

# **GOVERNMENT POLICY STATEMENT**

## **ON LAND TRANSPORT FUNDING**

2009/10 – 2018/19

MAY 2009

AMENDED NOVEMBER 2010

## FOREWORD

The government's priority for its investment in land transport is to increase economic productivity and growth in New Zealand. Quality land transport infrastructure and services are an essential part of a robust economy. They enable people and businesses to access employment and markets throughout the country and link them to international markets through the nation's ports and airports. Investing in high quality infrastructure projects that support the efficient movement of freight and people is critical.

The Government Policy Statement on Land Transport Funding (GPS) is the main guiding document by which the government can ensure that the land transport funding system focuses on the priority of generating economic growth and productivity. The GPS aligns investment in the land transport sector more closely with this priority. Further, the GPS closely reflects the modal choices that are realistically available to New Zealanders. Approximately 70 percent of all freight in New Zealand goes by road, and 84 percent of people go to work by car, truck or motorbike, so we need good roads to move freight and people. The government supports some mode shift over time, especially in our major cities of Wellington, Auckland and Christchurch, but considers that this should not be accelerated to the point where the outcomes are economically inefficient.

Investing in economic growth and productivity is particularly important at this time, as the global economic downturn is impacting on New Zealand's economy. However, targeted investment in land transport, along with the government's other initiatives to improve economic growth and productivity, will ensure that New Zealand is well placed to take advantage of improvements in the global economic situation. Well-targeted investment will also provide jobs and inject money into communities, which will assist New Zealanders get through this difficult time.

In keeping with a focus on economic growth and productivity, the GPS signals the government's expectation that funds within activity classes will be allocated in the most economically efficient way possible. The government is committed to achieving value for money and there is considerable room for getting more from government expenditure on land transport investment.

A key component of the GPS that supports economic growth and productivity is to maintain investment in new and improved State highway infrastructure at 33 to 34 percent of the total fund over the ten-year horizon of the GPS. Based on current forecasts this will provide approximately \$10.7 billion over the next ten years for State highway activity. The State highway network represents only 11.6 percent of the total road network, yet accounts for almost half of all kilometres driven each year by New Zealanders. The network links New Zealand's town and cities and provides access to key transport hubs such as ports and airports. The heavy use of the State highway network highlights its importance for moving freight and people.

Investment in local roads and public transport services is also important to economic growth and productivity. Quality local roads and public transport services are essential to maximise the efficiency of the transport network. The GPS ensures that investment in these activities is maintained at a high level, with approximately \$635 million for public transport services and \$550 million for new and improved local roads being made available over the next three years.

The GPS signals the government's intention to fund capital investment in Wellington rail infrastructure directly through Crown funds rather than the National Land Transport Fund. This will free up an extra \$258 million over the next two years for State highway activity across New Zealand. The current arrangements for funding rail infrastructure are complicated and in order to be consistent with the principles underpinning hypothecation of road revenues, road users' funds should be used for road activities and/or where road users benefit. As road users benefit from reduced road congestion, public rail transport services will continue to receive funds through the National Land Transport Fund. Over time this approach will reduce road related costs and contribute to the most efficient use of land transport funds.

The development of a National Infrastructure Plan is a key component of the government's economic plan. The GPS and the resulting National Land Transport Programme will feed into the National Infrastructure Plan, which will signal possible additional funding options to further accelerate infrastructure investment. The GPS also notes there are a number of Roads of National Significance in the vicinity of our five largest urban centres. Further development of these will have national benefits to the roading network and to national economic development.

I am confident the GPS provides the right signals to ensure that the land transport network makes a positive contribution to New Zealand's economic well-being and assists in achieving the priority of economic growth and productivity. Through well targeted investment we can support New Zealanders during these difficult economic times and lay the foundation for a rapid recovery when the global economy grows again.

A handwritten signature in black ink, appearing to be 'S. Joyce', written in a cursive style.

Hon Steven Joyce  
Minister of Transport

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## **A. INTRODUCTION**

### **PURPOSE**

1. This Government Policy Statement on Land Transport Funding 2009/10 – 2018/19 (GPS) is issued by the Minister of Transport. It details the government's desired outcomes and funding priorities for the use of the National Land Transport Fund to support activities in the land transport sector. The GPS covers the impacts the government wishes to achieve from its investment in land transport, how it will achieve these impacts through funding certain activity classes, how much funding will be provided, and how this funding will be raised.
2. The GPS covers the financial period 2009/10 to 2014/15 and provides indicative figures from 2015 – 2019. It will be in effect from 1 July 2009 to 1 July 2012. Another GPS must be released before 1 July 2012.
3. This GPS is an amendment of the GPS issued in August 2008. It has been amended to reflect the current government's priorities for land transport, and replaces the August 2008 document in its entirety. The government's main priority is national economic growth and productivity. The GPS will ensure the use of land transport funding supports this goal.

