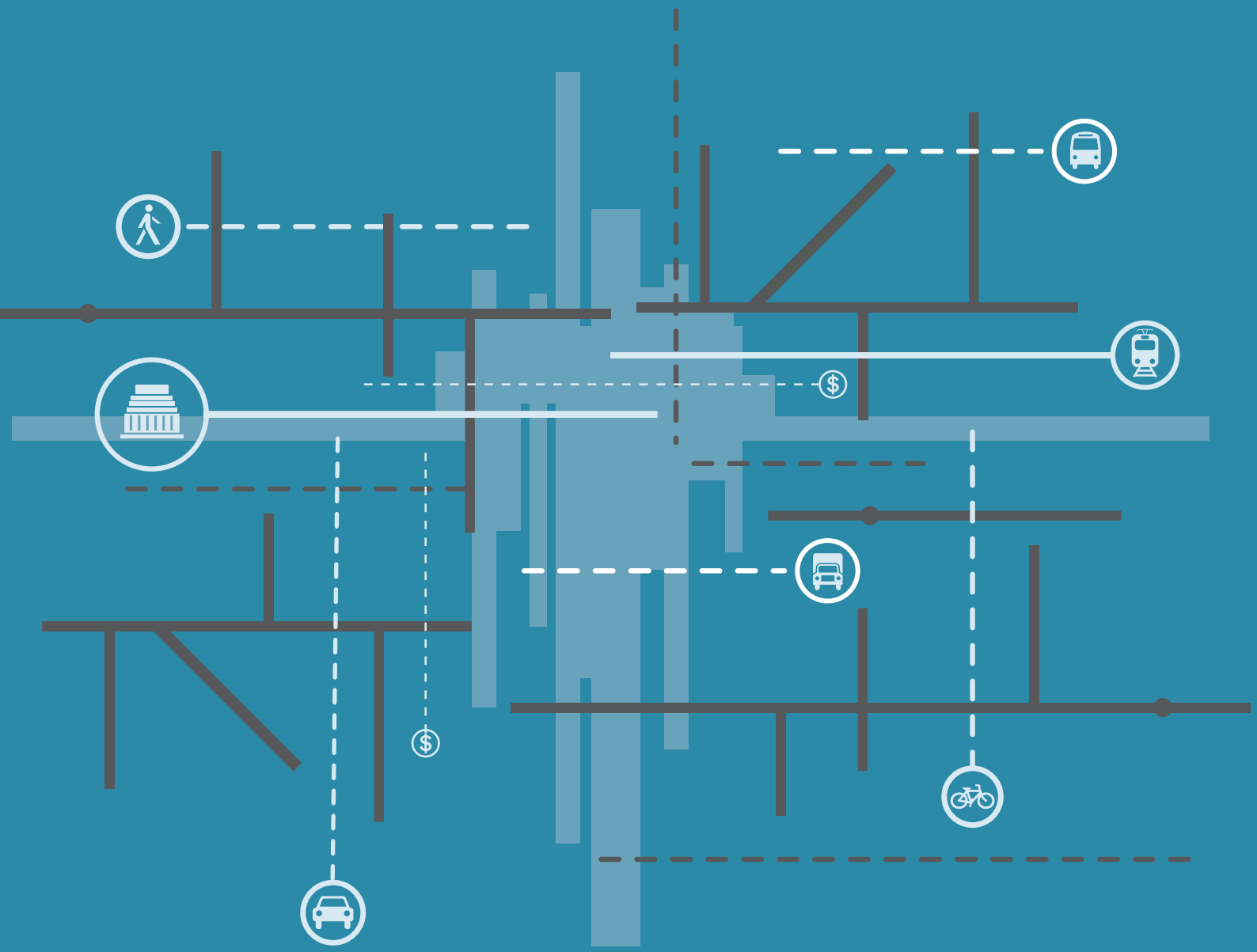
GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT

2015/16-2024/25



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MINISTER'S FOREWORD

Since issuing GPS 2015 many matters have moved on, such as our understanding of what needs to be done to improve the supply of land for new housing. We also have new opportunities to improve how government agencies work with businesses and citizens, and to build on the success of the Urban Cycling Programme in attracting new investment into cycleways.

New concerns have arisen – not least the earthquakes and weather events of November 2016, which have seriously disrupted the road and rail networks across North Canterbury, as well as other infrastructure in that region and further afield.

An important underlying consideration in all this is that the country's economy has recovered well. The whole country, including the land transport sector, is well positioned to respond to the demands of recovery and reconstruction, while pressing on with the other vital work we were already engaged in prior to the earthquakes.

As such, the amendments set out in this revised GPS are not wholesale changes. Nor are they solely about recovery – although that is one important focus. As much as they take advantage of the funding resilience our economic performance has provided, they continue to strengthen the foundations of the land transport system, to recharge and preserve that resilience against future shocks.

This revised GPS recognizes that the Government has established a Housing Infrastructure Fund. This comprises $1 billion for water and transport infrastructure, to enable local governments and the construction sector to bring forward the opening of land for housing developments.

This revised GPS also provides additional headroom in the Walking and Cycling activity class. In turn, this will allow completion of the funding programme begun under GPS 2012, and let us better meet the growing demand for investment in cycling infrastructure. This increase also reflects the investment in cycling generated by GPS 2015, the Urban Cycleway Programme, and Nga Haerenga, the New Zealand Cycle Trail.

The New Zealand Business Number (NZBN) provides the opportunity to deliver more tailored and targeted services to individual businesses, whole industries, and the entire transport sector. The adjustments in this revised GPS to the Investment Management activity class will allow system changes to give effect to the NZBN to occur quickly and efficiently.

The National Land Transport Fund is well positioned to meet the immediate costs of the response to the earthquakes and weather events of November 2016. The changes in this revised GPS are intended to remove all doubt as to the importance of meeting the costs of the subsequent recovery work. What those costs are, and how best to meet them, will be determined over the months to come. These changes ensure that, once we have the necessary clarity, there will be no impediment to directing the Fund towards the investments that need to be made.

Our land transport system recognises the vital role of networks – the interaction of roads, railways, and coastal shipping to deliver and connect the goods, services and people we need, where and when we need them. This revised GPS embodies that recognition in the allowances it makes for the recovery work.

Overall, this revised GPS continues to support the development of high-quality connections between New Zealand's key areas of production, processing, and export. It also enhances our efforts to ensure our urban areas are well connected and accessible.

By maintaining this focus, GPS 2015 will make a strong contribution to the development of a safe, modern, and efficient transport system that is accessible to all New Zealanders.

Hon Simon Bridges
Minister of Transport

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INTRODUCTION TO GPS 2015

Transport is a critical part of daily life for all New Zealanders, enabling a range of activities and making a significant contribution to New Zealand's economic growth and productivity.

Effective transport enables travel to and from work, access to services, visits to family and friends, and allows businesses, regions and cities to be productive and well-connected.

1. Recognising the importance of our land transport network, over $3.0 billion of New Zealanders' money is spent through the National Land Transport Fund (the Fund) each year. This investment is accompanied by a further $1.0 billion of local government investment. The Government Policy Statement on land transport (the GPS) sets out the strategy for this investment, and the results the Government wants to achieve from it over the next 10 years.

2. About a third of the funding incorporated in GPS 2015 involves investment undertaken jointly with local government. This includes funding for local roads, public transport, walking and cycling, safety promotion and system management. The GPS signals what the Government wants to achieve in these joint funding areas. This enables local government to frame its investment plans to integrate with the Government's priorities while giving effect to their own statutory purpose. That purpose is to deliver infrastructure and services that meet the current and future needs of communities in the most cost effective way for households and businesses.

3. GPS 2015 continues the approach started in 2009 of putting the wealth-generating capacity of our economy at the top of the agenda. It focuses on investments that will improve connectivity and reduce the costs of doing business. It maintains the impetus on improving the safety of travel, and puts a spotlight on the continued delivery of measurable value from land transport investment.

4. The national strategic direction for land transport is as follows:

   To drive improved performance from the land transport system by focussing on:

   - economic growth and productivity
   - road safety
   - value for money.

5. This strategic direction has been informed by the Government's national policy priorities. These are:

   - building a more competitive and productive economy
   - rebuilding Christchurch
   - restoring access across North Canterbury
   - delivering better public services within tight financial constraints
   - responsibly managing the Government's finances.

6. Elements of these national policies are reflected in five documents relevant to the GPS:

   - the Business Growth Agenda, with its focus on growing our export capacity
   - the National Infrastructure Plan, with its focus on improving the use of the existing network before extending the network, and better allocation of new investment when the network is extended
   - the New Zealand Energy Efficiency Conservation Strategy, with its focus on a more ener gy efficient transport system with a greater diversity of fuels and alternative energy technologies
   - Connecting New Zealand, with its focus on improving the efficiency of our transport networks
   - Safer Journeys, with its focus on a land transport system that is a safe system.

7. Further information about these documents and links is set out in Appendix C.

Supporting economic growth and productivity

8. Improving the performance of the land transport system in order to improve the productivity of the wider economy is a particular focus of GPS 2015.

9. The Government began a significant improvement programme in 2009 following more than a decade of increasing concern that investment in land transport was not keeping pace with demand. With an intention to invest nearly $11 billion in New Zealand's State highways over the 10 years to 2019, the Government focused on enabling economic growth rather than simply responding to it, providing high-quality connections between key areas of production, processing, and export.

10. New Zealand's transport system operates in a dynamic environment. While transport infrastructure often has an operational life spanning many decades, the demands that New Zealand has of the land transport system are changing. This affects both the revenue available for investment, and the type of investment which needs to be made.

11. New Zealand is still in the process of addressing some critical constraints on the network, particularly, but not exclusively, in the upper North Island.

