

Chair  
Cabinet Business Committee

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

### **Proposal**

1. This paper informs Cabinet of the next Government Policy Statement on Land Transport Funding 2012/13–2021/22 (GPS 2012) that I intend to release in late July.

### **Executive summary**

2. On 4 April 2011, I informed Cabinet of my proposed direction for GPS 2012 to give effect to the government's land transport priorities. This direction builds on and advances the long-term programme of change put in place by the current GPS (GPS 2009).
3. I was invited to report back to Cabinet with the final proposed Government Policy Statement on Land Transport Funding (GPS), following engagement with key stakeholders and consultation with the Board of the New Zealand Transport Agency (NZ Transport Agency) [CAB Min (11) 14/1 refers].
4. As required by the Land Transport Management Act, views were sought on the proposed direction from representative groups of land transport users and providers, including Local Government New Zealand and the NZ Transport Agency.
5. There was significant variation in the views of different stakeholders. For example, the representative groups of road users were supportive of the proposed direction, while stakeholders with a focus on other modes were generally less supportive. I have had regard to these views and where appropriate I have made changes to the attached GPS 2012.
6. GPS 2012 sets out the government's outcomes and priorities for the land transport sector. It describes:
  - what the government expects to be achieved from its investment in land transport through the National Land Transport Fund
  - how the government will achieve this through investment in certain areas known as activity classes (for example, State highway maintenance, road policing, and walking and cycling)
  - how much funding will be provided
  - how the funding will be raised.
7. In this way the GPS influences decisions on how funding from the National Land Transport Fund is invested. It also provides broad direction to local government and the NZ Transport Agency on the type of activities that should be included in regional land transport programmes and the National Land Transport Programme.

8. GPS 2012 makes around \$2.95 billion available in 2012/13 rising to \$4.15 billion in 2021/22 for investment in the land transport sector through the National Land Transport Fund. The expectation is that this investment will fund land transport projects and activities that advance three priorities:
  - 8.1. economic growth and productivity
  - 8.2. value for money
  - 8.3. road safety.
9. These priorities acknowledge that economically strategic investments in land transport, coupled with better use of existing infrastructure, can boost New Zealand's long-term growth prospects and make a material difference to our standard of living. Critical to this is a focus on value-for-money. The extent to which value-for-money is achieved in part determines the strength of the benefits realised from the investment in land transport.
10. The road safety priority acknowledges the substantial burden road crashes place on the economy and the health sector each year. The current annual social cost of road deaths and injuries is approximately \$3.8 billion. Reducing this cost is important not only to the economy but in its own right. Road deaths and serious injuries are mostly avoidable tragedies for the people and families involved.
11. Compared to GPS 2009, GPS 2012 makes some changes between activity classes. The most significant changes over 2012/13 to 2014/15 is an increase in funding available for new and improved State highways by \$125 million and \$140 million for public transport services. To help enable these increases the funding available for some activity classes, for example transport planning and management of the funding allocation system, have been reduced.
12. Central government funding for land transport within GPS 2012 will mainly come from the hypothecated transport charges of fuel excise duty (FED), road user charges (RUC) and motor vehicle registration fees (MVR). Based on current forecasts of revenue, it is likely that the rates of FED and RUC will need to be increased during the first three years of GPS 2012.
13. As previously advised, in order to deliver this programme of investment, I expect that FED and RUC will likely be increased in future years in the order of 2 cents a litre in 2012 and 1.5 cents a litre in 2013 and by the rate of growth in the consumer price index thereafter.

## **Background**

14. The GPS is a statutory document issued every 3 years by the Minister of Transport under the Land Transport Management Act 2003. The GPS applies to funding from the National Land Transport Fund for approved activities in the National Land Transport Programme. The GPS sets out what the government wants to achieve in land transport and provides direction for the allocation of land transport funding.
15. It is important that expenditure from the National Land Transport Fund is focused on the government's priorities. This government's strategic direction for transport is set out in the National Infrastructure Plan which has recently been released and in the

government's Long-Term Policy Direction for Transport which is currently being finalised.

