

GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT FUNDING 2012/13- 2021/22

SUBMISSION TO THE MINISTRY OF TRANSPORT

27 MAY 2011

BACKGROUND

The Institution of Professional Engineers New Zealand (IPENZ) is the lead national professional body representing the engineering profession in New Zealand. It has approximately 12,000 Members, including a cross-section from engineering students, to practising engineers and senior Members in positions of responsibility in business. IPENZ is non-aligned and seeks to contribute to the community in matters of national interest, giving a learned view on important issues, independent of any commercial interest.

This submission is a joint submission with the Transportation Group – a Technical Interest Group of IPENZ. The Transportation Group consists of approximately 1,100 transportation and traffic engineering and planning professionals working in central government, local government, academia, and the private sector.

CONSULTATION

A draft version of this submission was provided to all IPENZ Members via the IPENZ website. In addition, interested Members were sent the draft submission directly. All IPENZ Members were able to comment on the submission and Members' comments are included in this version.

SUBMISSION

1. WHY A GPS ON FUNDING?

We query the appropriateness of the Government continuing with the practice of preparing a Government Policy Statement on Land Transport Funding in the absence of any overarching government strategy for land transport. It is conventional and logical that funding follows strategy – how is the government able to decide how much and what to fund without a clear view on what outcomes it is seeking to achieve?

To support this view we note that this GPS is the only funding focussed GPS produced by Government.

A Strategy for land transport is required.

2. A STATEMENT OF STRATEGIC DIRECTION

It is noted that it is mentioned in this Engagement Document that in the 2009 GPS the government committed to developing a Forward Plan for Transport. Perhaps this will be the long awaited strategy.

When a Forward Plan for Transport is finalised, we suggest there will no longer be a need for a GPS on land transport funding as mentioned above.

The Engagement Document says that the Vision for the transport sector is:

An effective, efficient, safe, secure, accessible and resilient transport system that supports growth in our country's economy in order to deliver greater prosperity, security and opportunities for all New Zealanders.

The Vision as outlined seems to be new. It is not in legislation, the Government Policy Statement (amended November 2010), on the MOT website, or on the New Zealand Transport Authority (NZTA) website. The Government's vision for transport, as set out in the still current *New Zealand Transport Strategy 2008* is that people and freight in New Zealand have access to an affordable, integrated, safe, responsive and sustainable transport system. The purpose of the Land Transport Management Act 2003 is to contribute to the aim of achieving an affordable, integrated, safe, responsive, and sustainable land transport system.

What seems to be missing in this new Vision is the concept of environment. Also IPENZ questions the need for the word "secure" as it seems to be redundant when the concepts of "safe" and "resilient" are already included. Does it refer to a particular aspect relating to security for example airline security? If so, then surely this is covered by the reference to "safe".

Also in a transport sense we are unclear what "opportunities for all New Zealanders" refers to.

The Vision needs to include the concept of environment, avoid redundant words, and be clearer on what the word "opportunities" refers to.

The Forward Plan will remove the need for a GPS on land transport funding.

3. THE IMPACTS FOR THE 2012 GPS

This Engagement Document claims to set out a number of specific targets known as "impacts". These appear to be objectives and are not impacts or targets (they are not measurable).

These objectives are generally agreed with but there is misalignment with the Vision:

- There is no reference in these objectives to accessibility or is this intended to be the same as "more transport choices, particularly for those with limited access to a car". We suggest that the concept of accessibility is wider and includes the transport disadvantaged.
- The objectives refer to environmental effects and the Vision does not
- The Vision refers to opportunities for all New Zealanders – is this a reference to social connectedness. The objectives make no reference to this concept.

This also raises the issue of whether the GPS should contain targets as the 2008 GPS did. It is suggested that targets (along with the Vision and Objectives) should be in the Forward Plan for Transport.

The impacts should be re-labelled as objectives.

The impacts should be better aligned with the Vision and should include targets.

4. ROADS OF NATIONAL SIGNIFICANCE

From the outset IPENZ has been concerned that the GPS refers to specific projects – the GPS should address policy, strategy, objectives and targets that the government is seeking to achieve. We believe the NZTA should be the organisation that selects projects using an evaluation and allocation mechanisms to meet the Government's objectives. Therefore we would hope that future RONS are not listed in future GPSs.

To highlight the issue, we note that the NZTA's current evaluation system (strategic fit, effectiveness, economic efficiency) does not independently evaluate Roads of National Significance. An obvious example is the 'strategic fit' criteria which gives a high priority to RONS – essentially a circular argument.

We were puzzled to see that the State Highway Classification System is referred to in the Engagement Document and that it may be used to identify potential new RONS. Four possible RONS are identified.