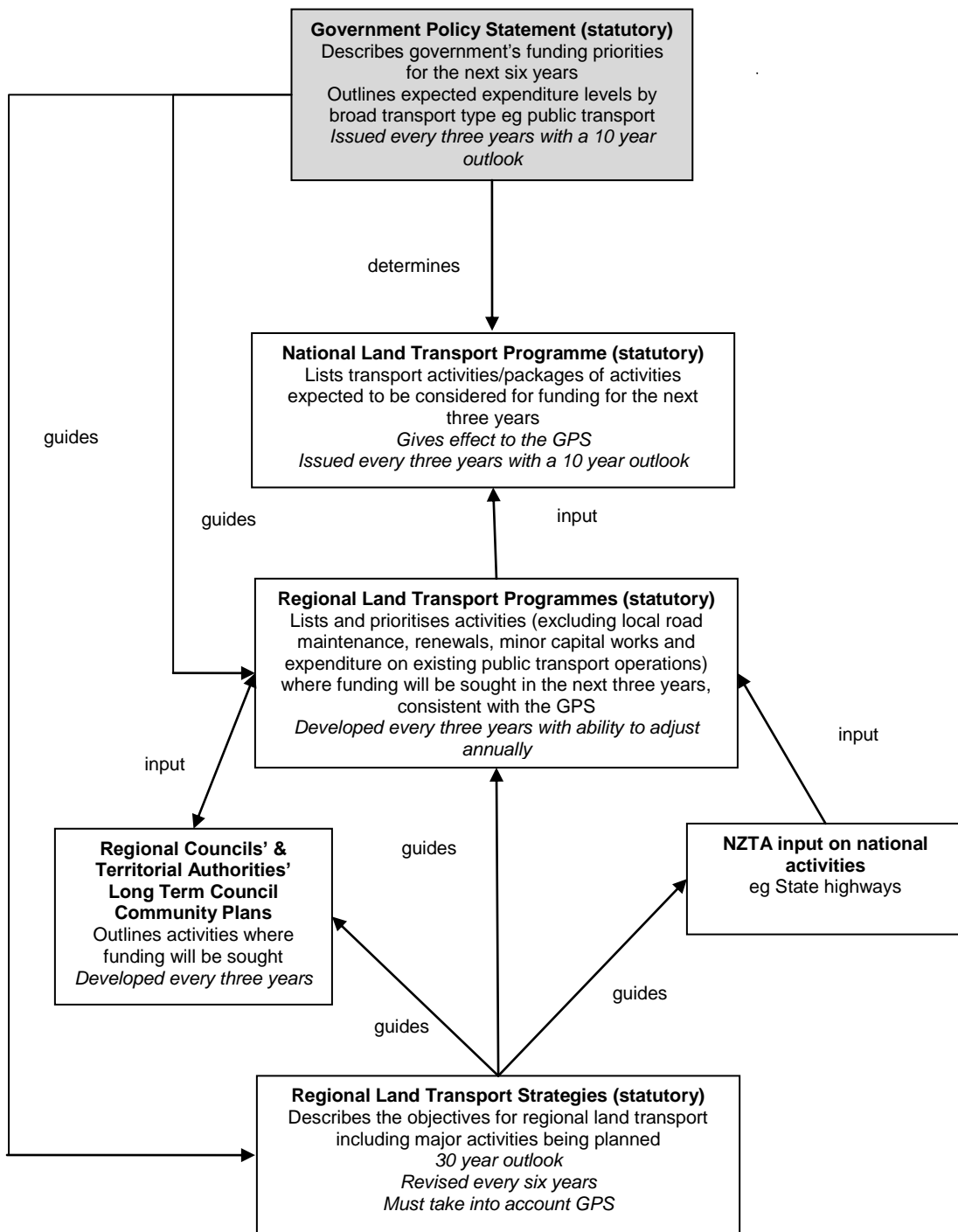
### **LEGISLATIVE REQUIREMENTS**

4. The GPS has been developed and issued under the Land Transport Management Act 2003 (the Act) (see Appendix One). The Act is the main statute for New Zealand's land transport planning and funding system. Regional councils, city/district councils, the New Zealand Transport Agency (NZTA), and other approved organisations under the Act<sup>1</sup> can receive money from the National Land Transport Fund for the land transport activities they deliver, such as the construction and maintenance of State highways, local roads and public transport services.
5. Under the Act:
  - The NZTA must give effect to the GPS in developing the National Land Transport Programme and take account of the GPS when approving funding for activities
  - Regional Land Transport Strategies must take account of the GPS
  - Regional Land Transport Programmes must be consistent with the GPS.
6. The Minister of Transport's expectations of how the NZTA will give effect to the GPS are provided in Section E. The NZTA provides guidance to local government on how Regional Land Transport Strategies and Regional Land Transport Programmes can meet the legislative requirements.
7. Figure 1 overleaf illustrates how the GPS links with other land transport planning and funding documents.

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<sup>1</sup> Approved under section 23 of the Act.

**FIGURE 1: LAND TRANSPORT PLANNING AND FUNDING DOCUMENTS**



## FUNDING FOR LAND TRANSPORT

8. Central government funding for land transport is provided from a number of revenue sources including:
  - fuel excise duty (FED)
  - road user charges (RUC)
  - motor vehicle registration and licensing fees (MVR)
  - general taxpayer funds.
9. FED, RUC and MVR are defined in the Act as land transport revenue and are paid into the National Land Transport Fund for land transport purposes only. The GPS indicates likely changes to the levels of FED, RUC, and MVR and guides the allocation of the National Land Transport Fund through the National Land Transport Programme.
10. Land transport activities that are delivered by local government are part funded from the National Land Transport Fund according to the relevant funding assistance rate (FAR). The local funding share may come from rates, development contributions, borrowing and investments. This local funding share is not included in the GPS.
11. There are a number of additional funding tools available to central and local government which are not included in the National Land Transport Fund. These tools are not described in detail in this GPS, but are mentioned below to provide context.
12. The Act enables toll schemes for funding new land transport infrastructure. The Act also allows projects to be developed using private sector financing and expertise. The first tolling project, the Northern Gateway<sup>2</sup>, opened in early 2009.
13. Additional funding may be applied by government to land transport from general taxpayer funds or borrowing in the form of Crown appropriations. These funds may be applied through the National Land Transport Fund, in which case that funding must be reflected in the GPS. The government can also invest in land transport outside the National Land Transport Fund. This investment is not included in the GPS.
14. The government intends to simplify the current arrangements for funding rail infrastructure. Previously, rail infrastructure was to be part of the National Land Transport Programme. However, in future, the intention is for this to be funded by the government outside of the National Land Transport Fund. This is more consistent with the principle of hypothecation where revenues generated from road users are used for their benefit. As a first step, \$258 million of Wellington rail capital funding has been removed from the National Land Transport Programme and will be funded by Crown appropriation.

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<sup>2</sup> The 7.5 kilometre State Highway 1 Northern Motorway extension (Northern Gateway) runs between Orewa and Pūhoi, north of Auckland.