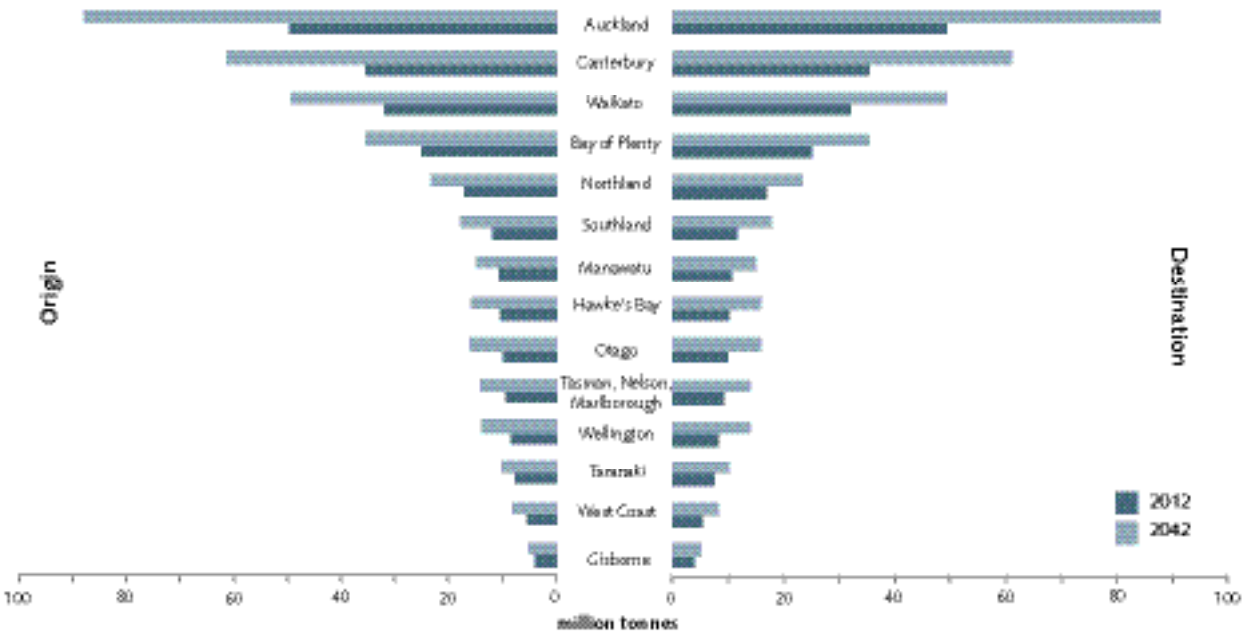
12. Significant steps are being taken to improve critical parts of New Zealand's land transport system. Continued investment is needed through the Roads of National Significance (the RoNS) programme, providing additional capacity through more transport choice (for example public transport), the Auckland Transport Package, improvements in Christchurch and North Canterbury, and measures to increase the amount of the road network available to heavier freight vehicles.

Moving freight

13. Effective and efficient freight movement is critical to the economic health of an exporting nation. Reducing the internal transport costs experienced by producers, processors and exporters of primary produce is one way to improve our international competitiveness. Gains that can be made in this area flow into the rest of the economy.

14. New Zealand's freight task is forecast to grow by 58 percent in tonnes by 2042 (from 236 million tonnes in 2012 to over 373 million tonnes). This rate of growth is slower than forecast in 2008, but still represents about 1.5 percent per annum. As illustrated in Figure 1 growth will be uneven with Auckland and Canterbury predicted to experience the greatest increases in freight, followed by the Waikato. Road transport is expected to remain the primary mode for freight, accounting for about 70 percent of tonne kilometres.

Figure 1: Freight movements 2012 and 2042



Source: National Freight Demand Study, Ministry of Transport, 2014

15. Considerable investment has been made to improve freight productivity by permitting the movement of more freight on fewer trucks, and improvements are being made to key freight links in high growth areas (for example, the RoNS). Approximately 6,300 kilometres of the network is now available for heavier high productivity motor vehicles, including 2,000 kilometres now open to 58 tonne vehicles. Additionally around 67 percent of the road network is now open to 50 tonne vehicles (50MAX), which can carry up to five tonnes of extra freight with every trip.

16. Alongside investment from the Fund, the Government has invested $1.04 billion since GPS 2009 in the KiwiRail turnaround plan to boost freight options. GPS 2015 also references Crown appropriations to advance roading investments that particularly benefit freight in regional areas and in Auckland (the Accelerated Regional Roading Package and the Auckland Transport Package).

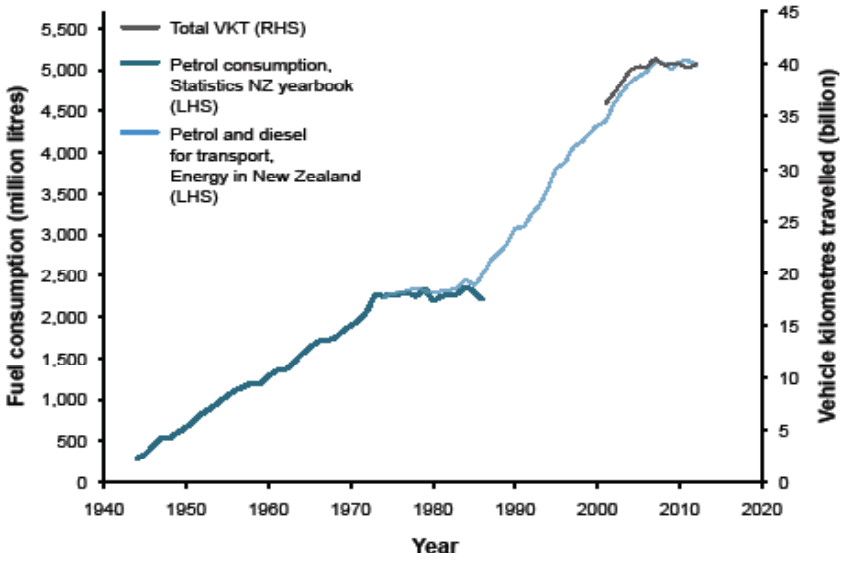
Moving people

17. Great access underpins all successful cities. A key priority since GPS 2009 has been to address severe urban congestion where demand exceeds current network capacity, with a particular focus on Auckland. System-wide improvements to the capacity and productivity of transport in our growing cities have also been a focus. This is needed to maintain and enhance access to economic and social opportunities.

18. GPS 2015 has been prepared during a period when vehicle kilometres travelled has been flat. This is illustrated in Figure 2. Vehicle travel is forecast to grow again, albeit at a lower rate than previously experienced, with factors such as the rate of economic recovery, energy costs, travel preferences, and changing demographics continuing to create uncertainty.

19. Demand growth is likely to be concentrated in areas experiencing economic and population growth. The best available information to date suggests that total national growth in personal vehicle travel will remain more muted than in previous economic cycles.

Figure 2: Travel demand as indicated by VKT and fuel consumption, 1944 to 2012



Sources: Ministry of Transport's total VKT data (TV001)
Ministry of Business, Innovation and Employment's Energy in New Zealand data

20. This overall demand story masks a regional story where New Zealand continues to have areas with intense localised congestion on particular routes, bottlenecks and pressure points. Addressing current constraints and forecast demand will require the use of all available transport tools, including increases in network capacity. High-value investment in State highway capacity improvements will be brought forward with support from central government. Additional measures to improve the capacity of other choke points in the wider network will proceed as a normal part of the Fund's allocation process.

21. Alongside investment from the Fund, the Government has made significant investments in metro rail improvements in Wellington and Auckland. GPS 2015 also references Crown appropriations to advance work on urban motorways and cycleways (the Auckland Transport Package and the the Urban Cycleway Programme).

Auckland

22. Much of New Zealand's population growth is likely to continue to be centred in Auckland. Achieving an effective and efficient transport system for Auckland is central to improving the city's contribution to the national economy.

23. Since 2009, the Government has undertaken a major programme of investment in Auckland's transport infrastructure. This investment is delivering significant results, helping to hold congestion steady despite population growth.

24. Over the next 20 years, Auckland's population is expected to increase by 480,000, an amount roughly equal to the current population of Wellington. The additional demand for travel from this growth will put even more pressure on Auckland's transport network. Sound land use policy, public transport investment and demand management will play a role in shaping demand, but private vehicle travel is expected to account for around three-quarters of peak period trips.[1]

25. Further increases in the capacity and productivity of the Auckland roading network, particularly those sections currently experiencing severe delays, will therefore remain a priority. This will involve ongoing investment in State highway and local road productivity across the network. This will need to be complemented by significant investments in public transport. Initially this would help unlock the potential created by recent initiatives. Later, further investment will be needed to provide additional capacity on corridors serving our main business and education centres at peak periods.

26. GPS 2015 also references to Crown appropriations for urban motorways and cycleways that will bring forward investment in Auckland's busiest corridors (the Auckland Transport Package and the Urban Cycleway Programme).

Canterbury

27. Canterbury traffic patterns have been significantly affected by land use changes following the earthquakes, with a substantial shift of traffic to the periphery of Christchurch. This has produced pressures on the network, some of which will be mitigated by a combination of the Christchurch RoNS investment and the re-opening of the Central Business District.

28. However, there is substantial uncertainty around the speed and scale of further changes to the distribution of Christchurch traffic. The long term impacts of changed land use patterns and associated travel demands will become clearer over the next 3 years. Additional measures to address network capacity may well prove necessary over time.

29. GPS 2015 carries forward Crown appropriations for investment in reinstatement of roads damaged by the Canterbury earthquakes (Reinstatement of earthquake damaged roads in Christchurch).

30. The November 2016 earthquakes and storms will certainly influence freight and tourism movement across the whole South Island in the short-term. While the medium to long-term effects yet to be revealed, we have some opportunity to shape these changes as we rebuild the North Canterbury transport network. However, we also need to be able to respond to any new patterns that emerge as economic factors make themselves felt.

[1] 2012-2041 Integrated Transport Programme, Auckland Transport, 2012 (Note: excludes working from home).

Networks

State highways

31. The State highway network provides critical economic links for New Zealand businesses and communities. State highways carry most of New Zealand's current freight task and link major ports, airports and urban areas. Although the State highway network is only 12 percent of the total roading network, it accounts for about half of the vehicle kilometres travelled each year, and around two-thirds of freight vehicle kilometres. GPS 2015 continues investment in this critical part of the system to reduce both internal transport costs and the costs of doing business. The improvement and maintenance of State highways are fully covered from the Fund.

32. GPS 2015 supplements this investment from the Fund with Crown appropriations to advance State highway investment in regions (the Accelerated Regional Roading Package), Auckland (the Auckland Transport Package) and cycling (the Urban Cycleway Programme).

Local roads

33. The Government recognises the important role that local roads play in connecting communities, businesses and markets. Motorists travel around 20 billion kilometres on our local road network each year. Most public transport and cycling trips also occur on local roads. Local roads provide the vital link to both the farm gate and to where we live in urban areas. GPS 2015 allows ongoing investment to enable the maintenance of a fit for purpose local road system. Local roads are jointly funded with local government.

34. GPS 2015 supplements this investment from the Fund with Crown appropriations to advance investment in cycling on local roads (the Urban Cycleway Programme) and Christchurch reinstatement (Reinstatement of earthquake damaged roads in Christchurch).

Public transport

35. We see the need for public transport[2] to help unlock the potential of our urban areas by providing additional capacity on key corridors and a choice of ways to move around, particularly during peak commuting periods. This includes investment in infrastructure improvements, including support for improvements through service-related payments. Public transport will also continue to be funded to provide access and choice. GPS 2015 provides for increased provision of public transport, if justified by demand. Public transport is jointly funded with local government.

36. GPS 2015 supplements this investment from the Fund with Crown appropriations to advance passenger rail in Wellington (Wellington Metro Rail Package) and improve railway management (Rail – Public Policy Projects, and Rail – Railway safety). The Auckland Metro Rail Package covered by GPS 2012 will have been completed before 2015.

Active modes

37. There is a walking component in the vast majority of trips made on the network, and cyclists share road space with other modes. Much of the investment in walking and cycling is integrated with the delivery of roading investment. Targeted investment for walking and cycling under GPS 2015 will allow ongoing progress to be made on improving existing transport networks, with dedicated cycling networks in our main metropolitan centres. Most walking and cycling occurs on local roads, therefore investment is made jointly with local government.