16. The government's Long-Term Policy Direction for Transport will summarise a number of existing documents which lay out the government's strategic direction. I expect to release it by the end of August 2011. This document will complement the National Infrastructure Plan by providing more detail about the Government's policy direction for the transport sector. It will replace the previous government's non-statutory New Zealand Transport Strategy.
17. Together these documents clarify the goals and priorities that the government has for transport. This direction is reflected in the attached GPS 2012, which clearly outlines how the government's transport objectives will be given effect to over the next 10 years. GPS 2012 also uses this direction to set appropriate annual expenditure targets and funding ranges for activity classes.

### **Direction of GPS 2012**

18. Taking into account the government's long-term policy direction for transport and the National Infrastructure Plan, GPS 2012 identifies three key priorities for transport expenditure.

### ***Economic growth and productivity***

19. GPS 2009 reoriented land transport expenditure onto increasing economic growth and productivity and prioritised projects from a national perspective. GPS 2012 continues this direction and reiterates that the government's investment in land transport should support increased economic growth and productivity in New Zealand.
20. Like GPS 2009, GPS 2012 places particular importance on investment in the State highway network. To continue improving the State highway network, particularly through progressing the Roads of National Significance (RoNS) programme, funding has been increased for new and improved State highways. Investing in the RoNS programme will ease the most significant choke points in the national network, reduce congestion in and around the five largest metropolitan areas, and link major sea and air ports more effectively into the State highway network.
21. In addition, providing any ongoing support necessary to rebuild the land transport system in Canterbury over the next 3 years is a top priority. The scale of reconstruction work needed is significant and will take several years to complete. To ensure key projects in other regions are not significantly impacted, I expect that the emergency works provisions and the reprioritisation of projects planned in Canterbury will continue to fund the recovery work.
22. The other area which receives particular emphasis in GPS 2012 is public transport. Funding has been increased for public transport services to give effect to the government's commitment to upgrade, modernise and expand the metro rail systems in Auckland and Wellington.

## **Value-for-money**

23. The government invests around \$3 billion of New Zealanders' money in the National Land Transport Programme each year. This is a substantial investment and the strength of the benefits that New Zealanders receive depends on where the money is invested, how the activities and projects are delivered, how assets are managed and the extent to which costs are minimised.
24. To receive the greatest benefit from our land transport investment, GPS 2012 requires a sharpened and broadened focus on value-for-money. This priority stresses that within the land transport sector, as for other areas of public expenditure, better and smarter services will be delivered and asset management will be improved to boost the performance of roading infrastructure.
25. GPS 2012 makes it clear that getting more out of what is spent is an expectation and goes beyond the initial selection of projects and activities to all aspects of the development, delivery, and management of the National Land Transport Programme.

## **Improving road safety**

26. This government released the Safer Journeys strategy which makes improving road safety a key transport priority. Implementing the direction and actions outlined in Safer Journeys will be a priority for GPS 2012 and the National Land Transport Programme.
27. In GPS 2009 the safety related roading expenditure appears as roading improvements or maintenance with the safety gains tending to be understated. However, 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 further improvements are a key component of the Safer Journeys strategy.
28. GPS 2012 identifies how much of the State highway and local road expenditure is expected to be safety-related.

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

29. This expenditure will focus on:
  - 29.1. safety improvements such as installing safety barriers, improving line markings, providing better passing opportunities, intersection improvements, rural road realignments, and demonstration projects<sup>1</sup>
  - 29.2. safety improvements that target high-risk rural roads and high-risk urban intersections

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<sup>1</sup> 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 one project is currently underway in Maramarua (Waikato).

- 29.3. maintenance and renewal activity for safety, for example, providing the appropriate level of skid resistance.
30. Included in this amount is a proportion of the cost of the RoNS projects, as all projects will contribute to improving the safety of our State highway network.