## THE GOVERNMENT'S PLAN FOR INFRASTRUCTURE INVESTMENT

15. The creation of an infrastructure portfolio within government is a key component in the government's economic plan. The infrastructure portfolio is overseen by the Minister of Infrastructure with support from other Ministers with infrastructure responsibilities.
16. The infrastructure portfolio will play a coordination, motivation and overview role in infrastructure investment and activity. It will influence other Ministerial portfolios, including transport, through best-practise assistance and advice. The infrastructure portfolio will have a wide economic focus, spanning the following policy areas:
  - Core economic or 'network' infrastructure, including the development of a National Infrastructure Plan.
  - Funding/financing and regulatory reform.
  - Public sector management of capital budgets and assets, including 'social infrastructure' such as schools, prisons, hospitals and housing.
17. An Infrastructure Unit has been established in the Treasury to give effect to the government's infrastructure goals. An Infrastructure Advisory Board, which includes stakeholder representatives drawn from industry, local government and elsewhere will provide independent advice to the Infrastructure Unit and the Minister of Infrastructure. It will also help coordinate the development of the National Infrastructure Plan (the Plan), and will monitor progress against the objectives of the Plan after it is released.
18. The Plan will have a twenty-year outlook and will be updated every three years. It will present a high-level view of the state of New Zealand's public infrastructure and describe the principles that will guide future investment. The Plan will include a stock-take of New Zealand's existing infrastructure and likely future requirements. It will draw on and complement existing infrastructure plans and stock-takes, including the National Land Transport Programme and Long-term Council Community Plans. It may also include examples of major private-sector infrastructure investment where that information is publicly available. The Plan will identify gaps in current investment, where future investment might be needed, and where complementary investment opportunities exist. The government's Roads of National Significance will form part of the National Infrastructure Plan.
19. The Plan will act as a guide to infrastructure development, rather than a binding pre-determined timetable. The Plan will recognise that trade-offs will need to be made and that the context for development can change. Infrastructure planning, spending and sequencing decisions will still sit with the relevant Ministers responsible for particular infrastructure development, or agencies that are the custodians of established decision-making processes. The first Plan is expected to be completed by December 2009.
20. As set out in Section C, Funding Policy, the National Land Transport Fund and the National Land Transport Programme will support the delivery of transport objectives in the National Infrastructure Plan.

## **ROADS OF NATIONAL SIGNIFICANCE**

21. The government has listed seven initial Roads of National Significance as a statement of national road development priorities. This statement serves as a focus for investment to achieve economic growth and productivity. The seven roads listed are:

- Puhoi to Wellsford – State highway 1
- Completion of the Auckland Western Ring Route – State highway 20/16/18
- Auckland Victoria Park bottleneck – State highway 1
- Waikato Expressway – State highway 1
- Tauranga Eastern Corridor – State highway 2
- Wellington Northern Corridor (Levin to Wellington) – State highway 1
- Christchurch motorway projects.

22. These are seven of New Zealand's most essential routes that require significant development to reduce congestion, improve safety and support economic growth. The purpose of listing roads as nationally significant is to ensure these priority roading developments are taken fully into account when the NZTA develops the National Land Transport Programme.

23. Planning for the future development of the land transport network should reflect the importance of these roads from a national perspective and the need to advance them quickly. The National Land Transport Fund can be used for the future development of the Roads of National Significance. Roads of National Significance will be part of the National Infrastructure Plan.

24. Further Roads of National Significance may be added over time.

## **SAFER JOURNEYS**

25. Safer Journeys is the government's road safety strategy to 2020. This strategy is designed to reduce the number of people killed and seriously injured on our roads over the next decade and takes a system wide approach by looking at the safety of roads, road use, vehicles and speed. The top priorities for action in the strategy are:

- young drivers
- alcohol and drug impaired drivers
- motorcycling
- roads and roadsides
- safer speeds

26. The strategy identifies a series of actions that the government will consider implementing to improve road safety. These actions include the introduction of alcohol interlocks, zero blood alcohol limits for repeat drink drivers and improvements to motorcycle licensing requirements. The actions will represent the government's priorities for improving the safety of our roads. The implementation of these actions should be considered when the NZTA delivers the National Land Transport Programme.

## **B. WHAT THE GOVERNMENT WISHES TO ACHIEVE**

### **OVERVIEW – ECONOMIC GROWTH AND PRODUCTIVITY**

27. The government's priority is for land transport investment to support national economic growth and productivity. The GPS will ensure the use of land transport funding does so by directing investment into high quality infrastructure projects and transport services that encourage the efficient movement of freight and people. Of particular importance to this priority are:
- investing in the State highway network, as a key to the efficient movement of freight and people
  - generating better value for money from the government's investment across all land transport activity classes and enhancing the economic efficiency of individual projects.
28. Investing in land transport is particularly 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, improve productivity, and lay the groundwork for robust economic growth in the future.
29. Investing in the State highway network is important as there are significant constraints on its current capacity to efficiently move freight and people, leading to congestion in New Zealand's major cities. Unless investment in State highways is addressed, congestion will continue to negatively impact on economic growth and productivity. Investment in State highways will also make some of our busiest roads safer.
30. The government's investment in the land transport system is significant. With such large amounts of money there is a risk that funds will not be used as efficiently as possible. It is important to regularly review spending to ensure it is providing value for money. Over the period of this GPS the government expects there to be a focus on generating value for money within all land transport activity classes. In particular, more emphasis should be placed on the economic efficiency of individual projects.
31. In pursuing economic growth and productivity, the government also expects to see progress on other objectives. The Land Transport Management Act 2003 requires the GPS to contribute to the aim of achieving an affordable, integrated, safe, responsive and sustainable land transport system, and also to each of the following:
- Assisting economic development
  - Assisting safety and personal security
  - Improving access and mobility
  - Protecting and promoting public health
  - Ensuring environmental sustainability.
32. The government particularly wishes to see its investment contribute to a reduction in the number of fatalities and serious injuries on New Zealand's roads. Fatalities and injuries have both social and economic costs that are a heavy burden on individuals, families and the wider community. The government expects improved road engineering to have a positive impact on reducing fatalities and injuries over time.

## **THE IMPACTS THE GOVERNMENT WISHES TO ACHIEVE**

33. The specific impacts the government expects to be achieved through the use of the National Land Transport Fund are set out below.

### **SHORT TO MEDIUM-TERM IMPACTS**

#### **Impacts that contribute to economic growth and productivity**

- 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.

#### **Other impacts**

- Reductions in deaths and serious injuries as a result of road crashes.
- More transport choices, particularly for those with limited access to a car where appropriate.
- Reductions in adverse environmental effects from land transport.
- Contributions to positive health outcomes.

## **THE NEW ZEALAND TRANSPORT STRATEGY 2008**

34. The New Zealand Transport Strategy 2008 (NZTS) was developed to give a long-term perspective and direction to the transport sector. It sets out a series of aspirational targets for the year 2040. The NZTS is a non-statutory document and provides context for this GPS.

35. The government in general terms supports the overall intent of the NZTS, but considers that moving too quickly on modal shift will have a negative impact on environmental and economic efficiency.

36. The government expects carbon mitigation primarily to occur via new fuels (eg biofuels and electric cars) encouraged via an emission trading scheme, plus some modal shift actions particularly in our major cities of Wellington, Auckland and Christchurch.

37. The government will develop a forward plan for transport during the first three years of this GPS.

## **C. ACHIEVING THE SHORT TO MEDIUM TERM IMPACTS**

38. The GPS contributes to achieving the short to medium term impacts through:

- setting funding ranges for activity classes
- providing guidance about the factors the NZTA should take into account when planning and evaluating strategies, programmes and packages and making funding decisions on specific activities.