38. GPS 2015 supplements this investment from the Fund with Crown appropriations to advance investment in cycling on local roads and State highways (the Urban Cycleway Programme).

[2] In GPS 2015, public transport refers to bus, rail, ferry and taxi services contracted to a regional council and other approved organisations under the public transport provisions of the Land Transport Management Act 2003. Such services are generally eligible to receive funding assistance from the Fund, although they may be provided without any payments from the Fund.

Road safety

39. Road safety remains a key transport priority for the Government. Every year thousands of New Zealanders are killed or seriously injured in crashes. The Government has taken a 'Safe System' approach to this problem through the Safer Journeys strategy. This strategy looks across the entire transport system
    - roads and roadsides, vehicles, speeds and users
    - to deliver greater levels of safety.

40. GPS 2015 supports the delivery of the Safer Journeys vision of a safe road system increasingly free of death and serious injury. Each of the RoNS will be built to a high safety rating. Road safety investments will also occur on other State highways and local roads, through road policing, and in the road safety promotion activity class.

41. GPS 2015 clarifies how much of our roading investment delivers safety benefits that will save lives. Good information is needed to ensure that safety expenditure delivers the best possible results per dollar spent.

42. Road policing and road safety improvements are fully paid for from the Fund. Road safety investment that occurs on local roads and road safety promotion are jointly funded with local government.

Value for money

43. The land transport sector has stewardship of a significant proportion of our national wealth, and needs to ensure that public expenditure delivers the right infrastructure and services to the right level and at the best cost. There are high user and societal expectations for increases in levels of service across the whole transport network. Users express this in terms of reduced levels of congestion, a safer system, greater resilience, and mitigation of environmental impacts. Transport decision-makers need to take account of those expectations, and ensure that transport makes a broad positive contribution to the economy and society.

44. Transport objectives nevertheless need to be achieved without placing an unreasonable funding burden on the population or economy. As a proportion of GDP, land transport expenditure in New Zealand is at its highest levels since the 1960s, and the Government expects the sector to deliver results that are clear, achievable and measurable.

45. As funding for transport infrastructure comes from motorists and ratepayers, there is a responsibility to ensure that costs are kept under control, and that any additional funding delivers the best possible results. To that end, the Government, through GPS 2015, looks to the New Zealand Transport Agency (the Agency) to continue the work it has started on improving the productivity of the land transport system and the way it invests in the system.

46. To maximise the impact on economic growth, GPS 2015 strengthens the Government's focus on delivering measurable value from investment in the land transport sector. This applies irrespective of which agency is making the investment and encompasses State highways, local roads, public transport and policing services. It includes how decision-makers plan the network, set levels of service, identify and implement improvements, and undertake maintenance and procurement of all types. It applies from the highest profile strategic investments through to the most technical change in standards.

47. There are well-established methods for assessing the value of transport investments based on their contribution to improving the efficiency, effectiveness or safety of the land transport system. Value is more difficult to assess when the public interest requires a project to be brought forward in time – i.e. lead investments. In these cases, the benefits of being implemented 'on time' should not be lost when assessing the benefits of implementing earlier. When a transport investment is just one part of a wider policy whose net benefits exceed the sum of the parts, it is also important that cost effectiveness benchmarking and other robust tools are used to ensure they represent value for money. These lead investments will only be pursued under a clear and specific mandate from government.

48. While the Government is confident that significant progress has been achieved during GPS 2012, it is seeking more ambitious results in GPS 2015. All delivery agencies are expected to work together to continually improve approaches to asset management and procurement, and to share best practice with others.

49. Investment management that relates to the Fund as a whole is fully-funded. Investment management that relates to regional land transport planning, local roads and public transport are jointly funded with local government.

Improvements

50. It is anticipated that the Agency will continue to drive for the best possible measurable value from improvements, including investments prioritised by the Government, such as RoNS.

Maintenance

51. Progress is being made on improving the returns from maintenance expenditure. GPS 2015 anticipates that progress will continue in this area. This includes the ongoing implementation of the findings of the Road Maintenance Taskforce (for example, the One Network Road Classification system) and identification of further opportunities to improve productivity.

Services

52. Progress is also being made on improving the returns from public transport investment. GPS 2015 anticipates that progress will continue in this area. This includes the ongoing implementation of the new Public Transport Operating Model and identification of further opportunities to improve productivity.

SECTION 1: GPS 2015 FRAMEWORK

53. This section sets out the framework for GPS 2015.

A. Purpose of the GPS

54. The Land Transport Management Act 2003 (the Act) requires the Minister of Transport to issue a GPS.

55. The GPS outlines the Government's strategy to guide land transport investment over the next 10 years. It also provides guidance to decision- makers about where the Government will focus resources, consistent with the purpose of the Act, which is:

    "To contribute to an effective, efficient, and safe land transport system in the public interest".[3]

56. Without limiting the legal interpretation of these terms, for the purpose of GPS 2015, a land transport system is:

    - effective where it moves people and freight where they need to go in a timely manner
    - efficient where it delivers the right infrastructure and services to the right level at the best cost
    - safe where it reduces the harms from land transport
    - in the public interest where it supports economic, social, cultural and environmental wellbeing.

57. In setting out the Government's investment strategy for land transport, the GPS identifies the national land transport objectives it wants pursued, allocates funding in ranges to different types of activities and sets out the results it expects from that investment.

58. The Agency, the New Zealand Police and approved organisations[4] will use the framework in the Act to deliver investment across New Zealand that is prioritised and coordinated.

59. While the GPS provides a national picture for investment, the detail of how funding is allocated to specific activities is the responsibility of the Agency. This is expressed in the National Land Transport Programme (the Programme) which is published every three years.

60. A full description of what the GPS must include, and how it links with national and regional land transport planning, is provided in Appendix A.

61. GPS 2015 covers the financial period 2015/16 to 2024/25. The land transport investment strategy, which is included in the GPS, must be reviewed every 3 years.

[3] Section 3 of the Land Transport Management Act 2003.

[4] Approved organisations: territorial authorities, regional councils, Auckland Transport, the Department of Conservation and the Waitangi National Trust Board.

B. Framework for GPS 2015

62. The Act requires a GPS to include a number of components. These components have been grouped in GPS 2015 so that they move from high level policy direction, to the more detailed investment strategy, through to the machinery provisions about funding flows. Collectively, they cover all the requirements of the GPS found in the Act.

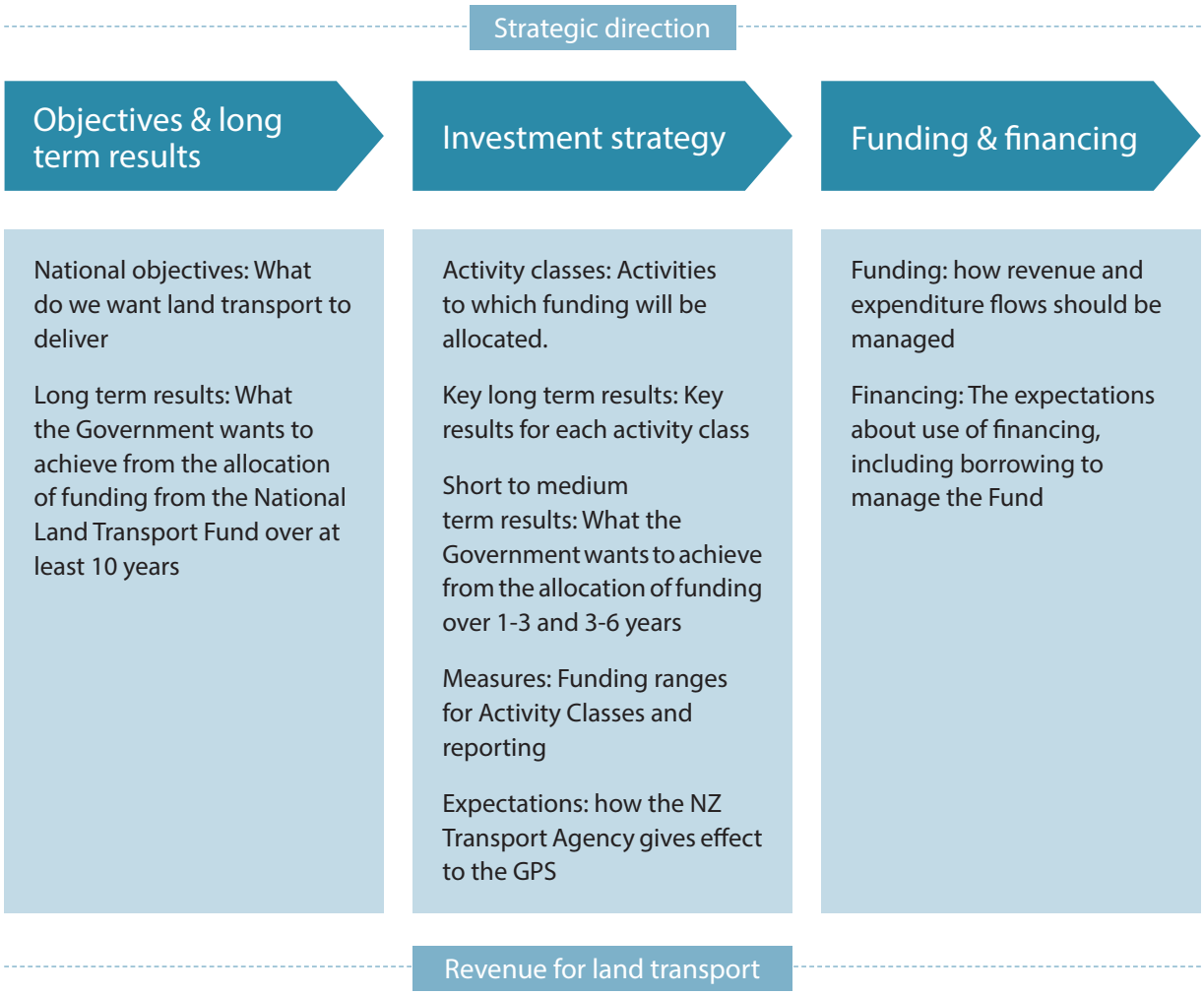
63. Figure 3 below sets out the order in which the various statutory elements of GPS 2015 are presented.[5]

C. Scope of GPS 2015

National Land Transport Fund (the Fund)

64. GPS 2015 sets funding ranges for investment from the Fund in different activity classes (see Table 4). The Agency allocates that funding to activities to give effect to the objectives, results and expectations set out in the GPS. Some of the activity classes relate to land transport activities that are the responsibility of local government, such as local roads, public transport, and Regional Land Transport Plans. These activities are jointly funded with local government.

Figure 3: GPS 2015 framework



[5] This framework reflects changes made to the Land Transport Management Act 2003 that came into effect in June 2013, and which affect the form and function of the GPS.

Crown contributions

65. For the period to 2024/25, a number of land transport projects and activities will be funded through annual Crown appropriations rather than though the Fund. This includes funding for capital investment in Wellington and Auckland metro rail, the SuperGold Card free off-peak public transport scheme, the Accelerated Regional Roading Programme, and the Urban Cycleway Programme (further information about this work is set out in Section 3).

