

AMENDING THE GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT FUNDING 2009/10 – 2018/19

GPS amendment process

1. The Government Policy Statement on Land Transport Funding (GPS) is a key government document for influencing the planning and funding of land transport. The current GPS was released in August 2008 and reflects the priorities of the previous government.
2. The Minister of Transport is amending the GPS 2009/10 – 2018/19 to align investment in the land transport sector more closely with the new government's priorities of national economic growth and productivity. The Minister's main reasons for changing the GPS are:
 - to reflect the government's priority of investment in transport infrastructure for economic growth
 - to reflect the modal choices that are realistically available to New Zealanders.
3. To inform the development of the amended GPS, the Ministry of Transport is seeking your views on the proposed changes to the GPS on behalf of the Minister of Transport. This document outlines the proposed changes to the GPS.
4. The closing date for feedback is **5pm on Thursday 2 April 2009**. The reason for this timeframe is to enable the amended GPS to be released in May to inform the development of the National Land Transport Programme for 2009–12. We appreciate your assistance in providing feedback in this short timeframe.
5. Written feedback is preferred and can be provided:
 - by e-mail to GPS@transport.govt.nz
 - by writing to GPS Development Team, Ministry of Transport, Novell House, 89 The Terrace, PO Box 3175, Wellington
6. For contact by phone: Ian Stuart (04 439 9369) or Aidan Smith (04 439 9251) will be available between 8am and 5pm, Monday to Friday.
7. Your feedback will be considered alongside that from other stakeholders, and the Minister will consider it when finalising the amendments to the GPS.

What the GPS does

8. The GPS outlines the government's objectives and funding priorities for the land transport sector for a 10-year period with detail for the first 3 to 6 years. The GPS outlines what the government expects to achieve in the land transport sector over this period, how it will achieve this by funding certain activity levels, and how this funding will be raised. The Minister of Transport issues a GPS every 3 years.
9. The GPS signals to both the NZ Transport Agency and regional transport committees what type of activities or combinations of activities should be included in regional land transport programmes and the National Land Transport Programme (NLTP).

10. The NLTP is a statutory document prepared by the NZ Transport Agency that describes transport activities or packages of activities expected to be considered for funding for the 3 years from 2009/10. The GPS outlines the funding central government will make available through the NLTP.
11. The GPS sets the funding ranges that the NZ Transport Agency can allocate to particular activity classes, such as maintenance of local roads and State highways, construction of local roads and State highways, passenger transport services and infrastructure, and road policing. The GPS provides a national picture. The allocation of funding is the responsibility of the NZ Transport Agency, which must give effect to the GPS and which will also take regional land transport strategies and programmes into account.
12. The proposed changes will affect funding for regions to some extent. The actual amount of funding will be worked through between regions and the NZ Transport Agency based on the amended GPS and the 3-year NLTP. Organisations are advised to discuss the funding implications of these changes in more detail in the first instance with the NZ Transport Agency representative on their regional transport committee, who will be in a position to provide further practical advice and assistance.

Summary of key changes to the GPS

13. The government's priority is to achieve economic growth and productivity in New Zealand. The GPS will ensure that the use of land transport funding supports this goal. This will mean investing in high quality infrastructure projects that support efficient movement of freight and people. There will be a particular focus on the State highway network, which is critical to the efficient movement of freight and people. There will also be a strong emphasis on value for money, and the economic efficiency of projects.

The impacts sought by government

14. The Minister of Transport proposes that the amended GPS replaces the outcome targets in the current GPS with a list of impacts that the government wishes to achieve. This list would include specific impacts the government expects to contribute to economic growth and productivity. For example:
 - Improvements in journey time reliability.
 - Easing of severe congestion.
 - Improving transport connections to areas that have economic growth potential.
 - Increasing access to markets.
 - Improving transport efficiency.
 - Improvements in road safety.
15. Investing in economic growth and productivity is very important at this time. In the short-to-medium term, the most pressing challenge facing New Zealand is the current global and domestic economic situation, which is contributing to a period of negative or slow economic growth for the country and for other international economies. Well targeted land transport investment will keep people in employment, as well as lay the ground-work for robust economic growth in the future.
16. Reducing the number of fatalities and serious injuries as a result of road accidents is also a high priority for the government. Fatalities and injuries have both social and economic costs.