### **Feedback from stakeholders**

31. Under section 87 of the Land Transport Management Act 2003 I am required to have regard to the views of Local Government New Zealand and representative groups of land transport users and providers prior to issuing a new GPS. The Land Transport Management Act also requires that I consult with the NZ Transport Agency on GPS 2012 prior to its release.
32. Feedback was sought on my proposal for GPS 2012 from 44 representative groups of land transport users and providers, including Local Government New Zealand, the NZ Transport Agency and regional councils. Of these, 29 provided submissions and 25 additional submissions were received from district and city councils.
33. A number of submissions were also received from the general public and other organisations with an interest in land transport.
34. There was significant variation in the views of different stakeholders. For example, the representative groups of road users were supportive of the proposed direction, while stakeholders with a focus on other modes were generally less supportive. Feedback included:
- 34.1. Support for the inclusion of a statement of strategic direction and the development of the government's long-term policy direction for transport. However, some submitters emphasised the need for a longer-term vision to give greater planning certainty to the transport sector.
- 34.2. Support for the three priorities of economic growth and productivity, value-for-money and road safety. However, submitters had differing opinions on how economic growth and productivity should be achieved and if it could be considered a long-term priority.
- 34.3. Concern from some submitters that the proposed funding ranges for the maintenance and renewal of roads will be insufficient to maintain the roading network at current levels. Stakeholders were concerned that cost pressures faced by the contracting industry could not be completely offset by efficiency savings.
- 34.4. Wide support for road safety as a key priority in GPS 2012. However, some submitters expressed the view that Safer Journeys is about the safe system approach and the engagement document over-represented roading initiatives and under-represented safe speeds, safe vehicles and safe road users in terms of focus and funding.
- 34.5. Arguments to increase the level of funding for public transport, and walking and cycling to reflect their contribution to economic growth.

- 34.6. Concern from some submitters that investment in State highways was not balanced with the rest of the network, and that investment in RoNS projects will divert resources from other high value projects.

### **Response to issues raised in feedback**

35. I have considered the feedback from stakeholders summarised above and, where appropriate, I have incorporated it into GPS 2012. My views on the key issues raised by stakeholders are outlined below.

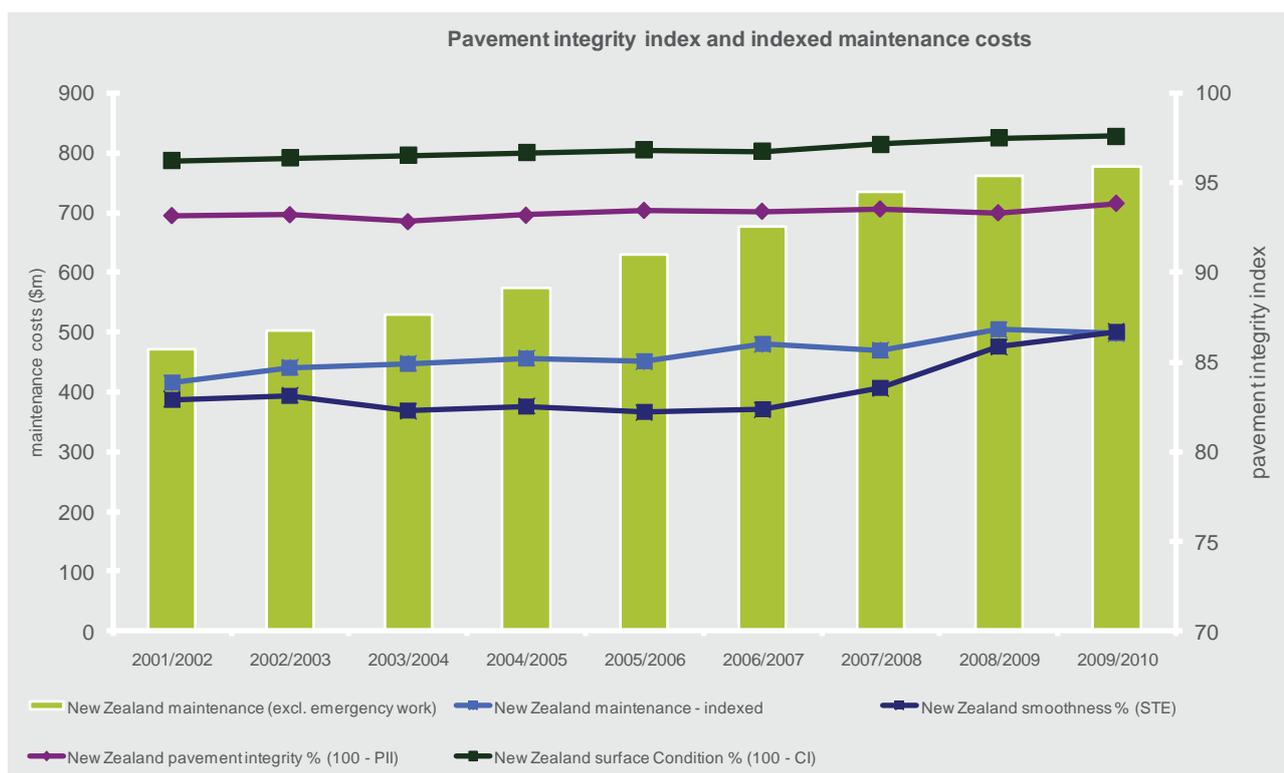
### ***Need for statement on long-term strategy***

