

Engagement document

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

The Ministry of Transport, on behalf of the Minister of Transport, would like to hear your views on the direction of the next Government Policy Statement on Land Transport Funding (GPS 2012). This engagement document outlines the direction proposed for GPS 2012.

Please provide any feedback by **5pm on Friday 27 May 2011**. This timeframe is necessary so GPS 2012 can inform the development of the National Land Transport Programme¹ for 2012–15.

Written feedback is preferred and can be provided by:

- e-mail to GPS@transport.govt.nz
- writing to GPS Development Team, Ministry of Transport, Novell House, 89 The Terrace, PO Box 3175, Wellington

Your feedback will be considered alongside that from other key stakeholders and will be provided to the Minister to inform his final decisions on the GPS. The key stakeholders include Local Government New Zealand and representative groups of land transport users and providers.

In addition, to your views on the proposed direction for the next GPS, the Ministry is also interested in hearing feedback on whether the design of the GPS document could be improved. We welcome your thoughts on the design of the previous GPS document and, in particular, would appreciate feedback on:

- The structure of the previous GPS document. Which sections are useful and which could be improved?
- The information covered in the GPS. Is there other information you think would be useful to include?"

If you have any enquires on the feedback process please contact Marian Willberg on 04 439 9290 or GPS@transport.govt.nz.

¹ The National Land Transport Programme sets out the land transport projects and services that are likely to receive funding from the National Land Transport Fund. The National Land Transport Programme is prepared by the NZ Transport Agency and is published on a three-yearly basis. It must give effect to the GPS. Regional land transport programmes, on which the National Land Transport Programme is based, must be consistent with the GPS.

What is the GPS?

The GPS is issued by the Minister of Transport every three years. It sets the outcomes and priorities the government expects from the investment of the National Land Transport Fund. The GPS describes:

- what the government wishes to achieve from its annual investment of around \$3 billion in land transport through the National Land Transport Fund
- how it will achieve this through certain areas of investment known as activity classes (eg road safety, State highways)
- how much funding will be provided
- how the funding will be raised.

The GPS influences decisions on how money from the National Land Transport Fund will be invested in activity classes, such as State highways and public transport. It also guides the NZ Transport Agency and local government on the type of activities that should be included in regional land transport programmes and the National Land Transport Programme.

While the GPS provides a national picture of land transport funding, the detail of how money is allocated to regions and specific activities is the responsibility of the NZ Transport Agency. However, in carrying out this responsibility the NZ Transport Agency must give effect to the GPS while also taking regional land transport strategies and programmes into account. This means the direction and aims of the GPS have a direct effect on the money that will go to regions and activities.

What did GPS 2009 do?

In the last GPS, GPS 2009, the government changed the direction and priorities of land transport funding to:

- make increased economic growth and productivity the main goal for land transport expenditure. As part of this, GPS 2009 emphasised the need for transport infrastructure to encourage future economic growth
- allow for a short to medium-term focus on using roading investments to stimulate economic activity in response to the economic downturn
- focus investment into projects and services that offer value-for-money through an emphasis on economic efficiency
- place particular importance on investing in the State highway network and to prioritise work on seven initial Roads of National Significance as key to reducing congestion, improving safety and supporting economic growth

A lot of progress has been made in terms of these aims. Land transport investment has been refocused onto increasing economic growth and productivity, and projects have been prioritised from a national perspective.

Good progress has been made on the **Roads of National Significance** (RoNS) and all seven are on track. At the same time, work on **State highway improvements** is ahead of plan. This is partly a result of bringing funding forward to provide work for contractors during the recession. In addition to the RoNS programme, funding has been approved for other important roading projects around the country (e.g. the Kōpū bridge replacement and the Hawke's Bay expressway southern extension).

To improve **walking and cycling** a proportion of the funding from the walking and cycling, facilities activity class is concentrated on two model communities in New Plymouth and Hastings. These initiatives seek to reduce congestion by encouraging walking and cycling. Based on the experience of the Cycling Demonstration Towns programme in England, an increase in walking and cycling in New Plymouth and Hastings is expected as a result of these projects. By concentrating the funding on these two areas we are likely to get greater gains overall, rather than spreading the funding across a larger number of smaller projects throughout the country.