A number of the seven existing RONS have very low benefit-cost ratios and low wider economic benefits (WEBs). Based on the information available, they will make very modest contributions to the economy and productivity.

There is no doubt some roading projects that would make a much more positive contribution to the Government's objectives are in the economic powerhouse of the economy - in the Auckland, Hamilton, and Tauranga triangle. Hence we doubt whether the Hawkes Bay expressway and the Christchurch motorway projects will meet the Government's objectives.

We would hope that future RONS decisions are based on good analysis using economic, safety, and environmental criteria, i.e. based on their ability to meet the Government's objectives. We would therefore hope that major national projects are not assessed on the basis of a relatively operational tool such as the roading classification system. To highlight this we note that there is very poor alignment between the draft Classification criteria and the Government objectives (or impacts) in this Engagement Document. The classification criteria are focussed on volumes and economic factors (appropriately) and make no reference wider government objectives of safety, security, resilience, transport choices, and environment.

Future GPSs should not include projects.

Future RONS should be base on sound analysis and assessed against the government's objectives for land transport.

5. EXPLICITLY STATING THE EXTENT OF INVESTMENT IN ROAD SAFETY

We support, in principle, the intention to make explicit the roading expenditure that is expected to provide safety benefits. However we have a reservation on how practical it is to identify safety benefits. We note that the Engagement Document has

dealt with this issue by using ranges – that are very large. For example it is not feasible to decide what proportion of road reseals provide improved skid resistance and what proportion improves water proofness. Therefore when wide ranges such as outlined in the Document are used, it is questionable what value they add.

Also reducing congestion can result in lower road safety as a result of increased speeds. Therefore it is feasible that some projects may have a negative safety benefit, but an overall positive benefit. Will this be explicitly shown?

Attempting to explicitly show the safety benefits of roading expenditure may not be practical, will add little value, and may need to include negative safety benefits.

6. CANTERBURY EARTHQUAKE

We support the need prioritise funding for Canterbury and the use of the special funding assistance rate for emergency works.

7. FUNDING ALLOCATIONS

7.1 THREE YEAR FUNDING RANGES

We support the Government's ongoing commitment to funding for land transport for the next 10 years. We also support the additional funding for public transport services (to provide for metro rail).

From the document it is unclear why there seems to be a significant increase in walking and cycling – the note suggests there is “no change”? There is also a suggestion that the GPS 2012 may align with the NZ Cycle Trail Network Expansion Project. We have reservations about this because the Expansion Project is to meet tourism objectives, and not the objectives (impacts) outlined in this GPS. This would be mixing Government initiatives and we believe the funding for the Expansion Project should be explicitly separate.

We can understand why Government would wish to decrease funding for some activities as the Government struggles to meet its commitments. This is apparent in the renewal, maintenance and operation of State Highways and local roads.

It is unclear whether the projections take into account the reduced income as a result of not implementing the proposed 1.5 cents/litre increase in fuel excise duty.

In the explanation of the reasons for decreasing funding for renewal and maintenance we believe it is disingenuous to say they have been lowered to encourage efficiency. Recognising that all of this work is outsourced to the private market, bitumen prices are increasing, and most work undertaken in these activity classes uses conventional and cost effective technologies (e.g. road rehabilitation and resealing), the result can only be that less work will be undertaken. This needs to be explicitly recognised and not swept under the carpet as “efficiencies”.

Since this trend will now go on for 6 years (3 past, 3 future), the Government needs to consider the effect that this lower level of funding for renewal and maintenance may have on New Zealand's roading assets and levels of service. Roading assets are to some extent reasonably resilient, but New Zealand has had some stark examples of the results of under investment in infrastructure in the 1990s – particularly urban rail, road congestion in Auckland, and electricity transmission.

It is also highly relevant is the recent introduction of the Land Transport Rule: Vehicle Dimensions and Mass 2010 Amendment which allows for the granting of

permits for 'high-productivity motor vehicles' to operate on approved routes at greater dimension and mass limits. These vehicles will impose more damage on pavements, and is not a good environment in which roading renewal and maintenance is constrained.

We also note the decreased funding for public transport infrastructure. This is not referred to in the commentary. The note in the table suggests that this is lowered (by 43%) to enable a focus on highest priorities. This is hardly a rationale reason for make a major reduction in the budget. Projects should be evaluated against the government's objectives, and simply cutting funds drastically without an adequate explanation is unsatisfactory.

The reasons for reducing some funding allocations is disingenuous and it should be transparently recognised that these reductions will result in less work being undertaken.