36. The government's long-term policy direction for transport is being developed to set out the government's long-term direction for transport for the next 10 years. This direction will be consistent with the strategic direction that is outlined in the attached GPS 2012. Release of this document will address the concerns of some stakeholders but probably not all. I am mindful that for some submitters the argument that there is a 'lack of transport strategy' is another way of expressing disagreement with the government's direction for transport.

### ***Funding for road maintenance and renewals***

37. As stated above, some stakeholders are concerned that the proposed funding ranges for the maintenance and renewal of State highways and local roads may not be sufficient to maintain current levels of service.
38. Based on current data, the overall condition of the roading network currently meets the expected level of service. In fact, over the last 9 years there has been a slight improvement in overall road condition. However, as can be seen from Figure 1 below, this improvement has been accompanied by significant increases in maintenance and renewal expenditure. This expenditure growth partly reflects the increased maintenance burden arising from the increase in vehicle kilometres travelled, particularly by heavy vehicles.

**Figure 1: Pavement integrity index and indexed maintenance costs**



39. The issue for GPS 2012 is whether holding maintenance and renewals expenditure at 2011/12 levels will be sufficient to maintain the current condition of the roading networks over the first 3 years of GPS 2012.

*State highways maintenance and renewals*

40. In terms of State highways, the NZ Transport Agency has advised that expected levels of service can continue to be met for the first 2 years of GPS 2012 but possibly not for 2014/15. If the funding range is not increased for that year the Agency might need to lower levels of service on the network and a maintenance backlog might be generated.

41. To avoid this, I have increased the upper limit of the funding range for the maintenance and operation of the State highways activity class by \$25 million for 2014/15, over what was originally proposed to key stakeholders, thereby raising the proposed upper limit from \$325 million to \$350 million.

*Local roads maintenance and renewals*

42. For local roads, however, there is some evidence that efficiency savings could be realised to offset cost pressures to a degree, for example:

42.1. some councils are proactively encouraging efficiencies. The Western Bay of Plenty District Council has achieved cost savings of 22 percent since 2002 from its roading operations, maintenance and renewal activity through use of a single service delivery contract

42.2. roading contractors can offer alternative maintenance products that are cheaper and offer greater quality. These could be better utilised by roading authorities.

43. To ensure roading authorities take advantage of opportunities for efficiencies, I have established a road maintenance task force. This initiative arose during engagement on the GPS. The task force will be made up of individuals from industry, local government and the NZ Transport Agency. The role of the task force will be to identify opportunities for efficiencies in maintenance and renewals, including the adoption of innovative products and methods of procurement, and to encourage their uptake through the country. Early advice suggests there are significant opportunities for efficiencies to be gained in many local authorities across the country.
44. At the same time, however, I am mindful that the pressure on the local road maintenance and renewal activity classes will be high because of the level of repair work needed in Canterbury. The NZ Transport Agency has advised that this pressure would potentially have to be managed by reducing traffic operations, winter maintenance, pavement patching, unsealed grading, network management, pavement rehabilitation and bridge component renewals.
45. Reducing routine maintenance and renewal activity over 2012–2015 would likely result in the need for a significant amount of catch-up investment being required over 2015–2018. As well, such reductions could be counterproductive to the roading goals in Safer Journeys.
46. To allow the NZ Transport Agency the flexibility to respond to legitimate increases in demand for local road maintenance and renewals, I have raised the upper limit of the proposed funding range for:
  - 46.1. the maintenance and operation of local roads activity class by \$40 million, over what was originally proposed to key stakeholders, bringing the upper limit from \$260 million to \$300 million per year
  - 46.2. the renewal of local roads activity class by \$10 million, over what was originally proposed to key stakeholders, bringing the upper range from \$240 to \$250 million.
47. The intention of the increase is to allow for flexibility. It does not automatically imply an annual increase in local road expenditure of \$50 million.