Outside of the National Land Transport Fund, there have been major investments to upgrade, modernise and expand **metro rail** systems in Auckland and Wellington. By making significant improvements in service frequency, quality and reliability we expect metro rail operators to attract more users and make better use of the network.

Public transport is also being improved through a new operating model which is being tested for the bus and ferry sector. This model aims to create incentives for public transport providers to operate more commercially and improve services so there is greater patronage and less reliance on subsidies.

What is the direction planned for GPS 2012?

In GPS 2012, the Minister of Transport proposes to broadly continue the overall direction set by GPS 2009. To continue this direction and better support future economic growth, some changes to GPS 2012 are planned. These changes are important given the need to repair the land transport system in Canterbury, while at the same time maintain momentum in roading projects critical to the nation's future economic growth.

This means the following three priorities will be included in GPS 2012.

- **A strong and continuing focus on economic growth and productivity.** The government's investment in land transport should support increased economic growth and productivity in New Zealand. This includes providing any ongoing support necessary to repair the land transport system in Canterbury over the next 3

years alongside continuing to improve the State highway network, particularly through the RoNS programme.

- **Value-for-money.** As for other areas of public spending, it is expected that land transport services should be delivered better and smarter. Asset management will be improved to boost the performance of roading infrastructure. Although value-for-money is stressed in GPS 2009 its focus is on the initial selection of projects and activities. GPS 2012 will make it clear that getting more out of what is spent is an expectation.
- **Road safety.** Road safety is a transport priority for the government, This will be reflected in the GPS so that the direction outlined in *Safer Journeys*, the government's road safety strategy, will be supported through the next National Land Transport Programme.

Including a statement of strategic direction

To provide greater clarity to the NZ Transport Agency and the New Zealand transport sector, the Minister of Transport proposes including a statement of strategic direction in GPS 2012. This will set out the government's overall vision for the sector. The strategic direction in GPS 2012 will be guided by the non-statutory Forward Plan for Transport which the Minister of Transport is currently developing and the second National Infrastructure Plan, which will outline the government's vision for New Zealand's infrastructure to 2030.

In GPS 2009 the government committed to developing a Forward Plan for Transport. It is intended that the Forward Plan will replace the non-statutory New Zealand Transport Strategy, issued by the previous government.

Currently 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.

In addition, where appropriate, the strategic direction for GPS 2012 will also take into account work on the Auckland spatial plan. The Auckland spatial plan will articulate the 20 to 30 year vision for Auckland.

Removing the short to medium-term focus on economic stimulus

The Minister intends to remove the specific short term emphasis on using transport investment to provide additional economic stimulus. This emphasis was added to GPS 2009 in response to the global economic crisis so transport expenditure could help soften the impact of the recession.

The need for a specific focus on short term stimulus has reduced as a result of the significant development and construction programme now underway, particularly as a result of the increased expenditure on the State highway programme.

In 2010, the NZ Transport Agency estimated that the State highway programme accounts for around 9,000 jobs each year. The RoNS make up a significant share of this. For each of the 10 to 15 years that the RoNS are being delivered, on average there will be around 3,000 employed on their construction.

Delivery of the State highway programme has preserved and will continue to preserve a significant number of jobs in the construction sector.

Roads of National Significance

In GPS 2009, the government listed seven RoNS as national roading priorities. These are seven of New Zealand's most essential routes and all require significant development to reduce congestion, improve safety and support economic growth. Progress on the seven RoNS is well underway. As roading construction projects have a long-term timeframe, investment in RoNS will continue throughout the GPS 2012 period. The ongoing RoNS programme is an important part of meeting the priority for greater economic growth and productivity.

As RoNS projects are completed new ones can be added. Although the Minister of Transport does not propose announcing new RoNS in GPS 2012, potential new routes can be identified through the State highway classification system, as required. This system is being developed by the NZ Transport Agency and Ministry of Transport to classify State highways based on the traffic carried and the function performed. This initiative aims to build a national consensus on the role and function of different State highways, and thus the nature of improvements that can be expected over a 20 year timeframe.

The draft State highway classification paper has identified four more high value highways, parts or all of which could be possible future RoNS. These are:

- Hamilton to Tauranga
- Cambridge to Taupō
- Hawke's Bay Expressway further development
- State Highway 1 north and south of the current Christchurch motorway projects.