17. As well as the government's national economic growth and productivity priority, the government expects to see progress on the other social and environmental objectives under the Land Transport Management Act 2003.

Overall level of funding

18. The total level of expenditure through the National Land Transport Fund is expected to be approximately \$2.75 billion in 2009/10 rising to \$3.75 billion in 2018/19.
19. The amended GPS will need to reflect that \$258 million of capital commitments for Wellington rail infrastructure will be funded from the Crown account and not from the National Land Transport Fund, freeing up more revenue generated from road users for road-related activity.
20. In addition, approximately \$660 million additional funding will be provided over 6 years to compensate for the removal of regional fuel tax schemes as announced by the Prime Minister and Minister of Transport on 16 March 2009.

Allocation of funding

Restoring necessary State highway construction

21. The current GPS signals a reduction in investment in State highway construction over the term of the GPS. This reduction equated to a nine percent decline in investment in State highway construction over the first 3 years of the GPS relative to the last 3 years of actual expenditure.
22. The Minister of Transport proposes a significant increase in State highway construction. Increasing funding for State highway construction will bring benefits for national economic growth and productivity, particularly given that State highways carry most inter-regional freight and link major ports, airports and urban areas. In particular, it will help address strategic 'bottlenecks', and may allow new economic growth areas to be better connected into the national network.
23. The State highway network represents only 11.6 percent of the total road network yet accounts for almost half of all the kilometres driven each year by New Zealanders. The heavy use of the State highway network highlights its importance for moving people and freight, which is essential for economic growth.
24. It is important to rebalance current investment to better reflect the modal options realistically available to New Zealanders now, given that 84 percent of journeys to work in urban areas are by car and 70 percent of freight tonne-kilometres are by road. Our major cities of Wellington, Auckland and Christchurch will need to continue to increase the use of other transport modes. This is why the government continues to place emphasis on ongoing investment in public transport, both within and outside the National Land Transport Fund.
25. The proposed amendments to the GPS reallocate approximately \$420 million over 3 years from non-State highway activity classes to the New and Improved Infrastructure for State highways activity class.
26. Investment levels across the major activity classes will continue to be higher than their forecast allocation levels for the 2008/09 financial year. Achieving better value for money from existing expenditure across all activity classes will ensure progress will continue to be made on non-State highway activity.

Summary of proposed funding allocations

27. Table 1 shows the proposed activity classes funding ranges. Some minor changes are proposed to the activity classes, namely the merging of the Sector Research and Sector Training and Support activity classes, the inclusion of Performance Monitoring activities in the Management of the Funding Allocation System activity class, and the relocation of some administrative expenditure.

Table 1 – Proposed Activity class funding Ranges 2009/10 – 2018/19

Activity class	Allocations ¹	Funding ranges						Forecast funding ranges			
	08/09 \$M	09/10 \$M	10/11 \$M	11/12 \$M	12/13 \$M	13/14 \$M	14/15 \$M	15/16 \$M	16/17 \$M	17/18 \$M	18/19 \$M
Transport planning	39	34 40	32 38	30 36	30 35	30 35	30 35	30 35	30 35	30 35	30 35
Sector training & research	6	5 7	5 7	5 7	5 7	5 8	6 8	6 8	6 8	6 8	6 8
Demand management & community programmes	55	40 55	40 55	40 55	40 55	40 55	40 55	40 60	40 60	40 60	40 60
Public transport services	191	185 215	195 225	205 235	220 250	230 260	240 270	255 285	270 300	280 310	295 325
Public transport infrastructure	144	20 70	20 70	20 70	20 70	20 70	20 70	25 80	25 80	25 80	25 80
Walking & cycling facilities	18	10 25	10 25	10 25	10 28	10 28	10 28	12 30	12 30	12 30	12 30
New & improved infrastructure for State highways	864	800 1150	825 1150	850 1150	875 1150	900 1175	950 1200	950 1275	975 1300	1000 1325	1025 1350
Renewal of State highways	202	190 230	190 230	200 240	210 250	220 260	240 280	250 290	260 300	280 320	290 330
Maintenance & operation of State highways	279	270 335	280 345	280 345	300 365	320 385	330 395	350 415	370 435	390 455	410 475
New & improved infrastructure for local roads	231	150 250	150 250	150 250	175 275	175 275	175 275	200 300	200 300	200 300	200 300
Renewal of local roads	216	200 240	210 250	220 260	230 270	240 280	250 290	270 310	280 320	300 340	310 350
Maintenance & operation of local roads	237	200 265	210 275	220 285	230 295	250 315	260 325	280 345	290 355	310 375	330 395
Rail & sea freight	2	0 1	-	-	-	-	-	-	-	-	-
Domestic sea freight development	6	0 2	0 1	0 1	-	-	-	-	-	-	-
Road policing	283	285 295	295 305	305 314	315 325	325 335	335 345	340 350	355 365	365 375	375 385
Management of the funding allocation system (including performance monitoring)	38	33 39	31 38	29 35	32 36	33 37	34 38	35 39	36 40	38 42	39 43