### **FUNDING RANGES FOR ACTIVITY CLASSES**

39. Funding in the National Land Transport Programme is allocated to activity classes. The GPS establishes these activity classes. The amount of funding for these activity classes influences land transport outcomes by determining how much can be spent on different areas of land transport activity. The allocation of funding to these activity classes recognises how each activity class can contribute to achieving the short to medium-term impacts, whilst taking into account existing commitments, financial constraints, and the need to keep transport affordable.

40. The following activity classes will be used for the 2009 – 2012 National Land Transport Programme:

- New and improved infrastructure for State highways
- Renewal of State highways
- Maintenance and operation of State highways
- New and improved infrastructure for local roads
- Renewal of local roads
- Maintenance and operation of local roads
- Road policing
- Public transport services
- Public transport infrastructure
- Demand management and community programmes
- Walking and cycling facilities
- Sector training and research
- Domestic sea freight development
- Rail and sea freight
- Transport planning
- Management of the funding allocation system (including performance monitoring).

41. A definition of each activity class is provided in Appendix Two.

### **Activity class funding ranges**

42. Table 1 overleaf sets out funding ranges for each activity class for every year through to 2018/19.

43. The NZTA is required to allocate funding to activity classes within the funding ranges set out in Table 1 and within the overall funding constraints set out in section D of this GPS.

44. By specifying the funding allocations as a range, the NZTA has some flexibility in responding to requests for funding set out in Regional Land Transport Programmes and actual funding applications received, and in managing overall expenditure under the National Land Transport Programme.

**TABLE 1: ACTIVITY CLASS FUNDING RANGES 2009/10 – 2018/19**

Activity class	Alloca-tions <sup>3</sup>	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
New and 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 and 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 and 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 and operation of local roads	237	200 265	215 280	225 290	235 300	255 320	265 330	285 350	295 360	315 380	335 400
Road policing	283	285 295	295 305	305 314	315 325	325 335	335 345	340 350	355 365	365 375	375 385
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 <sup>4</sup>	144	20 100	20 100	20 100	20 70	20 70	20 70	25 80	25 80	25 80	25 80
Road user safety	55	40 55	30 55	30 55	34 55	34 55	34 55	34 60	34 60	34 60	34 60
Walking and cycling facilities	18	10 25	12 27	12 27	12 30	12 30	12 30	14 32	14 32	14 32	14 32
Sector training and research <sup>5</sup>	6	5 7	5 7	5 7	5 7	5 8	6 8	6 8	6 8	6 8	6 8
Domestic sea freight development	6	0 2	0 1	0 1	-	-	-	-	-	-	-
Rail and sea freight	2	0 2.5	0 1	0 0.5	-	-	-	-	-	-	-
Transport planning	39	20 36	20 34	20 32	20 32	20 32	20 32	20 32	20 32	20 32	20 32
Management of the funding allocation system (including performance monitoring) <sup>6</sup>	38	33 39	31 38	29 35	32 36	33 37	34 38	35 39	36 40	38 42	39 43

<sup>3</sup> The GPS activity class allocations for 2008/09 differ slightly from those in the 2008/09 National Land Transport Programme, as they have been reconfigured to match the activity classes that will take effect from 1 July 2009.

<sup>4</sup> Expenditure on Public Transport Infrastructure is significantly lower than the previous GPS due to the government's decision to fund current commitments to Wellington Public Transport Rail Infrastructure directly from Crown funds and not from the National Land Transport Fund.

<sup>5</sup> In the previous GPS these were two separate activity classes – Sector training and support, and Sector Research.

<sup>6</sup> In the previous GPS these were two separate activity classes – Management of the funding allocation system and Performance Monitoring.

## Description of funding allocations to activity classes

45. Table 2 below provides the indicative funding allocations over the first three years of the GPS for each activity class identified in Table 1. Actual expenditure must be within the funding ranges in Table 1.

**TABLE 2: INDICATIVE THREE YEAR ACTIVITY CLASS FUNDING ALLOCATIONS FOR THE PERIOD 2009/10 – 2011/12**

Activity Class	Indicative Three Year Allocations (\$ Millions)
New and improved infrastructure for State highways	3,055
Renewal of State highways	645
Maintenance and operation of State highways	885
New and improved infrastructure for local roads	550
Renewal of local roads	685
Maintenance and operation of local roads	765
Road policing	900
Public transport services	635
Public transport infrastructure	135
Road user safety	130
Walking and cycling facilities	55
Sector training and research	18
Domestic sea freight development	3
Rail and sea freight	2
Transport planning	85
Management of the funding allocation system	100

## FUNDING POLICY - GUIDANCE ON LAND TRANSPORT PLANNING AND EVALUATION

46. The other key means through which the GPS contributes to achieving the short and medium-term impacts is by providing guidance on land transport planning and evaluation processes.

47. Developing a land transport system that will achieve the short to medium-term impacts set out in this GPS will require planning and evaluation processes that take account of the following factors:

- The government's priority to support national economic growth and productivity, which includes the national roading priorities set out in the list of Roads of National Significance.
- Considering networks from a national perspective.
- Achieving value for money.
- Encouraging integrated planning.
- Making best use of existing networks and infrastructure.
- Implementing and fostering a co-ordinated approach.
- Considering the impact of volatile fuel prices.

48. These factors need to apply to the planning undertaken by local government and the NZTA, as well as to the evaluation of strategies, programmes, packages and activities by the NZTA.<sup>7</sup> Many of these factors are already being applied in developing land transport strategies and packages of activities.

### **Supporting national economic growth and productivity**

49. To achieve national economic growth and productivity, Regional Transport Committees and the NZTA should give priority to transport initiatives that:

- improve the provision of infrastructure and services that enhance transport efficiency and lower the cost of transportation to New Zealanders through
  - improvements to journey time reliability
  - easing severe congestion
  - more efficient freight supply chains
- provide better access to markets, employment and areas that contribute to economic growth.

50. In preparing land transport programmes, Regional Transport Committees and the NZTA should ensure that investment in nationally important infrastructure and corridors is given priority because of its particular contribution to national economic growth and productivity. This should encompass networks that support national economic growth and productivity, as well as contributing to regional outcomes.

51. In particular, consideration should be given to how projects funded through the National Land Transport Programme can support the delivery of the Roads of National Significance and the National Infrastructure Plan, and how the National Land Transport Fund can contribute to these.