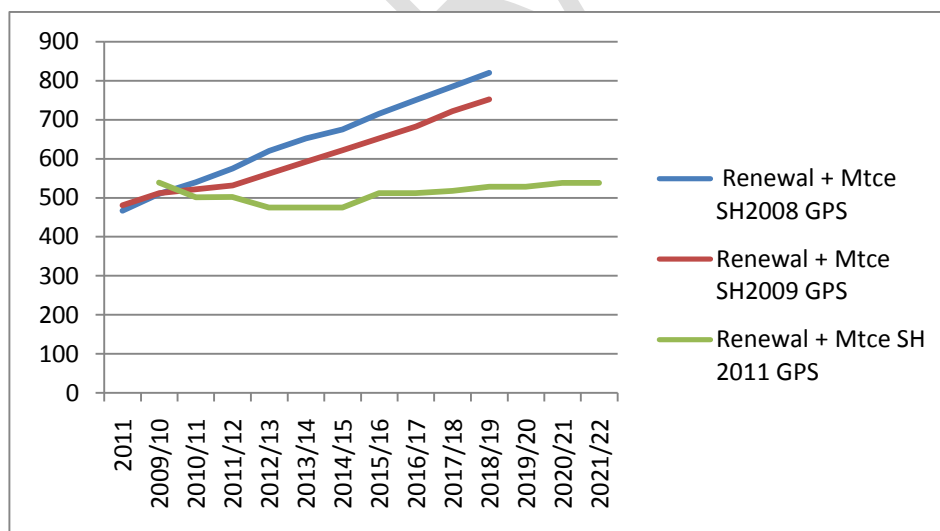
An analysis is required to investigate whether the reduction in renewal and maintenance funding will have a long term affect on the roading network.

The reasons for, and the implications of, the significant reductions in public transport infrastructure are inadequately explained.

7.2 TEN YEAR FUNDING RANGES

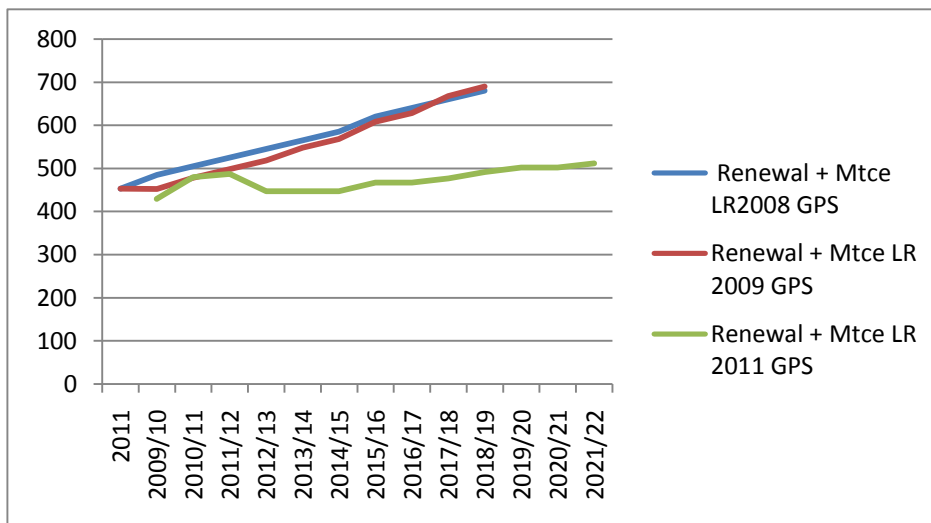
We have plotted the 10 year funding ranges for both State Highways and local roads and compared these to the August 2008 GPS and the 2009 GPS – as amended in November 2010.

The State Highway funding for the renewal, maintenance and operation activity classes are shown in the following graph:



This shows the drop from the 2008 GPS to the 2009 GPS, but the trend for the 2010 GPS is significantly lower in outer years. We do not understand the reason for this. There is no explanation in the document of the reason (such as removing assumed escalation).

A similar trend occurs in the local roading renewal, maintenance and operation activity classes:



A possible explanation for the decreases in future years may be provided in the Engagement Document. It states that in the current economic environment “there will need to be greater emphasis on finding efficiencies and savings and making appropriate trade-offs”. If this levelling off of cost for both State Highways and local roading is intentional and the hope is that, through efficiencies and saving, costs can be held at 2011/12 levels, we believe this is completely unrealistic. Reductions at this level would require significant reductions in renewal and maintenance activities and this would have a detrimental long term impact on the useful lives of pavements. If such an underinvestment was to occur it would be very difficult and costly to restore levels of service.

There is no explanation why the 10 year funding projections are well below the 2008 and 2009 projections, and reductions of this scale are not achievable through efficiencies.

CONCLUSION

IPENZ appreciates the opportunity to make this submission and is able to provide further clarification if required.

For more information please contact:

Tim Davin, Director - Policy, IPENZ

Email dir-pp@ipenz.org.nz

Phone 04 473 2027

PO Box 12241, Wellington 6144