66. Where the Crown makes a contribution, it may do so in the form of grants or loans. Grant funding does not need to be repaid, whereas loans to bring forward investments do need to be repaid from future revenues to the Fund.

67. Any Crown contributions are recorded in the GPS (see Table 5).

Rail freight, coastal shipping and freight transfer facilities

68. While the Minister of Transport has a role in guiding coordination within the rail sector, and between the rail, road and maritime transport sectors, investment in rail freight services and infrastructure is not currently covered under the GPS.

69. Investment in rail freight services and infrastructure is managed by KiwiRail under the State-Owned Enterprises Act 1986. There are no current Crown appropriations to rail freight within the scope of GPS 2015. Any future Crown appropriations to KiwiRail would be reflected in the GPS. Investment in urban passenger rail services that are contracted by local government, and uses revenue from the Fund and local rates, is covered under GPS 2015.

70. Coastal shipping services, ports and airports are considered when planning for land transport services that link to these facilities, but operate on a commercial basis without investment from the Fund. The GPS does not authorise the use of Fund revenue for these activities.

71. Nevertheless, there is benefit in having the Agency, KiwiRail and local authorities involved in land transport investment coordinating their activities, where possible. GPS 2015 provides guidance about the priority to be given to investment that links to other networks (see Table 3).

Land use planning

72. The relationship between land use planning and transport planning is established by the Resource Management Act 1991 and the Land Transport Management Act 2003. Transport planning determines what investment will be undertaken, and is dealt with under the Land Transport Management Act 2003 (for example whether a bypass is proposed and whether it is built). Land use planning regulates how investment can be undertaken, and is dealt with by the Resource Management Act 1991 (for example, whether the alignment of a future bypass is safeguarded from other development, and how the local effects of the bypass are mitigated when the bypass is built).

73. The GPS directs transport planning and informs land use planning processes. For instance, transport planning can identify a network hierarchy that maximises the productivity of a transport system in line with the GPS, but is reliant on land use planning to secure development controls on adjacent land in a way that is consistent with that network hierarchy. The statement of priorities, objectives and results in the GPS enables well-informed decision making in each area, while respecting the difference between regulatory and investment planning processes.

Growth and development

74. A priority for land use and transport planning is ensuring the supply of serviced land to support development and the increased supply of housing in high growth urban areas. For the purposes of this GPS, these are areas that have either:

    - a resident population of over 30,000 people according to Statistics New Zealand latest resident population estimates; or
    - at any point in the year a combined resident population and visitor population of over 30,000 people, using Statistics New Zealand latest resident population estimates and estimates of visitor numbers.

    and

    - in which the resident population of that urban area is projected to grow by more than 10 percent between 2013 to 2023, according to Statistics New Zealand medium projections.

75. The GPS authorises the use of Fund revenue for lead investments that support wider government policies to improve the supply of housing in high growth urban areas.

Regulation

76. The development and design of land transport regulation is outside the scope of the GPS. Transport regulation includes Acts of Parliament (for example, the Transport Act 1962), transport regulations (for example, the Heavy Motor Vehicle Regulations 1974) and transport rules (for example, bridge weight limits). Land transport regulation is undertaken by a range of public bodies, including the Ministry of Transport, the Agency, local authorities, and the New Zealand Police.

77. GPS 2015 includes a focus on the better understanding of the funding implications of regulatory policy, particularly in the fields of safety and environmental regulation.

78. A future GPS could include transport regulation within the scope of its objectives, policies and measures. Decisions to further investigate these issues lie outside the GPS and may require legislative change.

Future developments in systems and technology

79. One of the challenges faced by network service providers across New Zealand is responding to developments in technology and demand. Accommodating current needs while avoiding barriers to likely future use is especially challenging.

80. There is considerable scope for innovation in the way that the land transport system is delivered, as examined in the Government's Intelligent Transport Systems Technology Action Plan 2014-18 (the ITS Technology Action Plan). This includes a wide spectrum of systems, from the more extensive use of electronic payment methods and asset management practices that increase the productivity of existing networks, through to technologies such as LED lighting, that can reduce operating costs.

81. The ITS Technology Action Plan anticipates that, over the coming decade, technology will play an increasing part in managing network access and capacity. We have seen that relatively small scale initiatives, such as improved traffic light phasing and ramp metering, have led to measurable improvements in traffic flows in the Auckland network. Other initiatives, such as integrated ticketing, the greater use of Global Positioning Systems and smart phones are improving the availability of real time travel information.

82. This greatly supports new travel demand management initiatives. Securing these and other productivity improvements that can be achieved through cost effective investment in existing technologies is within the scope of the current GPS.

83. The regulation of potential in-vehicle technologies that interact with fixed infrastructure is currently outside the scope of the GPS. There are promising developments in the fields of collision avoidance technology, autonomous vehicles and in-vehicle telematics, which will affect how we manage vehicles and networks efficiently. For example, lane control technology and automatic braking systems are increasingly common in new vehicles and could enable significantly reduced separation distances between vehicles, thereby improving traffic flows and increasing network productivity.

84. Improved communication between vehicles and between vehicles and infrastructure (variously known as connected vehicles or Cooperative Intelligent Transport Systems) also has potential to improve traffic flow and safety. This technology is still in its infancy, but may ultimately involve investment in new infrastructure to transmit and process information.

85. Mechanisms with longer-term potential to improve the performance of the land transport system, such as more sophisticated road pricing than is delivered by the current Road User Charges system, could be included in a future GPS. Decisions to further investigate these issues lie outside of GPS 2015.

86. GPS 2015 provides for reporting on innovation and technology investment across the Fund and the associated net benefits, but does not endorse any specific form of technology in view of the speed of evolution.

SECTION 2: STRATEGIC DIRECTION

87. This section describes the overall strategic direction for GPS 2015, the national objectives for land transport, and the results the Government wishes to achieve from the allocation of funding from the Fund. It then sets out how these components work together.

A. Strategic Direction

88. The overall strategic direction for land transport is:

    To drive improved performance from the land transport system by focussing on:

    - economic growth and productivity
    - road safety
    - value for money.

89. GPS 2015 maintains the direction set in 2009 of putting the wealth generating capacity of our economy at the top of the agenda. It will do this by:

    - continuing the focus on lead investments that will materially reduce the cost of doing business
    - maintaining an impetus on improving the safety of travel
    - putting a spotlight on the measurable results for road users from investment in new and existing transport capacity.

90. Productivity and safety will be supported by a substantial investment package. Expectations in this GPS make it clear that a continued and increased emphasis is needed to secure the best possible value from the current network and new investment.

Strategic priority: economic growth and productivity

91. Improving the performance of the land transport system in order to improve the productivity of the wider economy is a priority for GPS 2015.

92. While the seven RoNS have been the most visible evidence of investment in our productive capacity, this is complemented by significant funding to improve all of New Zealand's critical roading infrastructure. This effort can be seen both through targeted improvements to enable bridges to carry heavier freight vehicles, and more general funding for improvements to regional networks.

93. GPS 2015 helps grow the economy by addressing the performance of the land transport system. We need to find ways to improve the productivity of every part of the system.

94. Growth brings challenges of its own, especially sustained high growth. New Zealand must manage these challenges for growth to continue and bring the greatest benefit. GPS 2015 helps manage these challenges by ensuring that jn high growth urban areas, transport services can be put in place to contribute to an increased supply of serviced land that will allow housing to develop to meet demand, and ensure that lack of land supply is not driving up land prices.

Strategic priority: Road safety

95. Road safety remains a key transport priority for the Government. Every year thousands of New Zealanders are killed or seriously injured in crashes.

96. The Government has taken a 'Safe System' approach to road safety through the Safer Journeys road safety strategy. This approach looks across the entire transport system aiming for safer roads and roadsides, safer speeds, safer vehicles, and safer road users.

Strategic priority: Value for money

97. All the funds available to advance the results identified in this GPS need to be used in a way that deliver the best possible value to New Zealanders. We need a land transport system that is effective in enabling the movement of people and freight in a timely manner, and efficient in delivering the right infrastructure and services to the right level at the best cost. This relies upon a robust and transparent prioritisation of investment.

98. The public interest may require lead investment. It remains important that this too is done in a robust and transparent manner, under clear direction from government. GPS 2015 recognises that lead investment is sought to progress:

    - construction of the RoNS; and
    - the provision of an over-supply of serviced land for housing development in high growth urban areas.

99. All the public bodies involved in providing the land transport system, including the Agency and local authorities, need to work together to improve the system's performance. The Agency, as the Government's delivery agent, will continue to take a leading role in securing improved effectiveness and efficiency within the priorities for investment established by the Government.

100. GPS 2015 also continues the process of building and maintaining a sound knowledge base about how the transport system is used, how investment in the network is performing, and the measurable results of those investments on our economic, social and environmental wellbeing.

B. National land transport objectives and results

101. For the first time, this GPS identifies a set of national land transport objectives. The national land transport objectives for GPS 2015 are for a land transport system that:

- addresses current and future demand for access to economic and social opportunities
- provides appropriate transport choices
- is resilient
- is a safe system, increasingly free of death and serious injury
- mitigates the effects of land transport on the environment
- delivers the right infrastructure and services to the right level at the best cost.

102. Each of the objectives are described in more detail in the following pages.

103. The GPS is also required to include the long and short to medium term results that the Government wants to achieve from the allocation of investment from the Fund. The primary long term results sought from the investment are set out in Table 1. A full list of the long and short term results is set out at Table 3.

C. Mapping the strategic priorities, objectives and results

104. The strategic priorities of economic growth and productivity, road safety and value for money in GPS 2015 give more weight to some of the national land transport objectives than others. This weighting is reflected in the relative amounts allocated to different activity classes and the associated primary long term results.

105. The relationship between the priorities, objectives and primary long term results are mapped in Table 1.

Table 1: Relationships between strategic priorities, national land transport objectives and primary long term results

Priorities	National land transport objectives	Primary long term results
Economic growth and productivity →	A land transport system that addresses current and future demand for access to economic and social opportunities	Support economic growth and productivity through the provision of better access to markets, employment, housing development and business areas Support economic growth of regional New Zealand through provision of better access to markets
	A land transport system that provides appropriate transport choices	Provide appropriate travel choices, particularly for people with limited access to a private vehicle Increased safe cycling through improvement of cycle networks
	A land transport system that is resilient	Improved network resilience at the most critical points
Road safety →	A land transport system that is a safe system, increasingly free of death and serious injury	Reduction in deaths and serious injuries
	A land transport system that mitigates the effects of land transport on the environment	Mitigation of adverse environmental effects
Value for money →	A land transport system that delivers the right infrastructure and services to the right level at the best cost	Delivery of the right infrastructure and services to the right level Improved returns from road maintenance Improved returns from public transport

Objective: A land transport system that addresses current and future demand for access to economic and social opportunities

Description

106. The land transport system has a critical role in connecting where people live, work and play. These connections are vital to New Zealand's economic and social wellbeing. The demands placed on the system are dynamic and will vary with changing economic and social conditions.