These routes are of national strategic importance based on their high volumes of traffic, their importance for freight movements, including port access, and the need to improve road safety on these routes.

Making explicit the full extent of infrastructure investment in road safety

Roading improvements have contributed significantly to the gains that New Zealand has made over time in reducing deaths and serious injuries from road crashes, and are a key part of the *Safer Journeys* road safety strategy. Currently much of the infrastructure expenditure appears as roading improvements or maintenance with the safety portion tending to be understated. Part of the safe system approach to road safety means recognising that reducing death and injury requires investment in all aspects of the road system and not just a focus on the road user.

To support this approach, the Minister of Transport proposes to indicate in the GPS the proportion of the State highway and local road expenditure that is expected to provide safety benefits. This will include a proportion of the cost of the RoNS and other large projects. All of the RoNS projects will contribute to improving the safety of our State highway network. Safety specific expenditure will include:

- safety improvements such as installing safety barriers, improving line markings, providing better passing opportunities, intersection improvements, rural road realignments and demonstration projects²
- safety improvements that target high-risk rural roads, high-risk intersections and motorcycle black routes
- maintenance and renewal activity for safety e.g. providing the appropriate level of skid resistance.

On this basis the Minister of Transport expects the following amounts to be invested within overall roading expenditure over the first three years of GPS 2012 to improve the safety of our roading network:

Safety related roading expenditure	2012/13 \$ million	2013/14 \$ million	2014/15 \$ million
State highways	150–240	150–240	150–240
Local roads	80–120	80–120	80–120

The NZTA would be expected to report on how its overall expenditure has improved road safety outcomes. For example, the extent to which the proportion of vehicle kilometres travelled on 3-star or 4-star roads has increased relative to 1-star and 2-star roads³.

This change will make it clear that safety is a key part of activity across the National Land Transport Programme and does not only occur in activity funded through the road user safety activity class.

Canterbury earthquake recovery

Costs to reinstate the State highway and local road network following the Canterbury earthquakes are currently estimated by the NZ Transport Agency at around \$360–\$470 million. Most of this cost, \$300–\$400 million, is for Christchurch City Council roads. This cost is likely to be spread over 4 to 5 years and will therefore impact on the 2012–2015 National Land Transport Programme.

The New Zealand Transport Agency will contribute to the Christchurch City Council's costs on the basis of its special funding assistance rate for emergency works. Current

² Demonstration projects trial and show-case the safe system approach to improving road safety that is outlined in *Safer Journeys*. The projects incorporate roading improvements, speed management and road user and vehicle initiatives as appropriate. The intention is to focus the projects on high-risk rural roads and high-risk urban intersections and one project is currently underway in Maramarua (Waikato).

³ The star ratings measure and rate the safety that is built into roads. The ratings range from 1-star which represents a road with poor infrastructure design for the prevailing speed environment, to 5-star which represents the safest road infrastructure design. Our greatest safety gains from roading, in terms of reducing road deaths and serious injuries, will come from moving traffic off 1-star and 2-star roads and onto 3-star and 4-star roads.

assumptions suggest that this rate might be around 75 percent (the Christchurch City Council's usual rate for maintenance spending is around 43 percent).

If the rebuild for Christchurch City Council's roads from the 22 February quake remains within the currently estimated \$300–\$400 million, the New Zealand Transport Agency share should be able to be met from within the National Land Transport Programme over the projected 4 to 5 year period that the work is expected to proceed. Some of this funding will come from the existing emergency works provisions within the National Land Transport Fund, and some will come from reprioritisation of expenditure.

There is also likely to be a need to reprioritise currently planned projects in Canterbury. For example, some already programmed maintenance and renewals work will no longer proceed because the relevant roads will be rebuilt as part of the recovery effort. It is also likely that the location and form of the proposed new central city bus interchange will need to be re-considered. The timing of parts of the Christchurch Roads of National Significance programme may need to be reconsidered and either put back, or brought forward, depending on decisions taken around new housing areas and any new commercial areas.

What impacts will GPS 2012 contain?