52. While focusing on economic growth and productivity, improvements to the transport system should also seek to minimise any external costs associated with transport such as traffic accidents, noise and environmental impacts.

### **Considering networks from a national perspective**

53. As part of developing regional priorities, Regional Transport Committees should consider the national aspect of some networks. In preparing the National Land Transport Programme, the NZTA should ensure proposed activities will not compromise the functioning of the national State highway and national rail networks.

54. Proposed improvements on inter-regional links will be coordinated across regional boundaries, and activities elsewhere on the transport network will not compromise the functioning of the nationally important networks.

### **Achieving value for money**

55. Making best use of resources by achieving value for money in the land transport sector is a key objective. To achieve value for money three main concepts will need to guide the NZTA, local government and the sector when planning, assessing, and implementing strategies and activities. The three main concepts are effectiveness, economic efficiency and economy.

56. Effectiveness means selecting activities which together make the greatest contribution to the government's medium / long-term priorities, as well as the more immediate impacts sought in this GPS. Economic efficiency is about maximising the value of what is produced with the resources available. Economy means ensuring that quality inputs are purchased at the lowest price over the whole life of the asset or intervention.

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<sup>7</sup> Where appropriate, the NZTA should incorporate these factors into its review of the Funding Allocation Process.



57. There will be an increased focus on economic efficiency. The NZTA's evaluation processes will be adjusted to give projects with high benefit cost ratios (BCR) higher funding and programming priority and to give projects with low BCRs more scrutiny (high BCR is greater than four; low BCR is less than two). This change will place the onus on the organisations seeking funding from the NZTA to give priority to higher BCR projects unless there is good reason to do otherwise.
58. The use of BCR will need to be complemented by other evaluation factors. The government expects the NZTA to consider the broader benefits and costs of proposed investments that cannot easily be captured in a benefit cost analysis, especially as they relate to economic activity.
59. In addition, the government considers that value for money can also be achieved through simplifying the process for allocating the National Land Transport Fund. The current process for allocating funds is highly complex and demanding on resources. The Ministry of Transport and the NZTA will consider options for simplifying this process that will generate savings and make the process for allocating funds more transparent.

### **Ensuring integrated planning**

60. Integrated planning is important to ensure that decisions made in relation to land use, transport and urban design collectively contribute to the efficient use of public funds and achieve the government's objectives for transport and New Zealand. To achieve integration, transport strategies and packages of activities should be developed alongside, and be clearly connected to, land use strategies and implementation plans.
61. The government is particularly concerned to see that better integration of land use, transport planning and urban design activity contribute to national economic growth and productivity. In particular, land use and transport planning processes should ensure that:
- the transport needs of future growth are considered in planning and developing the transport system
  - future transport corridors are safeguarded from other development
  - the long term sustainability of land transport funding is secured through ensuring that urban growth meets the costs of the infrastructural impact that such growth generates for the wider transport network
  - opportunities are created for better integration within and between transport modes.

### **Making best use of existing networks and infrastructure**

62. Regional Transport Committees and the NZTA should ensure that cost-effective measures to improve the efficiency of existing networks are considered as well as investment in new infrastructure.
63. However, careful consideration should also be given to the sequencing of development so that small iterative investments in existing infrastructure do not take place when more significant investment in redeveloping the same infrastructure is shortly planned to commence.

### **Implementing and fostering a co-ordinated approach**

64. Most transport problems require the involvement of many government agencies and private sector stakeholders to develop solutions. For instance, improvements in road safety can require coordination between road controlling authorities, regional councils, the Police, the Accident Compensation Corporation, the Ministry of Health, district health boards, community groups and

transport funders. All transport entities are expected to participate in a collaborative way with other agencies to reach coordinated solutions.

### **Considering the impact of volatile fuel prices**

65. Recent experience has emphasised the volatility of oil prices, and the effects this can have on transport users. In times of high oil prices, the availability of transport choice, such as public transport, helps to mitigate the effects on households, and public transport use tends to increase. It is expected that the NZTA and local government will take these factors into account when developing strategies and evaluating proposed activities.

## D. GOVERNMENT INVESTMENT IN LAND TRANSPORT

### FUNDING FRAMEWORK PRINCIPLES

66. The principles that underlie the funding framework are that the NZTA will manage expenditure so that it both equals revenue over time and matches the target expenditure. To give effect to these principles the GPS is required to set out:

- an expenditure target for the National Land Transport Programme for the first three years covered by this GPS
- a maximum and minimum level of expenditure for the National Land Transport Programme for the same three years
- an allowable variation between expenditure incurred in the National Land Transport Programme and the revenue received in the National Land Transport Fund
- likely changes to the duties, fees and charges paid into the National Land Transport Fund for the first three years covered by this GPS
- overall investment in the land transport sector over a period of 10 financial years and the likely or proposed funding sources.

### TOTAL FUNDING

67. Funding for the activity classes described in Section C requires total levels of expenditure shown in Table 3 (below). The level of expenditure increases from \$2.75 billion in 2009/10 to \$3.75 billion in 2018/19. The total level of funding represents a balance between achieving the impacts set out in Section B, and the level of revenue that can be raised.

68. In 2009/10 and 2010/11, total expenditure is expected to be greater than revenue as unspent funds in the National Land Transport Fund are drawn down.

69. Table 3 shows the expenditure target (the expected level of expenditure) along with the maximum and minimum range for National Land Transport Programme expenditure for the first three years of this GPS. For the purposes of Section 20 of the Act, from 2012/13, the expenditure target figure for each year is deemed to be the maximum level of National Land Transport Programme expenditure.

**TABLE 3: TARGET NATIONAL LAND TRANSPORT PROGRAMME (NLTP) EXPENDITURE 2009/10 – 2018/19; MAXIMUM AND MINIMUM NLTP EXPENDITURE 2009/10 – 2011/12**

	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
Expenditure target	2,800	2,950	2,900	3,000	3,100	3,250	3,400	3,500	3,650	3,800
Maximum expenditure	3,200	3,250	3,300							
Minimum expenditure	2,400	2,500	2,550							

70. The NZTA is expected to plan funding allocations for each activity class and approve funding for activities, so that total planned expenditure in any year is equal to the expenditure target set out in Table 3 for that year. However, as previously noted, the expenditure target is based on forecasts of economic variables that may differ from what is predicted. It is accepted that the NZTA may not achieve the expenditure target in any one year, provided that expenditure is within the range specified in Table 3 if one or more of the following conditions apply:

- Cost increases applying to funded activities are substantially different from the forecast cost increases.
- The level of expenditure for emergency works is different from the forecast level<sup>8</sup>.
- Activities did not proceed as planned in the previous year - for instance because of construction work progressing much faster or slower than anticipated, delays in the consenting process, or a catch up or slow down is planned for the year in question.