107. A land transport system that can adjust to match capacity with demand reduces the costs imposed on other parts of the economy and enables New Zealand to compete more effectively with international trading partners.

108. Access relates to the economic and social opportunities that can be reached in a given travel time.[6]

Government's long term results under this objective

Result: Support economic growth and productivity through the provision of better access to markets, housing development, employment and business areas

109. New Zealand's existing network is reasonably well developed and provides most of the connections needed at a local, regional and national level. However, there are opportunities to improve access to markets, to employment, housing developments and between areas that contribute to economic growth and productivity.

110. GPS 2015 will support this through:

    a. Ongoing investment in our State highway network: Some State highway routes link growing economic areas, or have existing infrastructure that cannot cope with existing demands, such as heavier vehicles, and need improvement. GPS 2015 will enable:

        - the RoNS programme to be completed, addressing constraints on key supply chain routes
        - ongoing investment in improvements to increase the percentage of the State highway network open to high productivity motor vehicles.

    b. Investment in Auckland: Well connected and accessible cities are critical to our economic and social prosperity. Our population and associated economic activity is increasingly concentrated in our urban areas. As the activity within our cities increases, so does the amount of traffic.

    The productivity and performance of networks in our growing urban areas needs to increase significantly if access is to be maintained and enhanced. Improving access is a particular issue in Auckland. Auckland is expected to account for 60 percent of New Zealand's population growth over the next 20 years. Many corridors will come under increased traffic pressure. These traffic pressures will be compounded where land use intensifies alongside transport corridors in a way that adversely impacts on network productivity and performance.

    An Auckland transport network that is working well is crucial to improving the contribution that the city can make to New Zealand's economic growth and productivity. This includes addressing associated needs such as a responsive housing supply and improving energy efficiency. Increased demand for travel arising from population growth also needs to be accommodated at an acceptable price. This will require the efficient and effective use of all currently available transport tools, including improved traffic management, demand management and increases in network productivity. GPS 2015 will enable:

        - continued significant investment in a range of transport initiatives that increase the productivity of key corridors which are under pressure by improving factors like speed-flow, patronage, journey times, or journey time reliability
        - this investment will be complemented through the Auckland Transport Package, which will bring forward high value State highway improvements to materially improve motorway service levels.

    c. Ongoing investment in Canterbury recovery: The recovery from the 2011 Canterbury earthquake is well underway, with provision in place to enable the recovery programme to proceed as quickly as possible. GPS 2015 will enable the recovery of the Canterbury land transport system through:

[6] For example, the number of jobs that can be reached per hour of travel needs to increase over time if our growing cities are to become more productive and remain attractive places to live.

- continuing the response ot the 2010 and 2011 earthquakes by supporting the delivery of the Central City Recovery Plan and the Greater Christchurch Recovery Strategy
- beginning the response to the 2016 earthquakes by supporting the emergency works on transport networks into and across North Canterbury and the upper South Island.

d. Increase investment in our local road network: Local roads have a critical role in linking areas of production and processing to the national network, and in supporting new areas of residential and business growth. They account for 88 percent of the network by length and provide most of the direct access to properties. GPS 2015 will enable:

- increased funding ranges for local road improvements that deliver high measurable investment returns.

e. Investment in regional improvements on roads outside our major metropolitan areas which play a particular role in our export freight task and tourist industry. GPS 2015 will enable:

- an explicit commitment to funding new regional road infrastructure through the GPS Regional Improvements activity class that can be accessed for any improvements outside our major metropolitan areas. This replaces regional population based funding.
- This investment will be further supplemented through the Accelerated Regional Roading Package that supports improvements to regional State highways.

f. Investment in road networks to support the government's wider housing and urban development policies. GPS 2015 will enable:

- The prioritisation of lead and other investments in transport infrastructure to enable the over-supply of serviced land for housing development in high growth urban areas
- The management, and repayment by the Fund, of cash loaned to the Fund from the Housing Infrastructure Fund.

Result: Support economic growth of regional New Zealand through the provision of better access to markets

111. Local roads and State highways have a critical role linking areas of production and processing to the national network. However, there are some regional routes with an especially significant role in the movement of freight and tourists that warrant a particular investment focus.

112. GPS 2015 will support this result through:

a. A Regional Improvements activity class: Regional and provincial routes have a critical role in linking points of production with key distribution points. They also provide tourists with access to local attractions. GPS 2015 will enable:

- targeted investment in regional route improvements outside of major metropolitan areas that provide links to key freight or tourist centres, and allocation of all unallocated regionally distributed funding.

This investment will be further supplemented through the Accelerated Regional Roading Package that supports improvements to regional State highways.

Result: Improved returns from road maintenance

113. The network needs to adjust to accommodate changing patterns of demand. Service levels on some roads may be adjusted upward and others adjusted downward over time.

114. GPS 2015 will support this result through:

a. Ongoing investment in maintaining the roading network: Around $1.5 billion a year is invested in operation, maintenance and renewal of the existing network. The Road Maintenance Taskforce (the Taskforce) identified the potential for worthwhile improvements in road asset management, including the need for a nationally consistent road classification system. The potential benefits identified by the Taskforce have yet to be fully realised. GPS 2015 will enable:

- maintenance of the road network at appropriate levels of service
- increased road maintenance productivity over time.

Result: Improved returns from public transport

115. Public transport contributes to economic growth and productivity by providing additional capacity on corridors serving our main business and education centres at peak periods. It also has a role in providing transport choices.

116. GPS 2015 will support this result through:

    a. Continued investment in public transport to increase land transport system productivity: Considerable investment has been made in the public transport network to build patronage. Much of this investment has been ahead of patronage demand, particularly in metro rail services. A period of consolidation is needed where the focus is on securing the anticipated patronage gains from measures such as integrated ticketing, reconfigured bus networks, and metro rail investments. There are nevertheless some pressure points where additional capacity may be needed.

    Well used and configured public transport can increase network productivity on key corridors at peak periods when they are under the most pressure. For example, while constraints on Auckland rail capacity are not expected in the next decade, as a result of the significant additional capacity on new electric trains, bus congestion in the Auckland central business district is expected to emerge as patronage grows and additional services are provided. GPS 2015 will enable:

    - public transport to be provided and developed at levels appropriate to their patronage and network function
    - improvements to metro rail services to be completed, and integrated ticketing and public transport network changes introduced to increase patronage, including transfer and interchange facilities
    - targeted infrastructure improvements that improve transfers across the network and address emerging bus capacity constraints in central Auckland, Wellington and Christchurch
    - gains in public transport productivity.

Objective: A land transport system that provides appropriate transport choices

Description

117. The land transport system needs to be able to support transport choices appropriate to user needs, enabling transport users to access employment, education, and social opportunities.

Government's long term results under this objective

Result: Provide appropriate travel choices, particularly for people with limited access to a private vehicle

118. While the primary role of public transport investment is to increase throughput where the network is experiencing severe congestion, as addressed under the previous objective, public transport has an additional role in providing an alternative to private transport in urban areas where there is a sufficient concentration of users to support cost effective public transport. On-demand services for the transport disadvantaged also provide a degree of network access to people who cannot use scheduled public transport or private transport.

119. GPS 2015 will support this result through:

    a. Continued investment in public transport to provide appropriate travel choices to system users: Carefully scheduled and configured public transport, particularly in off-peak periods in urban areas, can contribute to increasing the transport choices available to people, including those who would otherwise be unable to participate fully in the workforce or education system. Service extensions may be warranted where demand is sufficient to support scheduled public transport. Achieving this result requires a focus on better use of available resources. GPS 2015 will enable:

        - provision of appropriate transport choices in urban areas.

    b. Continued investment in specialised services: Public transport investment can deliver specialised services, like the Total Mobility scheme, that provide access to the transport system for those not able to use a car or public transport. GPS 2015 will enable:

        - provision of appropriate transport choices for the transport disadvantaged.

Result: Increased safe cycling through improvement of cycle networks

120. Cycling provides an alternative for short journeys and for single purpose trips like commuting to work or school. Dedicated investment in cycling under GPS 2012 has delivered encouraging outcomes from the Model Communities initiatives and has improved cycle links. While cycling currently plays a small role in the total transport task, there has been growth in some areas and the existing cycling facilities are largely fragmented. There are opportunities for cycling to take a greater role in providing transport system capacity in our urban areas.

121. While there are health benefits associated with cycling where it increases the total amount of physical activity, safety continues to be a concern, and represents a barrier to cycling fulfilling its transport potential.

122. GPS 2015 will support this result through:

    a. Increased investment in cycle networks: Additional investment is needed in safe cycle facilities in urban areas. GPS 2015 will enable:

        - extension of the dedicated cycle networks in the main urban areas
        - improved suburban routes for cyclists.

123. This investment will be supplemented through an Urban Cycleway Programme that brings forward selected cycling improvements.

Objective: A land transport system that is resilient

Description

124. A resilient land transport system meets future needs and endures shocks. It needs to deal with the impact of hard-to-predict shocks (for example, major earthquakes or extreme weather events) on the most critical points in the network. It also needs to deal with more common events, such as disruptions to service due to vehicle breakdowns on key commuter routes. Additionally it needs to accommodate likely future needs and the related uncertainties.

125. Disruptions to New Zealand's land transport system have implications for its users. When disruptions occur, services need to be restored based on the importance of the link within the network. The risk of disruption may increase as infrastructure ages and the demands on the infrastructure change. Improvement funding needs to be divided efficiently between improving the reliability and productivity of networks to reoccurring events and making the system more resistant to shocks at critical points.

126. Hazards are not limited to events that occur over a short period. They include gradual changes in environmental or demographic patterns. It is important that the transport system is developed with an eye not only on current needs, but also on future needs and the related uncertainties.

127. There are four key components to resilience:

- planning, through forecasting, system analysis and risk assessment
- prevention, through improvements at or around the most critical points to avoid or mitigate the worst effects of a likely event
- immediate response, through emergency works that restore basic usability and access
- remediation, through re-establishing fit-for-purpose infrastructure.

Government's long term result under this objective

Result: Improved network resilience at the most critical points

128. Planning involves work to identify likely resilience issues, assessing the consequences for the existing system and identifying appropriate actions in the form of preventive measures to support rapid recovery and remedial works.

129. Priority needs to be given to improving the system's resistance to disruptions that pose the highest economic and social costs. As with other investments, this will need to be targeted to where the most gains can be secured for investment.

130. Prevention will therefore need to be directed to the most critical points on the network and the most pressing future needs. Even at these critical points there may be instances where a significant risk has been identified but cannot be mitigated efficiently. Therefore, access cannot be guaranteed at all critical points of risk and alternative routes may continue to be limited.

131. Rapid response is required to restore basic levels of service following significant disruptions on the network.[7]

132. Remediation involves returning the affected parts of a network back to a fit-for-purpose condition after a shock occurs. Remediation is not restoration. Network condition may differ from the condition prior to the event.