### ***State highway investment***

48. Some stakeholders raised the concern that investment needs to be more balanced across activity classes. Some submitters believe that the proposed investment places a large focus on State highways, particularly RoNS at the expense of local roads.
49. GPS 2012 makes significant investment in State highways as they contribute to national economic growth and productivity. State highways carry most inter-regional freight and link major ports, airports and urban areas. They are also important intra-regionally where they have a key role to play in supporting growth and productivity in the main urban areas. From a freight perspective, inter-regional trips tend to start and/or finish within urban areas and it is this portion of any trip done within the urban area which is most susceptible to the effects of congestion..
50. Although the State highway network is only 12 percent of the total roading network, it accounts for around half of the vehicle kilometres driven each year. Around two-thirds of the vehicle kilometres driven by heavy vehicles occur on State highways.

51. A subset of the State highway network, the high-volume highways in and around our major centres, comprise 6.5 percent of the network (or about 0.8 percent of the total roading network) but carry 36 percent of the total vehicle kilometres travelled on State highways (or about 17 percent of total vehicle kilometres travelled). They also carry about 28 percent of total heavy vehicle kilometres travelled on the State highway network.

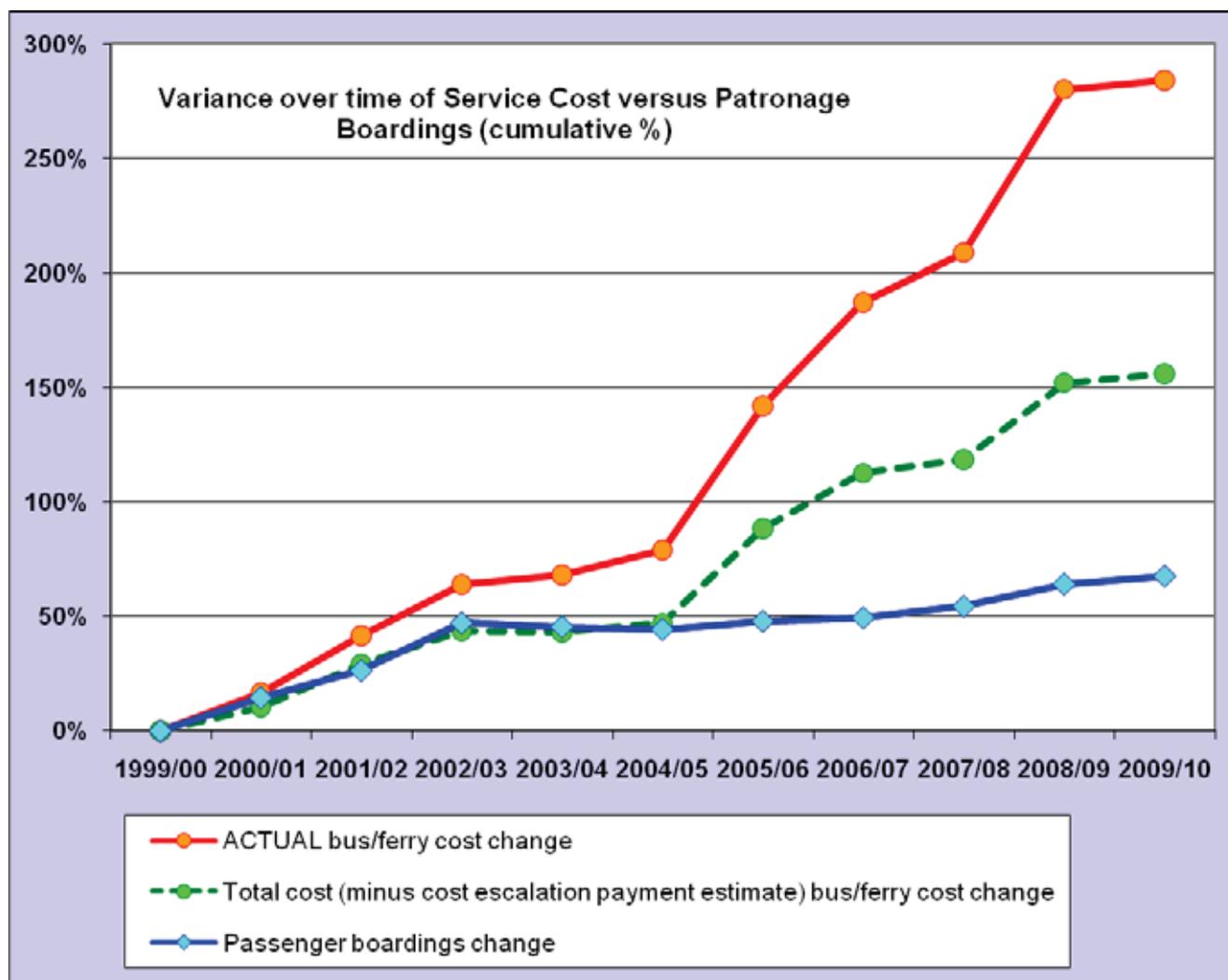
	<b>High volume highways</b>	<b>State highway network</b>	<b>Total roading network</b>	<b>High volume highways as percentage of State highway network</b>	<b>High volume highways as percentage of total roading network</b>
<b>Length (km)</b>	714	10,900	93,902	6.55	0.8
<b>Total vehicle kilometres travelled (billion)</b>	7.25	19.91	41.61	36	17
<b>Heavy vehicle kilometres travelled (billion)</b>	0.5	1.9	2.78	28	19