The GPS sets out a number of specific targets known as impacts. In GPS 2012, the Minister of Transport intends to continue the impacts set out in GPS 2009. These are:

- Improvements in the provision of infrastructure and services that enhance transport efficiency and lower the cost of transportation through:
 - Improvements in journey time reliability
 - Easing of severe congestion
 - More efficient freight supply chains
 - Better use of existing transport capacity
- Better access to markets, employment and areas that contribute to economic growth
- A secure and resilient transport network
- Reductions in road deaths and serious injuries
- More transport choices, particularly for those with limited access to a car
- Reductions in adverse environmental effects from land transport
- Contributions to positive health outcomes

The government also expects to see progress on other social and environmental goals. This means contributing to the aim of achieving an affordable, integrated, safe, responsive, and sustainable land transport system.

How much funding is there?

The total level of investment available through the National Land Transport Fund is expected to be approximately \$3 billion in 2012/13 rising to \$4.20 billion in 2021/22.

How will funding be allocated?

The GPS includes funding ranges. These set out the maximum and minimum that can be spent on particular activity classes. Because the funding allocations for each activity class are specified as a range, the NZ Transport Agency has some flexibility to adjust actual funding levels in responding to requests set out in regional land transport programmes and in managing overall investment under the National Land Transport Programme.

Summary of proposed funding allocations

Table 1 below shows the proposed three year activity class funding ranges for GPS 2012, alongside the actual and projected levels of expenditure for the three years of the National Land Transport Programme (2009/10–2011/12)⁴. The proposed funding ranges for each activity class over the 10 years of GPS 2012 are given in the Appendix.

To improve the focus on value for money, there are a number of proposed changes to the funding ranges for the activity classes. These changes imply more prudence in the allocation and application of transport revenue.

In the current economic environment, the government must ensure that wherever possible investment in transport projects generates high value returns. This requires difficult decisions to be made on the level and mix of investment, and on the way revenue pressures will be managed. There will need to be greater emphasis on finding efficiencies and savings and making appropriate trade-offs.

As is shown in Table 1, the funding ranges for six activity classes would allow expenditure to be broadly maintained at the same nominal level as for 2011/12. In proposing this, the Minister is aware that the funding range for the maintenance and operation of local roads may not be sufficient given the level of damage the Canterbury earthquakes, particularly the 22 February 2011 quake, have caused the local road network.

There is an opportunity to align the New Zealand Cycle Trail Network Expansion Project with GPS 2012. General State highway and local road maintenance and improvement programmes could, where appropriate, include provision for such treatments. This could be reflected in the GPS descriptions of the State highway and local roading activity classes.

⁴ These figures are from the National Land Transport Programme snap-shot as at 1 March 2011 that can be found on www.nzta.govt.nz/planning/what-funding/nltp.html. These numbers are subject to change, particularly in response to the Canterbury earthquake.

For four activity classes⁵ the ranges would reduce expenditure from 2011/12 levels. For the public transport infrastructure activity class, expenditure will be maintained at the 2011/12 level to reflect the previous decision by the government to fund the majority of metro-rail infrastructure improvements directly through Crown funds rather than through the National Land Transport Fund. The range has been narrowed to focus expenditure on a limited number of high-priority projects.

Two activity class ranges would increase: new and improved State highways and public transport services. Increases in the former reflect our commitment to have all RoNS under construction, to complete the Waikato expressway within 10 years, and to substantially complete construction of the Waterview Connection by 2016.

The increases in the public transport services activity class reflect additional operating costs following the upgrading, modernising and expanding the metro rail systems in Auckland and Wellington from the National Land Transport Fund.

No change would be made to the funding range for the walking and cycling activity class. The GPS 2009 funding range allows for a \$3 million increase in the upper band of the range from 2012/13 onward⁶. This is important to support the growth that is occurring in these modes and to increase safety. It also allows future model communities to be included as the existing two communities are completed.

Other land transport funding policies

It is proposed that the GPS 2012 will not affect other funding policies such as funding assistance rates or regionally distributed funds (R-funds). Officials are currently developing future funding mechanisms for any future continuation of R-funding. The Minister will consider these options before R-funding expires in March 2015.

⁵ Road user safety, sector training and research, transport planning and management of the funding allocation system.