133. GPS 2015 will support this result through:

a. Ongoing investment in improving network resilience as part of network improvements: Improvements are needed at the most critical points to reduce the impacts of disruption.

a. Ongoing investment in responding to incidents as part of road maintenance: Investment in the initial response to restore basic land transport access after significant disruption.

a. Provisions enabling bespoke funding for extraordinary events: Financial management provisions allowing a flexible response to a major event with multi-year implications for the management of the Fund.

[7] This response can range from maintenance contractors having a mandate to deal with incidents immediately, through to special arrangements, such as pre-positioned tow trucks on congested motorway corridors where breakdowns are common.

Objective: A land transport system that is a safe system, increasingly free of death and serious injury

Description

134. Road safety is an ongoing issue. The overall trend is that the number of deaths and serious injuries are reducing due to a combination of improvements in vehicle safety, driver behaviour and road infrastructure. Nevertheless, the costs of road trauma remain high. The Government's road safety direction is set out in the Safe System approach of the Safer Journeys Strategy.

Government's long term result under this objective

Result: Reduction in deaths and serious injuries

135. While the social costs and numbers of actual deaths and injuries arising from road crashes has been falling, there is still a significant cost and New Zealand is not achieving the level of performance reached by some other countries.

136. To increase the benefits of road use to New Zealanders, it is important to support road safety interventions that have the greatest effect relative to cost. The GPS enables investment in road safety policing, road safety promotion and safer roading infrastructure.

137. We need to get to a position where the total investment in safety is better understood. The level of investment in safety needs to be known to support well-informed safety investment.

138. GPS 2015 will support this result though:

b. Maintaining investment and improving returns in road safety: Road safety results are tracking in the right direction, and there is a case to at least maintain existing resourcing for road safety policing, road safety promotion and safety-related roading infrastructure.

c. Clear reporting on the investment in road safety infrastructure: Clear reporting is needed on what is spent on road safety infrastructure. In order to make the most effective investment in road safety, it is important to continue to increase the understanding of the factors contributing to road safety, their effectiveness and their cost, so that good choices can be made. GPS 2015 will enable:

d. a focus on improved reporting of the effectiveness of safety-related road investment, with a view to improve future allocations.

Objective: A land transport system that mitigates the effects of land transport on the environment

Description

139. Land transport can have significant local, national and global effects on the environment, including on public health and climate change. Improvements to the land transport system can reduce existing harmful effects as well as mitigate the adverse effects of increased traffic. Reducing greenhouse gas emissions from transport is an important consideration in investment policy. The New Zealand Energy Efficiency Conservation Strategy seeks a more energy-efficient transport system with a greater diversity of fuels and alternative energy technologies. The long lived nature of transport infrastructure means that decisions today can have long term implications for the environment and fuel use. The effects can be direct or indirect and can accumulate over time.

Government's long term result under this objective

Result: Mitigation of adverse environmental effects

140. Land transport investment can have positive as well as negative impacts on the environment. Investment in motorways or expressways that removes traffic from suburban streets can significantly improve the living environment for many people within the transport catchment. Investment that reduces fuel use by enabling shorter trips or smoother traffic flow can reduce the national or global impacts of land transport.

141. However, improvements can have adverse impacts on those living closest to the new facilities. These local impacts are addressed in the course of securing Resource Management Act 1991 approvals to enable benefits to wider society to be unlocked.

142. We need to get to a position where the total investment in environmental mitigation is better understood. The level of investment in environmental mitigation needs to be known to support well informed decisions that get the best returns from our investment.

143. GPS 2015 will support this result through

    a. Enabling the mitigation of environmental effects: The scale of the land transport investment programme will result in a continued significant investment in mitigating the adverse effects of improvements, concentrating on the most adverse effects.

    b. Clear reporting on the investment in environmental mitigation: The first step to improving returns from this investment is securing a better understanding of the costs involved. A better understanding of the costs of environmental mitigation is needed to support well informed investment.

Objective: A land transport system that delivers the right infrastructure and services to the right level at the best cost

Description

144. The land transport system plays a vital role in connecting our society, providing access to economic and social opportunities that enable people and businesses to fulfil their potential, without undue effects on others. Investment must be effective and efficient in advancing objectives related to access, choice, resilience, safety and environmental effects. The funds available need to be directed to the most cost effective forms of investment at optimal times and in the most effective form, within the funding ranges established by the GPS.

145. The demand for investment tends to outstrip the available revenue so funding needs to be directed to the investments that deliver the best possible value to New Zealanders. To achieve this, several elements are needed to support well informed decision making.

146. Clear signals about the Government's strategic priorities are needed. The priorities give weight to particular aspects of relevant transport objectives. This weighting is reflected in the amount allocated to different activity classes in the GPS, and the associated primary results and reporting. The measurable net benefits across investment types can therefore vary.

147. Systematic reporting and publication of these net welfare benefits by investment type is needed. This form of reporting reveals the value being delivered to New Zealand under existing investment settings and informs future GPS investment decisions. Thorough cost-benefit analysis delivers the necessary quantitative rigor and transparency, and is a key component in reporting under the GPS. It enables comparison and ranking of investment options. It is also a key component of post investment reviews and subsequent investment planning cycles.

Government's long term results under this objective

Delivery of the right infrastructure and services to the right level

148. Making the right transport investments is important for the Government's priorities of economic growth and productivity, road safety and value for money.

149. GPS 2015 particularly focuses on gains through the continuous assessment of the results achieved by the investment analysis process. GPS 2015 includes a Ministerial expectation setting out how the efficiency of investment needs to be reported and published by the Agency.

150. Additional funding is made available within the Investment Management activity class to support the investment assessment work needed to deliver this increased focus on investment efficiency.

Improved returns from road maintenance

151. Under GPS 2012 significant progress has been made on improving the effectiveness of investment in the existing road network, and the Government is seeking to continue this momentum in GPS 2015. All road controlling authorities should work together to continually improve asset management and procurement approaches, and to share best practice with others.

152. In monitoring this progress, GPS 2015 includes a Ministerial expectation setting out how road maintenance needs to be reported by the Agency.

Improved returns from public transport

153. Significant progress has also been made on the effectiveness of public transport investment under GPS 2012, and the Government is seeking to continue this momentum in GPS 2015. All agencies involved in funding and regulating public transport services should work together to continually improve service design and procurement approaches, and to share best practice with others.

154. In monitoring this progress GPS 2015 includes a range of patronage-based reporting obligations in the public transport activity class.

SECTION 3: INVESTMENT IN LAND TRANSPORT

155. This section sets out the allocation of funding to activity classes, the associated investment results and Ministerial expectations on how the Agency gives effect to the investment strategy.

A. Total funding for GPS 2015

156. To support the achievement of the Government's results for land transport, funding available for allocation from the Fund is projected to increase from around $3.4 billion in 2015/16 to $4.4 billion in 2024/25. This funding is likely to be supplemented by about $1.0 billion a year of local government transport funding in the form of a local share.

157. Central government funding will predominantly be sourced from fuel excise duties, road user charges, and motor vehicle registration and licensing fees. The Government has committed to a 3 cent per litre increase in fuel excise duty and an equivalent increase in road user charges on 1 July 2015. The Government expects that it will need to increase rates of fuel excise duty and road user charges during the period covered by GPS 2015 by the rate of inflation. This would involve annual increases in the order of 1.4 cents per litre from 2016/17, reflecting the forecast rate of inflation.

158. The Government will determine the need for the annual inflation related increases on a case by case basis each year.

159. This revenue is supplemented by contributions from local government to activities included in the Programme. Crown funding may also be made available for specific activities in addition to those directed by the GPS activity classes.

160. Table 2 below shows the total expenditure target (the expected level of expenditure) along with the maximum and minimum range for the Programme for the first 6 years of GPS 2015. The total level of funding represents a balance between achieving the Government's expected results (in Section 2) and the level of revenue that the Government decides should be raised. Actual expenditure will vary with actual revenue collected in the Fund.

Table 2: National land transport programme funding ranges 2015/16 to 2024/25

	15/16 $m	16/17 $m	17/18 $m	18/19 $m	19/20 $m	20/21 $m	21/22 $m	22/23 $m	23/24 $m	24/25 $m
Expenditure target	3,400	3,500	3,600	3,700	3,800	3,900	4,000	4,150	4,250	4,400
Maximum expenditure	3,650	3,750	3,850	3,950	4,050	4,200				
Minimum expenditure	2,900	3,000	3,050	3,150	3,200	3,300				

B. Activity class framework

161. GPS 2015 allocates funding to activity classes which provide a framework for investment from the Programme.

Activity classes

162. The activity classes for GPS 2015 are:

- State highway improvements
- State highway maintenance
- Local road improvements*
- Local road maintenance*
- Public transport*
- Walking and cycling improvements*
- Regional improvements*
- Road safety promotion*
- Investment management*
- Road policing

* Funding also comes from local government to deliver these activities. Local share is additional to the activity class funding ranges.

163. For each activity class, a funding range is given with an upper and lower limit for expenditure. The Agency is responsible for allocating funding within these ranges to specific activities, while staying within the overall expenditure range in Table 2.

Multi class reporting lines

164. In addition to the activity classes above, five multi class reporting lines have also been created which relate to investment occurring across multiple activity classes. This is a reporting mechanism to show the total value of investment that is spread across activity classes. The multi class reporting lines are:

- Auckland
- Road safety
- Resilience
- Environmental mitigation
- Innovation and technology.

Activity class table

165. Table 3 presents the activity class structure for GPS 2015. It sets out the:

- activity classes
- reporting lines for each activity class (for reporting purposes)
- long term results that map to each activity class
- short to medium term results that map to each activity class
- reporting metrics for each activity class
- funding ranges for each activity class for 2015/16 – 2017/18.

166. The results and reporting metrics of primary importance to the strategic direction in GPS 2015 are highlighted in *blue italics*.

167. Table 4 then sets out the proposed funding ranges for each activity class for 2015/16 to 2020/21 and forecast funding ranges for 2021/22 to 2024/25.