71. Revenue is dependent on the level of economic and transport activity so will fluctuate according to economic conditions. Those conditions are currently very challenging. As a result there may be unplanned imbalances between expenditure incurred under the National Land Transport Programme and funds received into the National Land Transport Fund.
72. The Act requires the GPS to set an allowable variation between expenditure incurred under the National Land Transport Programme and what is received into the National Land Transport Fund. The purpose of allowing a variation between expenditure and revenue is to allow the NZTA to manage cash flows, including the use of borrowing, when circumstances such as required emergency works or fluctuations in input costs arise. For this GPS the allowable variation is set at \$400 million.
73. The NZTA is required to report on its expenditure and revenue through the Annual Report on the National Land Transport Fund as set out in Section 11 of the Act. The Minister of Transport expects to be forewarned of any likely expenditure variations and the reasons for those variations. The NZTA is expected to advise the government on the adjustments required to expenditure targets or revenue settings to correct any imbalance.

## **SOURCES OF FUNDING**

74. Funding for land transport within this GPS is anticipated to come principally from the hypothecated (dedicated) transport related charges - fuel excise duty (FED), road user charges (RUC) and motor vehicle registration fees (MVR).
75. To provide the revenue to meet the expenditure targets set out in this GPS, the government announced its intention (on 16 March 2009) to increase FED and RUC rates in October 2009, October 2010 and July 2011.
76. The government will closely monitor actual revenue levels. Where actual revenue levels significantly vary from forecast levels, a decision will be made whether to revise expenditure targets and/or whether to increase or decrease FED and RUC to meet expenditure targets.
77. The rate of contribution from MVR to the National Land Transport Fund is not assumed to change over the first three years of this GPS.

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<sup>8</sup> This is likely to occur if there were severe storms or emergency events in the previous year but the cost of recovery is incurred in the subsequent year.

## E. IMPLEMENTING THE GPS

### HOW THE NEW ZEALAND TRANSPORT AGENCY WILL GIVE EFFECT TO THE GPS

78. The Land Transport Management Act 2003 (the Act) requires the NZTA to give effect to the GPS.

79. In giving effect to the 2009/10 – 2018/19 GPS, the NZTA shall:

- adopt a National Land Transport Programme:
  - with the intention that the outcomes achieved or supported by the funding allocations within the National Land Transport Programme are consistent with the impacts the government wishes to achieve set out in this GPS This requirement includes evaluating Regional Land Transport Programmes (RLTP) - submitted under section 13 of the *Land Transport Management Act 2003* - to assess whether the outcomes achieved or supported by the activities in the RLTP are consistent with this GPS
  - so that the funds allocated and spent within each activity class are within the range specified for that activity class in Section C of this GPS
  - so that the total funds allocated and spent are consistent with the expenditure target, the expenditure range, and the allowable variation between actual revenue and expenditure set out in Section D of this GPS
- explain in the National Land Transport Programme how it has complied with the above requirements
- forewarn the government of any likely expenditure variations and the reasons for those variations, and seek the Minister of Transport's agreement before the variation between expenditure incurred under the National Land Transport Programme and what is received into the National Land Transport Fund exceeds \$200 million per annum
- provide a written explanation under Section 11 of how the NZTA has given effect to the GPS in managing the National Land Transport Programme
- review how administrative services can be delivered better and more cost effectively
- report expenditure under each activity class in a way that allows the administrative costs to be identified separately from expenditure on outputs
- comply with the funding policies set out in Section C of this GPS
- in particular, take account of the following factors (as described in this GPS) when planning and evaluating strategies and programmes and approving funding for activities:
  - the government's priority to increase national economic growth and productivity, which includes the national roading priorities set out in the list of Roads of National Significance
  - considering networks from a national perspective
  - achieving value for money
  - encouraging integrated planning
  - making best use of existing networks and infrastructure
  - implementing and fostering a coordinated approach
  - considering the impact of volatile fuel prices

- work with the Ministry of Transport to:
  - develop a framework for measuring the impacts sought from this GPS
  - implement a monitoring regime
  - develop a framework for measuring value for money
  
- work with local government entities to:
  - develop regional transport solutions that will achieve the impacts sought by this GPS
  - develop regional funding allocations
  - advise on how Regional Transport Committees comply with the legislative funding and planning requirements.

## **REPORTING ON THE GPS**

80. An important role of the GPS is to give clarity about what is to be achieved in the transport sector. This will require ongoing information monitoring to assess how the transport sector is performing and whether this is consistent with what the government wishes to achieve. The Ministry of Transport will lead this monitoring work,<sup>9</sup> supported by the NZTA, other transport agencies and other relevant government departments.
81. Monitoring of how the NZTA gives effect to the GPS will occur through Section 11 of the Act. Section 11 of the Act requires the NZTA to report annually on how the funding of activities has contributed to the impacts set out in the GPS.
82. This and the sector monitoring will be used to inform subsequent Government Policy Statements.

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<sup>9</sup> Sector monitoring will occur through the Ministry of Transport's Transport Monitoring Indicator Framework – <http://www.transport.govt.nz/transport-monitoring-indicator-framework/>

## APPENDIX 1

### KEY SECTIONS OF THE AMENDED LAND TRANSPORT MANAGEMENT ACT 2003 RELEVANT TO THE GPS<sup>10</sup>

#### 84. Overview of the GPS

- (1) A GPS, which is issued by the Minister [of Transport] every three financial years, enables the Minister to—
  - (a) guide the [New Zealand Transport] Agency and land transport sector on the outcomes and objectives, and the short- to medium-term impacts, that the Crown wishes to achieve –
    - (i) through the national land transport programme; and
    - (ii) from the allocation of the national land transport fund; and
  - (b) link the amount of revenue raised from road users with the planned levels of expenditure from the national land transport fund.
- (2) This section is intended by way of explanation only, and if this section is inconsistent with another provision of this Act or any other Act, then the other provision prevails.

#### 85. Status of the GPS

To avoid doubt, a GPS is not—

- (a) a direction for the purposes of Part 3 of the Crown Entities Act 2004; and
- (b) a regulation for the purposes of the Acts and Regulations Publication Act 1989; and
- (c) a regulation for the purposes of the Regulations (Disallowance) Act 1989.