¹ The GPS activity class allocations for 2008/09 differ slightly from those in the 2008/09 NLTP, as they have been reconfigured to match the activity classes that will take effect from 1 July 2009.

28. Table 2 below provides the indicative funding allocation for the first three years of the GPS for each activity class identified in Table 1. This underpins the funding ranges in Table 1. Table 2 is indicative only. The proposed funding ranges in Table 1 are what would appear in the amended GPS and what would be used by the agency to allocate funding.

Table 2 – Approximate 3 year funding allocations for activity classes

Activity Class	Approximate 3 Year Allocation (\$ M)
Transport planning	104
Sector training and research	18
Demand management and community programmes	143
Public transport services	633
Public transport infrastructure	134
Walking and cycling facilities	51
New and improved infrastructure for State highways	2,947
Renewal of State highways	645
Maintenance and operation of State highways	887
New and improved infrastructure for local roads	549
Renewal of local roads	686
Maintenance and operation of local roads	756
Rail and sea freight	1
Domestic sea freight development	3
Road policing	900
Management of the funding allocation system	102

29. The main features of the proposed reallocations are:

29.1. The revised GPS would increase the level of funding for the New and Improved Infrastructure for State Highways activity class by almost \$1 billion over the next three years by:

- reallocating approximately \$420 million over 3 years from non-State highway activity classes
- freeing up \$258 million over 2 years for road-related activity by moving capital investment in Wellington rail infrastructure outside of the National Land Transport Fund
- providing approximately \$660 million over 6 years from Petrol Excise Duty and Road User Charges as an alternative to proceeding with the Regional Fuel Tax Scheme.

29.2. Forecast State highway expenditure is lifted to remain at around 34 percent of total NLTP expenditure.

- 29.3. Forecast expenditure on local road construction is maintained at the same level as that in the current GPS. Road maintenance expenditure will still increase relative to the 2008/09 level.
- 29.4. Forecast expenditure on Public Transport Infrastructure differs considerably from the 2008/09 forecast, primarily because other capital commitments for Wellington rail infrastructure funding will be funded outside of the National Land Transport Fund.
- 29.5. Demand Management and Community Programmes and Walking and Cycling will receive funding allocations near their 2008/09 expenditure levels.
- 29.6. Changes in forecast expenditure for Rail & Sea Freight and Domestic Sea Freight Development reflect that the Minister wants to focus on other non-monetary interventions that will help increase the market competitiveness of rail and sea freight transport.
- 29.7. In recognition of the need to generate better value for money from administrative expenditure, downward pressure is being placed on the forecast expenditure on activity classes that support the delivery of land transport infrastructure and services, such as Performance Monitoring and Management of the Funding Allocation System.

Funding policy

Value for money

30. The Minister intends to amend the GPS so that the NZ Transport Agency must place greater emphasis on economic efficiency when allocating funds within activity classes.

Other land transport funding policies

31. It is proposed that the amended GPS will not affect other funding policies such as Funding Assistance Rates (FAR) and regionally distributed 'R' funding.

Routes of national significance and the National Infrastructure Plan

32. The Minister also proposes that the amended GPS signal a number of routes of national significance in the vicinity of our five largest urban centres. The further development of these will have national benefits to the transport network and to national economic development. The Minister of Transport intends to indicate his expectation that the NZ Transport Agency should have regard for the need to advance those projects when allocating funds in the NLTP.
33. The creation of an infrastructure portfolio and the development of a National Infrastructure Plan are a key component in the government's economic plan. The use of the National Land Transport Fund will support the delivery of the National Infrastructure Plan.
34. The identification of routes of national significance will be further developed as part of a process of developing a government national infrastructure plan.