Table 3: ACTIVITY CLASS STRUCTURE: GPS 2015

(Primary results and reporting in blue italics)

Activity Class	Reporting Line	Definition	Associated long term results	Associated short to medium term results	Reporting	Bands	2015/16 ($m)	2016/17 ($m)	2017/18 ($m)
State highway improvements 	Existing	Investment in existing State highways that improves capacity or service levels (eg improvements on an existing road corridor)	• Support economic growth and productivity through the provision of better access to markets, employment, housing development and business areas • Improved network resilience at the most critical points • Reduction in deaths and serious injuries • Mitigation of adverse environmental effects	• Deliver major State highway projects on time and to budget • Reduced travel times in key corridors leading to our major metropolitan areas and logistics centres • Increased productivity where there are constraints on main routes within our major metropolitan areas • Increased freight vehicle productivity across the network • Increased supply of serviced land for housing developments in high growth areas • Progress the Safer Journeys Action Plan • Improve the transparency of road safety related investment • Reduce the risks of disruption at the most critical points and deal with disruption efficiently • Improved transparency of investment in mitigating adverse environmental effects, including climate change	• Change in travel times on key State highways serving our major metropolitan areas • Change in the productivity of the State highway network in major metropolitan areas, in accordance with the Austroads methodology • Change in the proportion of State highways available to high productivity freight vehicles • Multi class reporting lines on resilience, road safety, environmental mitigation and housing land supply	Upper Lower	1,400 1,000	1,450 1,050	1,500 1,100
	New	Investment in new State highways that improves capacity or service levels (eg improvements on a new road corridor)							
State highway maintenance 	Operate	Investment in the operation of existing State highway capacity or services (eg road sweeping)	• Improved returns from road maintenance • Support economic growth and productivity through the provision of access to markets, employment, housing development and business areas • Reduction in deaths and serious injuries	• Achieve measurable productivity improvements in maintaining the State highway network • A reduction in variability in the maintenance efficiency of networks • Maintain appropriate levels of service to support economic growth, productivity and safety • Improved transparency of road safety related investment	• Change in State highway condition by road classification • Change in State highway maintenance cost per lane kilometre expenditure by road classification • Multi class reporting lines on resilience and road safety	Upper Lower	585 445	605 450	620 455
	Maintain	Investment in the maintenance of existing State highway capacity or services, excluding asset upgrades (eg patching)							
	Renew	Investment in renewal of existing State highway capacity or services, excluding asset upgrades (eg resurfacing)							
Local road improvements 	Existing	Investment in existing local roads that improves capacity or service levels (eg improvements on an existing road corridor)	• Support economic growth and productivity through the provision of better access to markets, employment, housing development and business areas • Improved network resilience at the most critical points • Reduction in deaths and serious injuries • Mitigation of adverse environmental effects	• Reduced travel times in key corridors leading to our major metropolitan areas and logistics centres • Increased productivity where there are constraints on main routes within our major metropolitan areas • Increased freight vehicle productivity across the network • Increased supply of serviced land for housing developments in high growth areas • Progress the Safer Journeys Action Plan • Improve the transparency of road safety related investment • Reduce the risks of disruption at the most critical points and deal with disruption efficiently • Improved transparency of investment in mitigating environmental effects, including climate change	• Change in travel times on key local roads serving our major metropolitan areas • Change in the productivity of the local road network in major metropolitan areas, in accordance with the Austroads methodology • Change in the proportion of local roads available to high productivity freight vehicles • Multi class reporting lines for resilience, road safety, environmental mitigation and housing land supply	Upper Lower	230 150	240 155	250 160
	New	Investment extending local roads that improves capacity or service levels (eg improvements on a new road corridor)							

Activity Class	Reporting Line	Definition	Associated long term results	Associated short to medium term results	Reporting	Bands	2015/16 ($m)	2016/17 ($m)	2017/18 ($m)
Local road maintenance 	Operate	Investment in operation of existing local road capacity or services (eg road sweeping)	• Improved returns from road maintenance • Support economic growth and productivity through the provision of access to markets, employment, housing development and business areas • Reduction in deaths and serious injuries	• Achievemeasureableproductivityimprovementsin maintaining the local road network • A reduction in variability in the maintenance efficiency of networks • Maintain appropriate levels of service to support economic growth, productivity and safety • Improved transparency of road safety related investment	• Change in local road condition by road classification • Change in local road maintenance cost per lane kilometre expenditure by road classification • Multi class reporting lines on resilience and road safety	Upper Lower	565 405	580 410	595 415
	Maintain	Investment in the maintenance of existing local road capacity or services, excluding asset upgrades (eg patching)							
	Renew	Investment in renewal of existing local road capacity or services, excluding asset upgrades (eg resurfacing)							
Public transport 	Infrastructure operation	Investment in public transport infrastructure operation (eg cleaning of an existing interchange)	• Improved returns from public transport • Support economic growth and productivity through the provision of better access to markets, employment, housing development and business areas • Provide appropriate travel choices, particularly for people with limited access to a private vehicle • Mitigation of adverse environmental effects	• A reduction in the cost of public transport per passenger kilometer • A reduction in variability in efficiency between areas • Increased network productivity on main routes within our major metropolitan areas (eg improved bus transfer facilities) • Increased supply of serviced land for housing developments in high growth areas • Increase public transport where there is sufficient demand, particularly for services that connect people to employment and education • Improved reliability of public transport related data • Improved transparency of investment in mitigating environmental effects, including climate change	• Change in the productivity of public transport, where available by: » bus » train » ferry • Change in the productivity of public transport, where available by: » peak » off peak • Multi class reporting line on environmental mitigation and housing land supply	Upper Lower	390 275	405 290	420 300
	Infrastructure improvement	Investment in public transport infrastructure (eg a new interchange)							
	Service operation	Investment in the operation of existing public transport							
	Service improvement	Investment in new public transport							
Walking and cycling improvements 	Walking and cycling	Investment in walking and cycling that improves capacity and service levels, including promotional activities (eg a new cycleway)	• Increased safe cycling through improvement of cycle networks • Support economic growth and productivity through the provision of better access to markets, employment, housing development and business areas • Reduction in deaths and serious injuries • Mitigation of adverse environmental effects	• Extension of the dedicated cycle networks in main urban areas • Improve suburban routes for cyclists • Increased supply of serviced land for housing developments in high growth areas • Improve linkages to the NZ cycle trails • Progress the Safer Journeys Action Plan • Improve the transparency of road safety related investment • Improve transparency of investment in mitigating environmental effects, including climate change	• Change in network kilometres of cycle lanes • Multi class reporting lines on road safety, environmental mitigation and housing land supply	Upper Lower	38 15	55 15	74 16

Activity Class	Reporting Line	Definition	Associated long term results	Associated short to medium term results	Reporting	Bands	2015/16 ($m)	2016/17 ($m)	2017/18 ($m)
Regional improvements 	Regional	Road improvements outside major metropolitan areas, including unallocated population based regional allocations (eg work on a State highway or local roads serving a regional port)	• Support economic growth of regional New Zealand through the provision of better access to markets • Improved network resilience at the most critical points • Reduction in deaths and serious injuries • Mitigation of asdverse environmental effects	• Reduced travel times and vehicle operating costs on key regional freight and tourists routes • Increased freight vehicle productivity across the network • Increased supply of serviced land for housing developments in high growth areas • Progress the Safer Journeys Action Plan • Improve the transparency of road safety related investment • Reduce the risks of disruption at the most critical points and deal with disruption efficiently • Improved transparency of investment in mitigating environmental effects, including climate change	• Change in kilometers of improved regional roading • Change in lane kilometres available to higher productivity freight vehicles on key regional routes • Multi class reporting lines on resilience, road safety, environmental mitigation and housing land supply	Upper Lower	90 50	90 60	90 70
Road policing 	Road policing	Investment in road policing (eg highway patrol)	• Reduction in deaths and serious injuries • Effective on-road enforcement of the Road User Charges regime	• Progress the Safer Journeys Action Plan • Improved transparency of road safety related investment • Improved reporting of the measurable value from economic compliance, including policing of road user charges	• Change in deaths and serious injuries across all investment	Upper Lower	320 2s80	325 285	330 290
Road safety promotion 	Safety promotion	Investment in road safety promotion by the Agency and approved organisations (eg television road safety advertisements and reimbursement relating to impounded vehicles)	• Reduction in deaths and serious injuries			Upper Lower	37 30	38 31	38 31
Investment management 	Planning	Investment in the transport planning system (eg improvement of activity management plans)	• Delivery of the right infrastructure and services to the right level at the best cost • Support all other results	• Improved reporting of the measurable value from investment in each reporting lines • A sound evidence and analytical base for investment decision making • Research that helps decision makers determine the optimal form or timing of investment • Integration with long term transport related research across Government	• Investment made in all GPS reporting lines • The estimated return on investment by reporting line, including benefit cost analysis for all improvement activity class projects • Annual assessment of outturn costs by reporting line • Annual assessment of research outputs • Three yearly assessment of research impacts and outcomes	Upper Lower	59 53	61 54	65 55
	Research	Investment in strategic and operational research to support sound system planning and investment (eg trials of emerging technologies)							
	Investment	Investment in the funding allocation system (eg impartial analysis of benefit-cost assessments)							
	Back office systems	• One-off investment to implement the NZ Business Number							

Multi Class Reporting Lines	Definition	Associated long term results	Associated short to medium term results	Reporting
Auckland 	Investment relating to Auckland to maximise throughput of people and freight as Auckland grows, enabling further economic growth and productivity	• Support economic growth and productivity through the provision of better access to markets, employment, housing development and business areas • Reduction in deaths and serious injuries • Mitigation of adverse environmental effects	• Deliver the Auckland Transport Package on time and to budget • Increased capacity where there are constraints on main routes within Auckland • Reduce the risks of disruption at the most critical points and deal with disruption efficiently • Increased supply of serviced land for housing developments in high growth areas • Progress the Safer Journeys Action Plan • Improve the transparency of road safety related investment • Improved transparency of investment in mitigating environmental effects, including climate change	• Change in network productivity on Auckland roads, in accordance with the Austroads methodology • Multi class reporting lines on resilience, road safety, environmental mitigation and housing land supply
Resilience 	Investment that addresses the risks and impacts of disruption due to manmade and natural events at the most critical key points in the network (eg treatment of slip prone locations on key routes)	• Improved network resilience at the most critical points • Support economic growth and productivity through the provision of better access to markets, employment aWnd business areas • Reduction in deaths and serious injuries	• Reduce the risks of disruption at the most critical points and deal with disruption efficiently • Improved transparency of road safety related investment • Improved transparency of investm ent in mitigating environmental effects, including climate change	• Change in lane availability at the most economically and socially critical points in the roading network • Change in expenditure on emergency works by reporting line • Multi class reporting lines on road safety and environmental mitigation
Road safety 	Investment in safety across roading activity classes (eg skid resistance treatments)	• Reduction in deaths and serious injuries	• Improved transparency of road safety related investment • Progress the Safer Journeys Action Plan	• Change in total safety related investment in roads, including conjoint investment • Change in deaths and serious injuries across all investment
Environmental mitigation 	Investment relating to environmental mitigation of the most adverse environment effects of the land transport system (eg storm water retention ponds in a new project)	• Mitigation of adverse environmental effects	• Improved transparency of investment in mitigating adverse environmental effects, including climate change	• Three-yearly report on the change in investment in environmental mitigation across all improvement investment
Innovation and technology 	Investment in improved systems and associated technology, including any pilot investments (eg variable speed limits that result in more fuel efficient travel)	• Understand the benefits and costs associated with innovation and technology	• Improved net benefits due to innovation in systems, standards, procurement and associated technology	• Annual assessment of innovation and technology outputs • Three-yearly assessment of innovation and technology impacts and outcomes
Housing land supply 	Investing in transport infrastructure to increase the supply of serviced land for housing development in high growth areas, as defined under the NPS-UDC	• Support economic growth and productivity through the provision of better access to markets, employment, housing development and business areas	• Increased supply of serviced land for housing developments in high growth areas	• New housing development opportunities enabled in high growth areas

168. Table 4 sets out the funding ranges for each activity class for 2015/16 to 2020/21 and the forecast funding ranges for ranges for each activity class for 2021/22 to 2024/25.