#### 86. Minister must issue a GPS before a national land transport programme

- (1) The Minister must issue a new GPS in advance of the expiry of the current national land transport programme.
- (2) A GPS must be in effect at all times over the same period as the current national land transport programme.

#### 87. Preparation of the GPS

- (1) The Minister must, in preparing the GPS,—
  - (a) be satisfied that the GPS—
    - (i) contributes to the aim of achieving an affordable, integrated, safe, responsive, and sustainable land transport system; and
    - (ii) contributes to each of the following:
      - (A) assisting economic development;
      - (B) assisting safety and personal security;
      - (C) improving access and mobility;
      - (D) protecting and promoting public health;
      - (E) ensuring environmental sustainability; and
    - (iii) is consistent with any—
      - (A) national land transport strategy;
      - (B) national energy efficiency and conservation strategy; and
  - (b) take into account any relevant national policy statement that is in force under the Resource Management Act 1991; and

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<sup>10</sup> There are other sections of the amended Land Transport Management Act 2003 where the GPS is mentioned that have not been included here.

- (c) have regard to the views of Local Government New Zealand and representative groups of land transport users and providers (including representative groups of coastal shipping users and providers).
- (2) Before issuing a GPS, the Minister must consult with the Agency about the proposed GPS.

### **88. Content of the GPS**

- (1) The GPS sets out how land transport funding is intended to improve the land transport sector in the context of land transport policy.
- (2) The GPS must include the following:
  - (a) the short to medium-term impacts that the Crown wishes to achieve through the allocation of funding from the national land transport fund:
  - (b) the activity classes to be funded from the national land transport fund:
  - (c) likely changes to the duties, fees, and charges paid into the national land transport fund for the first three year period covered by the GPS:
  - (d) an expenditure target for the national land transport programme for each of the first three years and any subsequent years that the Minister considers relevant:
  - (e) a maximum and minimum level of expenditure for the national land transport programme for each of the first three years and any subsequent years that the Minister considers relevant (subject to the ability to carry forward funds from the closing balance of the national land transport fund for a financial year to a future financial year):
  - (f) an allowable variation between expenses and capital expenditure incurred under the national land transport programme and the inflows received in the national land transport fund:
  - (g) funding ranges for each activity class for a period of six financial years:
  - (h) forecast funding ranges for each activity class for the period of four financial years following the first six financial years:
  - (i) overall investment likely to be made in the land transport sector over a period of 10 financial years and the likely or proposed funding sources:
  - (j) allowable reasons for varying the expenditure target identified in paragraph (d) when making funding allocation decisions:
  - (k) a statement of the Minister's expectations of how the Agency gives effect to the GPS.
- (3) The GPS may include the following:
  - (a) background, including any relevant transport outcomes and objectives and any relevant land transport policies:
  - (b) any relevant funding policy:
  - (c) subject to the Public Finance Act 1989, any additional expected funding for land transport activities, including (but not limited to) any money that Parliament may appropriate for the purpose:
  - (d) any other relevant matters.

### **89. Agency to give effect to the GPS in respect of funding of land transport system**

- (1) The Agency must give effect to the GPS when performing its functions under subpart 1 of Part 2 in respect of land transport planning and funding.
- (2) To avoid doubt, the GPS may not impose an obligation on the Agency to approve or decline funding for a particular activity or any combinations of activities under section 20.

### **90. Amending the current GPS**

- (1) The Minister may amend the current GPS at any time.
- (2) The provisions of this Act regarding the preparation and availability of a GPS—
  - (a) apply with the necessary modifications to an amendment to the current GPS; but



- (b) do not apply if the amendment to the current GPS is not significant.
- (3) An amendment forms part of the GPS it amends.
- (4) For the purposes of this section, current GPS means the GPS that is in effect over the same period as the current national land transport programme.

### **91. Availability of the GPS**

As soon as practicable after issuing a GPS, the Minister must—

- (a) present a copy of the GPS to the House of Representatives; and
- (b) arrange for a copy of the GPS to be given to each of the following:
  - (i) the Secretary [of Transport];
  - (ii) the Agency;
  - (iii) the Commissioner [of Police];
  - (iv) every approved organisation; and
- (c) make a copy of the GPS publicly available in accordance with section 108.

## APPENDIX 2

### DEFINITION OF ACTIVITY CLASSES

Activity Class	Definition
New and improved infrastructure for State highways	Allocate funding for State highway capital improvements and manage the delivery of a State highway improvement programme.
Renewal of State highways	Allocate funding for the renewal of existing State highway infrastructure and manage the development and delivery of a renewal programme for existing State highways. These activities are capital expenditure items arising from the deterioration of existing roading infrastructure. The activities are required to minimise the long-term cost of retaining serviceable State highway infrastructure.
Maintenance and operation of State highways	Allocate funding for the maintenance and operation of existing State highway infrastructure and for the management, delivery and procurement of operation and maintenance activities. Maintenance and operation activities include: minor pavement and drainage repairs, operation of traffic signals, maintenance of bridges and guardrails, provision of network user information, and incident response.
New and improved infrastructure for local roads	Allocate funding, in addition to funding from approved organisations, for capital improvements to local roads.
Renewal of local roads	Allocate funding, in addition to funding from approved organisations, for the renewal of local roading infrastructure and management of the renewal activities. These activities are capital expenditure items arising from the deterioration of existing roading infrastructure. The activities are required to minimise the long term cost of retaining serviceable local roading infrastructure.
Maintenance and operation of local roads	Allocate funding, in addition to funding from approved organisations, for the routine maintenance and operation of local roading infrastructure. Maintenance and operation activities include: minor pavement and drainage repairs, operation of traffic signals, maintenance of bridges and guardrails, provision of network user information, and incident response.
Road policing	Allocate funding to road policing activities to be delivered by NZ Police.
Public transport services	Allocate funding, in addition to funding from approved organisations, for public road, rail and ferry (except for commercial services) and total mobility transport services.
Public transport infrastructure	Allocate funding, in addition to funding from approved organisations, for the renewal and improvement of road and ferry infrastructure to support public transport services. Rail infrastructure is generally excluded from this activity class as the intention is to fund this outside the National Land Transport Fund.
Road user safety	Allocate funding to activities that promote, educate, advertise or raise awareness of the safe use of transport networks. Road user safety activities include: marketing and promotional information, educational initiatives, and national and local awareness campaigns and activities required to implement the Safer Journeys First Actions for the three high priority areas of young drivers, alcohol and motorcycling.
Walking and cycling facilities	Allocate funding, in addition to funding from approved organisations, to new and improved walking and cycling infrastructure for transport purposes and promotional activities for model walking and cycling communities. Walking and cycling facilities include: cycle paths, cycle lanes, new footpaths, facilities for crossing roads, shelters and bicycle parking facilities. Promotion activities include cycle maps, skill training and information dissemination.