52. The function of these highways needs to be protected and improved to ensure future economic growth and productivity through addressing congestion, unreliable journey times and poor safety records.
53. The RoNS programme is designed to properly address the major issues on these high volume highways. They are the seven projects that will significantly deliver a step change in the reliability and safety of our core State highway network.
54. Notwithstanding their importance, RoNS are only part of the State highway investment programme. During the first 3 years of GPS 2012, non-RoNS State highway improvements are likely to receive \$1.1 billion, or 35 percent of the total proposed investment for State highway improvements.
55. Under the previous government, the level of funding for State highways would have been almost half of what I propose, meaning that our most critical projects, and in particular the routes that this government has identified as RoNS, would have struggled to proceed.
56. The importance of the State highway network to the New Zealand economy is reflected in the proportion of funding that I have proposed in GPS 2012. When comparing investment in State highways with investment in local roads it is important to bear in mind that the GPS 2012 investment in local roads only represents around 50 percent of the total investment that will be made in local roads. The National Land Transport Fund provides funding assistance for councils to build and maintain their local roading assets. Councils provide the remaining portion of the cost.
57. The level of investment in local road infrastructure is contingent on local authority spending plans. Based on recent history, current levels of expenditure are unlikely to be exceeded.

### ***Funding for public transport activity classes***

58. One of the key issues raised by submitters was the proportion of funding allocated to public transport. Some submitters were concerned that patronage growth and system improvements would be impaired and requested increased funding ranges.
59. I have considered this issue, but I am confident that the proposed funding allocations allow significant progress to be made in public transport. This government continues to place emphasis on ongoing investment in public transport, which is reflected in the government's commitment to urban rail passenger transport in Auckland and Wellington. The proposed GPS 2012 funding ranges do not provide a complete picture of the government's investment in public transport, as the bulk of central government funding for public transport infrastructure is provided outside of the National Land Transport Fund. Most of this funding is for metro rail. To date more than \$2 billion in Crown appropriations has been agreed, of which \$1.6 billion is for Auckland and \$485 million for Wellington.
60. The funding available for the public transport services activity class will increase by \$140 million above that available under the current GPS over the first 3 years of GPS 2012. This additional funding will allow the NZ Transport Agency to fund a share of principal and interest for the repayment of loans for public transport infrastructure. For Auckland this would include servicing part of the cost of the \$500 million loan for the proposed electric multiple units and depot, and for Wellington the cost of the loan for refurbishing the Ganz Mavag trains. For metro rail in Auckland and Wellington, GPS 2012 anticipates annual funding for loan servicing in the range of \$30 to \$35 million a year for the next 30 years.
61. I am also confident about the appropriateness of the public transport services activity class funding ranges because of the government's focus on improving the value from its spend in this area. We are working on growing sustainable public transport networks that do not require more and more subsidies, as has been the case in the past and as is shown in Figure 2.
62. Whereas some submitters think that growing patronage is an argument for increased subsidies, in my view that the opposite is true - higher patronage should decrease the level of subsidies needed, or at the very least not increase them.

**Figure 2: Cumulative change in central and local government expenditure on urban bus and ferry services compared to cumulative change in bus and ferry trips (1999/00–2008/09)**



Notes:

1. Actual costs are based on the actual end of year total net subsidy cost
2. The total cost is an estimate of the real cost impact based on the removal of the effects of the cost indices payments available to regions for fuel, labour and transport price movements, as applied to the actual cost.