⁶ Under GPS 2009 the funding range for walking and cycling in 2010/11 was \$12 million – 27 Million. This increases to \$12million –\$30 million in 2011/12.

Table 1: Proposed 3 year funding ranges by activity class

NLTP spend by Activity class	09/10	10/11	11/12	12/13	13/14	14/15	Direction	
	\$M	\$M	\$M	\$M	\$M	\$M		
New & improved infrastructure for State highways	1102	1035	1036	875 1150	900 1200	950 1300	↑	Upper expenditure limit raised to allow progress on all projects including RoNs to be maintained
Renewal of State highways	232	202	202	180 220	180 220	180 220	→	Allows current levels of activity to be maintained, but funding ranges have been lowered to encourage efficiency
Maintenance & operation of State highways	307	299	300	225 325	225 325	225 325	→	
New & improved infrastructure for local roads	165	156	132	130 180	130 185	130 190	→	
Renewal of local roads	205	232	236	190 240	190 240	190 240	→	
Maintenance & operation of local roads	224	248	251	205 260	205 260	205 260	→	
Road policing	288	298	302	280 310	280 310	280 310	→	
Public transport services	187	210	220	220 290	230 300	240 330	↑	
Public transport infrastructure	101	50	57	20 60	20 60	20 60	↘	Upper expenditure limit lowered to focus on highest priorities
Road user safety	36	40	38	29 36	29 36	29 36	↓	Funding range lowered and narrowed to drive efficiencies
Walking & cycling facilities	18	13	15	12 30	12 30	12 30	✓	No change
Sector training & research	5	6	6	3 5	3 5	3 5	↓	Funding range lowered and narrowed to drive efficiencies
Transport planning	20	32	32	14 23	14 23	14 23	↓	Funding range lowered and narrowed to remove unnecessary planning & reduce duplication
Management of the funding allocation system	36	34	32	26 30	26 30	26 30	↓	Funding range lowered to drive efficiencies
Expenditure actual/projected	2927	2856	2866	3000	3100	3250		

Actual spend	
Projected allocation	
Proposed funding ranges	

Appendix

Proposed funding ranges for 2012/13–2021/22 by activity class

Activity class	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
New & improved infrastructure for State highways	850 1150	875 1150	900 1200	950 1300	1000 1400	1050 1450	1100 1500	1150 1550	1200 1600	1250 1700	1300 1750
Renewal of State highways	200 240	180 220	180 220	180 220	190 230	190 230	190 230	200 240	200 240	200 240	200 240
Maintenance & operation of State highways	280 345	255 325	255 325	255 325	255 350	255 350	255 360	255 360	255 360	255 380	255 380
New & improved infrastructure for local roads	150 250	130 180	130 185	130 190	140 210	140 210	140 210	150 230	150 230	150 230	160 250
Renewal of local roads	220 260	190 240	190 240	190 240	200 250	200 250	200 270	210 270	210 290	210 290	210 310
Maintenance & operation of local roads	225 290	205 260	205 260	205 260	205 280	205 280	205 280	205 300	205 300	205 300	205 320
Road policing	302 314	280 310	280 310	280 310	280 315	280 315	280 315	280 320	280 320	280 320	280 320
Public transport services	205 235	220 290	230 300	240 330	255 340	270 360	280 370	295 390	295 410	295 420	295 440
Public transport infrastructure	20 100	20 60	20 60	20 50	20 50	20 40	20 40	20 30	20 30	20 30	20 30
Road user safety	30 55	29 36	29 36	29 36	29 36	29 36	29 36	31 38	31 38	31 38	33 38
Walking & cycling facilities	12 27	12 30	12 30	12 30	14 32	14 32	14 32	15 34	15 34	15 34	16 36
Sector training & research	5 7	3 5	3 5	3 5	3 5	3 5	3 5	3 5	3 5	3 5	3 5
Transport planning	20 32	14 23	14 23	14 23	15 23	15 23	15 23	15 23	15 23	15 23	15 23
Management of the funding allocation system	29 35	26 30	26 30	26 30	26 30	26 30	26 30	26 30	26 30	26 30	26 30
Expenditure target	2900	3000	3100	3250	3400	3500	3650	3800	3900	4100	4200