Activity Class	Definition
Sector training and research	<p>Develop the competence and capacity of the sector to develop and implement land transport programmes by providing information, education and support to organisations and their agents.</p> <p>Allocate funding for research into land transport issues.</p>
Domestic sea freight development	<p>Seek proposals, and allocate seed funding, for the development of new or improved coastal shipping freight services and related infrastructure, and for studies of the feasibility of such services in order to increase the freight volumes carried by this transport mode.</p>
Rail and sea freight	<p>Allocate funding, in addition to funding from approved organisations, for initiatives in regional land transport plans that encourage the movement of freight by rail and coastal shipping (including barging) instead of by road to reduce the cost of road freight to the community.</p>
Transport planning	<p>Allocate funding, in addition to funding from approved organisations, for:</p> <ul style="list-style-type: none"> <li>• development of regional land transport strategies and regional land transport plans, as well as the operation of regional transport committees</li> <li>• development of service, network and asset management plans by approved organisations and in relation to State highways</li> <li>• undertaking studies and strategies that contribute to strategic, service, network or asset management plans of approved organisations or for State highway networks.</li> </ul>
Management of the funding allocation system, including performance monitoring	<p>Manage the allocation and expenditure of funding through the National Land Transport Programme. This includes the development and administration of:</p> <ul style="list-style-type: none"> <li>• the National Land Transport Programme</li> <li>• associated procurement procedures, policies and guidelines</li> <li>• performance agreements with approved organisations funded through the National Land Transport Programme</li> <li>• provide assistance and advice to approved organisations and Regional Land Transport Committees.</li> </ul> <p>The National Land Transport Programme includes activities described in regional land transport plans, the agency's own activities (other than State highway activities) and research, education and training activities delivered by external parties.</p> <p>Monitor and report on land transport inputs, activities, impacts and consequences, monitor and enforce taxi compliance, and administer the Crash Analysis System.</p>

## GLOSSARY

*Activity* – Defined in the Land Transport Management Act 2003 as a land transport output or capital project, or both.

*Activity Class* – Refers to a grouping of similar activities.

*Approved Organisations* – Organisations that are eligible to receive funding from the New Zealand Transport Agency for land transport activities. Approved organisations are defined in the Land Transport Management Act 2003 as including regional councils, territorial authorities or a public organisation approved by the Governor-General by Order-in-Council.

*Auckland Regional Transport Authority (ARTA)* – ARTA was established under the Local Government (Auckland) Amendment Act 2004.

*Funding Assistance Rate (FAR)* – Previously referred to as a ‘Financial Assistance Rate’, this rate defines the central government contribution to activities.

*Fuel Excise Duty (FED)* – Fuel excise duty is a tax imposed by the government on fuel and is used to fund land transport activities.

*Impact* – the contribution made to assist achieving the government’s economic, social and environmental objectives. See Section 5 of the Land Transport Management Act 2003 for the statutory definition.

*Land Transport Management Amendment Act 2008* – This Act made substantial amendments to the Land Transport Management Act 2003, including the requirement for a GPS, and regional land transport programmes.

*Land Transport Management Act 2003* – The main Act governing the land transport planning and funding system.

*Land Transport Revenue* – Revenue paid into the National Land Transport Fund under the Land Transport Management Act 2003.

*Local road* – Defined in the Land Transport Management Act 2003 as a road (other than a State highway) in the district, and under the control, of a territorial authority.

*Long-Term Council Community Plan* – Each local council in New Zealand is required to produce a plan for its community called the Long-Term Council Community Plan. It describes the activities of the council and provides a long term focus for its decision making. It must cover a period of 10 consecutive financial years though it is prepared every three years.

*Motor vehicle registration and licensing fees (MVR)* – The Motor Vehicle Register is established under the Transport (Vehicle and Driver Registration and Licensing) Act 1986, and records details of vehicles that are registered to operate on the road. Motor vehicle registration and licensing fees are defined as land transport revenue.

*Ministry of Transport* – The government’s principal transport policy adviser that both leads and generates policy, and helps to set the vision and strategic direction for the future of transport in New Zealand.

*National Land Transport Programme* – The National Land Transport Programme sets out the land transport activities that are likely to receive funding from the National Land Transport Fund. From 1

July 2009, as a result of the Land Transport Management Amendment Act 2008, the National Land Transport Programme will be a three yearly programme of investment in land transport infrastructure and services from the National Land Transport Fund. The National Land Transport Programme is currently an annual programme.

*National Land Transport Fund* – The set of resources, including land transport revenue, that are available for land transport activities under the National Land Transport Programme.

*New Zealand Transport Agency (NZTA)* – Under the Land Transport Management Amendment Act 2008, the New Zealand Transport Agency came into being on 1 August 2008. The single Crown entity combines the functions of Land Transport New Zealand and Transit New Zealand.

*Output* – goods or services.

*Public transport* – Passenger transport services provided or subsidised by local and central government.

*Regional Land Transport Programmes (RLTP)* – The three-yearly land transport infrastructure and services proposals for funding from the National Land Transport Fund prepared by regional transport committees. In the case of Auckland, the Regional Land Transport Programme is prepared by ARTA.

*Regional Land Transport Strategies (RLTS)* – Under the Land Transport Management Amendment Act 2008, every regional transport committee on behalf of the regional council must prepare, and consult on, a regional land transport strategy to provide guidance on the land transport outcomes sought by the region. The RLTS must be produced every six years and cover a period of 30 years, and it must contribute to the vision set out in the strategy.

*Regional Transport Committee* – Every regional council or unitary authority must establish a transport committee for its region and appoint a range of representatives (including those from the regional council, territorial authorities, the NZTA, one representing each of the five transport objectives and one from a cultural perspective). The main functions of the regional transport committee are to prepare a regional land transport strategy and a regional land transport programme.

*Road controlling authorities* – Authorities and agencies, including the NZTA, territorial authorities, the Waitangi Trust and the Department of Conservation, who have a legal responsibility for roading.

*Road User Charges (RUC)* – Charges on diesel and heavy vehicles paid to the government and used to fund land transport activity.

*State highways* – A State highway is a road operated by the NZTA, as defined under the Land Transport Management Act 2003.