63. The high increase of bus/ferry costs between 2004/05 and 2008/09 shown in Figure 2 is likely to be caused by a combination of factors, including increased fuel and labour costs, high re-tender costs due to a low level of competition in some urban bus markets, and increased levels of service in some regions.

**Funding for road safety**

64. Some submitters expressed the view that as the funding range for the road user safety activity class is to be reduced, road safety will be under-funded in the proposed GPS 2012.
65. This view arises partly from a misunderstanding of what is funded through the road user safety activity class. In November 2009, I renamed the ‘demand management and

community programmes' activity class 'road user safety' to better align it to the Safer Journeys strategy, and to enable the funding of Safer Journeys First Actions. Activities with no direct safety component are being shifted to more relevant activity classes. However, this transitional process will not be complete until the GPS 2012 comes into effect. The amount dedicated to road user safety activities has in fact remained the same.

66. There is also possibly confusion over the name of the activity class, as 'road user safety' implies all activities associated with the safety of road users. To help make it clearer that the investment in road safety occurs through many activity classes, I changed the name of the road user safety activity class to 'road safety promotion'. This is to clearly reflect the role of that class which is primarily road safety advertising and community promotional activities.
67. Overall funding for road safety is definitely not being reduced. In fact the total amount of funding available to improve road safety can increase with the new funding ranges. Across GPS 2012, eight activity classes directly contribute to improving road safety. These are the six roading activity classes, road policing, and road user safety. The total amount of investment in road safety for the first 3 years of GPS 2012 is given in Table 2.
68. In the last 2 years we have made significant progress in reducing harm on our roads. I am confident the investment we will make through GPS 2012 will help continue that progress over time.

**Table 2: Safety related expenditure for the first three years of GPS 2012**

<b>Expenditure area</b>	<b>2012/13 \$M</b>	<b>2013/14 \$M</b>	<b>2014/15 \$M</b>
Safety related State highway expenditure	150–240	150–240	150–240
Safety related local roads expenditure	80–120	80–120	80–120
Road safety promotion	29–36	29–36	29–36
Road policing	280–310	280–310	280–310
<b>Total</b>	<b>539–706</b>	<b>539–706</b>	<b>539–706</b>

***Funding for other activity classes***

69. Some stakeholders were also concerned that the proportion of funding available for walking and cycling is not sufficient. I have considered this issue, and I am confident that the proposed funding allocations allow significant progress to be made in walking and cycling. With GPS 2012, the amount of funding available for walking and cycling in 2012/13 increases by 11 percent compared to 2011/12. This funding increase is

maintained over the following 2 years of GPS 2012. It then increases by a further six percent.

70. To help fund this increase and the other increases that will occur in GPS 2012, I have reduced the funding available for the sector training and research and transport planning activity classes. This is to ensure the National Land Transport Fund is invested in productive activities that secure real gains within the land transport system, rather than into activities where it is less clear that these will translate into improved outcomes.

### **Consultation with the NZ Transport Agency**

71. I have consulted the Board of the NZ Transport Agency and it supports the attached GPS.

### **Process for releasing GPS 2012**

72. In preparing GPS 2012 I am satisfied that I have complied with all legal requirements under section 87 of the Land Transport Management Act. I intend to publicly release GPS 2012 in late July. Although GPS 2012 must be released by 1 July 2012, an earlier release allows the NZ Transport Agency sufficient time to incorporate the GPS into the development of the next National Land Transport Programme, and for local authorities to take into account the objectives and impacts in their regional transport planning.

### **Consultation**

73. The following departments and agencies have been consulted on this paper: Treasury, Ministry for the Environment, Ministry of Economic Development, New Zealand Police, Accident Compensation Commission, Ministry of Health, Ministry of Education, Te Puni Kōkiri, Ministry of Social Development, Office for Disability Issues, Energy Efficiency and Conservation Authority, Department of Labour, Ministry of Agriculture and Forestry, Department of Internal Affairs, Department of Conservation and the New Zealand Transport Agency. The Department of the Prime Minister and Cabinet was informed.

