers be funded from now?
- 5.6 The Walking and Cycling Activity class now includes most maintenance work and the indication that there will be a potential decrease in financial assistance rates for councils is a concern. Good pedestrian and cycling facilities in our cities and towns are a critical part of our transport system. While ensuring there is value for money achieved with all expenditure, we would expect that there should be adequate funding to assist councils progress their cycle networks and provide safe pedestrian facilities, especially around public transport corridors, stops and stations.

### ***Linking planned expenditure with revenue***

- 5.7 INZ welcomes the transparency provided in the draft GPS setting out NZTA's current and future borrowing obligations and the commitment to ongoing reporting of these. While some of this lending is directly linked to specific revenue generating projects such as the Tauranga Eastern link, the majority have been used to bring forward other projects which do not have a separate

revenue stream and must now be repaid using NLTF funds, without the ability to raise its revenue. This is extremely concerning, as the magnitude of these various loan repayments increase and direct expenditure away from the activity classes within an already constrained fund.

- 5.8 The Debt repayment schedule contained in Appendix A is concerning with \$2.3 billion required to be repaid by the NLTF during this NLTP period and ahead of the significant planned increases in FED/RUC. Given, that it is recognised that revenues flows into the fund reflect wider economic conditions and activity, there needs to be some flexibility with these repayment commitments to ensure that investment in transport infrastructure and services are not adversely affected or ceased in order to meet these demands.

## Section 5 Statement of Ministerial Expectations

### ***Ministerial expectations will need to translate into action***

- 6.1 INZ strongly supports 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.
- 6.2 INZ welcomes the focus on delivery to reduce the infrastructure deficit. It is particularly pleasing to see the requirement to maximise the use of new funding and financing tools and implementation of new delivery modes with a focus on whole of life costs also.
- 6.3 The expectation that a more efficient business case process will be built by the end of 2024 is also welcomed. Business cases need to support and enable good decision making for the delivery of a transport solution, and not be an end in themselves.
- 6.4 The ongoing six-monthly report to the Minister on any regulatory or other government-controlled barriers to timely delivery in order to speed up delivery and reduce project costs to supported. Issues with consenting under the Resource Management Act have been an issue. The introduction of the Fast Track Approvals Bill should support expedited delivery in the short term, but any issue identified should also feed directly into the more far-reaching review of the planning and consents legislation.
- 6.5 The Minister's expectation that there will be consideration of other revenue sources and other funding delivery models is strongly supported. 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. There is a greater opportunity for drawing in private capital, to accelerate projects and leverage private sector expertise.
- 6.6 We welcome the directive to the Ministry and NZTA to work together on the future of land transport revenue to explore the role of tolling; time of use charging, equity finance; and value capture.
- 6.7 We fully support future GPSs containing a 10-year investment plan. This should help to support a more certain infrastructure investment pipeline and enable a longer-term view to

be taken. Transport projects are long term investment which require the ability to plan, design, acquire land, undertake route protection and enabling works long before actual construction commences. This activity generally occurs over a number of GPS / NLTP periods and needs to be viewed as a continuous activity and be supported over multiple years.

- 6.8 Transport will no doubt have a large role to play within the establishment of city and regional deals. The Ministry and NZTA need to engage early in the discussion, including the current development of a negotiating framework. Investment in transport infrastructure and services needs to leverage private investment and create a cohesive direction for the growth of a city or regional participating in such a deal arrangement.

## 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 pleased to see some focus on addressing the sustainable funding issues affecting the NLTF but note that planned increases in revenue are offset by the need to meet Crown loan repayment obligations to a large degree in the coming years.

- 6.2 The clear steer on the transition path to a new more direct user pays funding system from 2030 is welcomed, particularly the commitment to provide a wider range of funding tools for transport infrastructure and services.

- 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.



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**Infrastructure New Zealand**