### **Financial implications**

74. I previously advised Cabinet of a deficit of about \$1.1 billion between forecast revenue and target expenditure over the 10 years to 2020, which would increase to about \$1.5 billion as a result of not proceeding with the 1.5 cents a litre increase in fuel excise duty (FED) and road user charges (RUC) in July 2011 [CAB Min (11) 14/1 refers].
75. In late April, Ministry of Transport officials advised me of the results of the review and redesign of the National Land Transport Fund revenue forecasting model. The purpose of the review and redesign was to reduce model errors and improve the robustness of the revenue forecasts. In particular the old forecasting model was poor at estimating the level of revenue for out-years and this tended to overstate the level of the deficit. However, now we have a new model that more accurately reflects the impact that changes in transport tax rates are likely to have on revenue over the 10 year period of the GPS.
76. Using the new model, and Treasury's latest economic forecasts, anticipated revenue levels are now higher than the previous forecast, resulting in a much smaller gap

between forecast revenue and target expenditure of around \$320 million over the 10 years to 2020.

77. I previously advised Cabinet that in early 2012 I will seek agreement to raise fuel excise duty (FED) and road user charges (RUC) in the order of 2 cents a litre in 2012 and 1.5 cents a litre in 2013. These increases, along with the annual increases from 2014 equivalent to the growth in the consumer price index already built into the forecasting model, are expected to achieve a matching of revenue levels with the GPS expenditure targets over the 10 year period of GPS 2012.
78. However for 2012/13, the first year of GPS 2012, a small revenue shortfall is expected. This shortfall is a consequence of the recent decision to allow the NZ Transport Agency to use the short-term borrowing facility for cash-flow management. This results in repayments being required from the National Land Transport Fund in 2011/12, 2012/13 and 2013/14. The decision to use the borrowing facility was taken to make stronger progress than originally planned on some key projects and to manage seasonal revenue cycles. It also ensured the impact of the Canterbury earthquake and aftershocks could be responded to.
79. Given the expected shortfall I have reduced the expenditure target for 2012/13 set out in the original proposal for GPS 2012 of \$3 billion to \$2.95 billion. As we progress from GPS 2009 to GPS 2012 officials will keep me informed of any fluctuations in revenue and advise on options for responding to these fluctuations if needed.

### **Human rights implications**

80. There are no specific human rights issues arising from this paper.

### **Legislative implications**

81. There are no legislative implications arising from this paper.

### **Regulatory Impact Analysis**

82. A regulatory impact and business compliance cost statement is not required with this paper as it does not result in changes to legislation or regulations.

### **Gender implications**

83. There are no gender implications arising from this paper.

### **Disability perspective**

84. There are no specific proposals relating to people with disabilities. Activities funded under GPS 2012, such as public transport, will assist with improving accessibility for disabled people. Disability perspectives will be considered as part of the normal decision-making processes carried out by local bodies when determining regional land transport plans.

## Publicity

85. I anticipate releasing GPS 2012 in late July 2011 and will issue an appropriate media statement at that time.

## Recommendations

86. It is recommended that the Committee:
- 1) **note** that I have had regard to the views of stakeholders in preparing the accompanying Government Policy Statement on Land Transport Funding 2012/13–2021/22 (GPS 2012) that sets out the government's priorities for land transport in terms of section 87 of the Land Transport Management Act 2003
  - 2) **note** that a common concern among key stakeholders is that the proposed funding ranges for State highways and local roads maintenance and renewals may not be sufficient to maintain current levels of service
  - 3) **note** that to give the NZ Transport Agency the flexibility to respond to legitimate increases in demand for maintenance and renewals on local roads I have increased the upper limit of the proposed funding range for:
    - 3.1 the maintenance and operations of local roads activity class by \$40 million bringing the upper range from \$260 million to \$300 million
    - 3.2 the renewal of local roads activity class by \$10 million bringing the upper range from \$240 million to \$250 million
  - 4) **note** that this increase will be accompanied by an announcement about the joint industry and government road maintenance task force whose role will be to identify opportunities for efficiencies, including innovative products and methods of procurement, and to encourage their uptake through the country
  - 5) **note** that to deliver this programme of investment, I will be seeking increases in fuel excise duty and road user charges in early 2012 in the order of 2 cents a litre in 2012 and 1.5 cents a litre in 2013
  - 6) **note** that I intend to publicly release GPS 2012 in late July 2011 and will issue a media statement at that time.

Steven Joyce  
**Minister of Transport**

Dated: \_\_\_\_\_