Table 4: GPS 2015 activity class funding ranges

		Funding ranges						Forecast funding ranges			
	Bands	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
State highway improvements	Upper	1,400	1,450	1,500	1,550	1,600	1,650	1,700	1,850	1,950	2,000
	Lower	1,000	1,050	1,100	1,100	1,150	1,200	1,200	1,250	1,300	1,350
State highway maintenance	Upper	585	605	620	640	660	680	700	720	745	765
	Lower	445	450	455	455	460	465	470	475	480	485
Local road improvements	Upper	230	240	250	260	270	285	295	310	320	335
	Lower	150	155	160	160	165	175	180	185	190	195
Local road maintenance	Upper	565	605	645	610	620	640	650	670	685	700
	Lower	405	410	415	420	430	435	440	450	455	465
Public transport	Upper	390	405	420	435	450	465	480	495	515	530
	Lower	275	290	300	315	315	320	325	335	345	360
Walking and cycling improvements	Upper	38	55	74	65	50	53	60	54	56	57
	Lower	15	15	16	16	17	17	18	18	19	20
Regional improvements	Upper	90	90	90	90	90	95	95	95	95	95
	Lower	50	60	70	70	70	75	75	75	75	75
Road safety promotion	Upper	37	38	38	39	39	40	40	41	42	42
	Lower	30	31	31	33	33	33	35	35	35	35
Investment management	Upper	59	~~60~~61	~~61~~65	65	63	64	65	66	67	67
	Lower	53	54	55	56	57	58	59	60	61	62
Road policing	Upper	320	325	330	340	345	350	360	365	375	380
	Lower	280	285	290	295	300	305	310	315	320	320

169. The Act requires the GPS, subject to the Public Finance Act 1989, to specify any additional expected funding for land transport, including any money Parliament may appropriate for the purpose. These Crown appropriations are set out in Table 5. Some of these Crown appropriations impact on investment from the Fund, while other appropriations supplement Fund investment. All of these funds are directly appropriated by Parliament and in most cases are expended by the Agency or KiwiRail acting as the Crown's delivery agent.

- The Accelerated Regional Roading Package relates to the investigation, design and construction of regional State highway projects. This funding is appropriated to accelerate 14 regional State highway projects, including funding for five confirmed projects, funding for a further six projects subject to investigations, and funding for the investigation of a further three projects. The Agency will bring forward these projects to take advantage of the additional funding available where appropriate. The investment will flow into the Fund when the relevant activities are approved by the Agency.
- The Auckland Transport Package relates to a loan to the Agency for the investigation, design and construction of Auckland State highways. This funding is appropriated to accelerate 11 Auckland State highway projects. The Agency will bring forward these projects to take advantage of the additional funding available. Where appropriate, the funding will flow into the Fund when relevant activities are approved by the Agency. The loan will be repaid over a ten year period, with interest written off.
- The Urban Cycleway Programme relates to the investigation, design and construction of urban cycleways on State highways and local roads. This funding will be allocated in accordance with an investment strategy approved by Cabinet. The Agency may bring forward projects that would otherwise have been invested in from the Fund at a later date. Where appropriate, the funds will flow into the Fund when relevant activities are approv ed by the Agency.
- The Agency has access to a loan to help meet the cost of the reinstatement of earthquake damaged roads in Christchurch. Where appropriate, the funding will flow into the Fund when the relevant activities are approved by the Agency. Interest payable on the loan will be capitalised until the completion of the horizontal infrastructure programme on 30 June 2017 and the Agency begins to repay the loan.

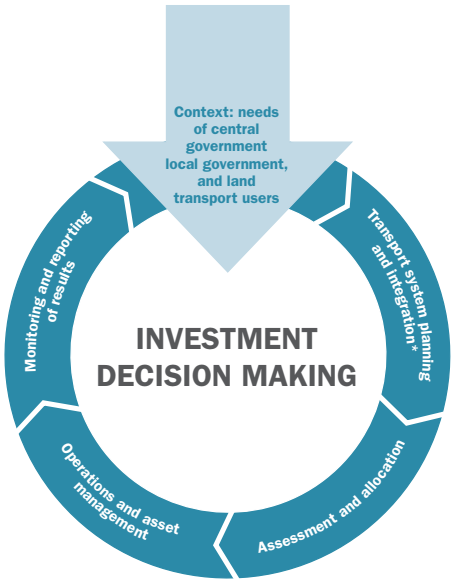
Table 5: Other land transport spending 2015/16 to 2017/18

	2015/16 $000	2016/17 $000	2017/18 $000
Accelerated Regional Roading Package	46,500	11,000	-
Auckland Transport Package – Loan	90,000	65,000	65,000
Urban Cycleways (State highways) Programme	15,000	15,000	10,000
Urban Cycleways (Local roads) Programme	20,000	15,000	15,000
Reinstatement of earthquake damaged roads in Christchurch – Loan	63,420	-	-
SuperGold Card concessions	17,905	17,905	17,905
Wellington Metro Rail Package	5,835	1,964	661
Rail – Public Policy Projects	3,270	3,270	3,270
Rail – Railway safety	500	500	500
Housing Infrastructure Fund – Loan	0	tbc	tbc

Note: These figures are the amounts appropriated at the time of publication

- The Agency may receive access to additional debt or Crown grants in support of work to restore access to and across the North Canterbury and upper South Island transport network following the earthquakes of November 2016.
- The SuperGold Card Concessions Package relates to free off-peak public transport use by superannuitants that hold SuperGold cards. Reimbursement is paid to public transport operators, or to regional councils, where the councils receive fare revenue. This investment is not an approved activity and does not come from the Fund, but proceeds using the Agency as the Crown's agent.
- The Wellington Metro Rail Network Package relates to the costs of the capital upgrade of the Wellington metropolitan rail network. The funding is appropriated to keep the Wellington metro rail network infrastructure at a functional, reliable and sustainable standard.
- Rail – Public Policy Projects relate to public policy rail initiatives.
- Rail – Railway Safety relate to public safety works.
- Housing Infrastructure Fund relates to loans from the Crown, to the Fund, to enable the bringing forward of land transport investments that will help ensure an increased supply of serviced land for housing development.

Figure 3: Land transport investment cycle



*including operation policies and processes

C. Statement of Ministerial expectations

170. Ministerial expectations guide how the Agency gives effect to the GPS. Ministerial expectations form part of the Government's land transport investment strategy.

171. The Ministerial expectations included in GPS 2015 relate to how the Agency leads planning, allocates funding, delivers services and reports on results being achieved. The key elements of this cycle are summarised in the figure below.

172. Under the Act, Regional Transport Committees and Auckland Transport need to frame Regional Land Transport Plans that are consistent with the GPS.

Planning

173. Network planning enables the provision of the land transport system in a way that aligns form, function and use. Network planning is needed to ensure that the land transport system anticipates and responds effectively and efficiently to travel demand changes over time. It is also needed to coordinate the activities of almost 80 system providers.

Activity management

174. There is considerable variability in the measurable returns being delivered around the country. A theme of GPS 2015 is increased productivity of investment within a nationally consistent approach to service levels, particularly in road maintenance.

Reporting

175. It is essential that the Government and those who pay for land transport are provided with robust information about what is being delivered for the level of investment made. This requires consistent and systematic monitoring and reporting of measurable costs and benefits in order to assess the performance of key parts of the land transport system.

176. Making the right transport investments in the right place and to the right level is important for the Government's growth objectives. A particular focus for GPS 2015 is to secure gains through the continuous improvement of the investment analysis process. This involves robust assessment and prioritisation of effective and efficient investments as demand for investment exceeds the available supply of funds.

177. Additional funding has been made available within the Investment Management activity class for use in the Investment reporting line to support this increased focus on investment efficiency.

Expectations

178. Under GPS 2015 the Agency is expected to continue to:

- take a lead role in securing integrated planning of the land transport system by network providers
- take a lead role in securing prudent activity management, particularly in road asset management and public transport
- monitor and report on investment efficiency, productivity changes and results under the GPS.

Expectation: The Agency will take a lead role in securing integrated planning of the land transport system by network providers

179. The Minister expects the Agency will:

- work collaboratively with the sector to continuously improve demand models to provide better predictive bases for investment decision making
- employ network classification systems that support the adjustment of service levels (up or down) to reflect changes in current and future demand
- optimise investment in existing and new infrastructure and services, including improved integration
- encourage coordinated network operations resulting in seamless service delivery to users based on service level standards that are consistent with network use and function
- encourage consistent, good practice planning so that the interaction between transport use and land use is managed effectively, including contributions from new development to the costs that development imposes on the system
- encourage integrated network planning that increases system efficiency.

Expectation: The Agency will take a lead role in securing prudent activity management, particularly in road asset management and public transport

180. The Minister expects the Agency will:

- support whole of life asset and service management at standards appropriate to demand from road freight and light vehicles, at the best whole of life cost for the standard
- ensure ongoing value for money including:
  - better aligning the costs of maintaining each part of the network with its use and function, with a focus on improving the network productivity of parts that have higher than average costs due to different asset management practices
  - achieving productivity improvements that are at least in line with those gained in the rest of the economy
- ensure that standards and operational policies represent the best economic use of resources
- continue improvements in whole-of-life asset and service management performance by all providers, focussing particularly on those with the most scope for improvement
- support the sharing of good practice across providers.

Expectation: The Agency will monitor and report on investment efficiency, productivity changes and results under the GPS

181. The Minister expects the Agency will continue to monitor, report and publish, among other things, on:

- significant and emerging demand and system performance trends
- progress against GPS reporting line results in a consistent way over the life of GPS 2015
- the relative effectiveness and efficiency of investment in each reporting line identified in GPS 2015, and of any significant new or revised standards or operational practices, including using benefit cost analysis for all improvement activity class projects
- the results of post implementation reviews for a significant proportion of reporting lines and standards

- productivity improvements made in road maintenance including:
  - an assessment of the state of New Zealand road assets from an asset management quantitative and qualitative basis
  - progress and results arising from the implementation of Road Maintenance Taskforce recommendations, including the impact of the One Network Road Classification system
  - changes in the scope of maintenance expenditure factors influencing the variance in the costs and returns of road maintenance expenditure per lane kilometre on State highways and local roads.
  - assessments of any significant changes to strategies, standards and guidelines that impact on expenditure from the Fund, that:

» ensure all practical options for addressing the problem have been considered

» ensure the benefits of the preferred option not only exceed the costs, but will also deliver the highest level of net benefit.

SECTION 4: FUNDING SOURCES AND MANAGEMENT OF EXPENDITURE

182. This section includes information about:

- the primary approach to funding land transport
- principles guiding the use of alternative funding sources by the Agency
- principles guiding the management of expenditure to revenue.

A. Primary approach to funding land transport

183. The core approach to funding land transport is the use of hypothecated funds within a 'modified pay-as-you-go' approach:

- Hypothecation means that the revenue raised from the land transport system (that is from fuel excise duties, road user charges, motor vehicle registration and licensing fees, road tolling, and the proceeds from the leasing or disposal of Crown land held for State highway purposes) is put into the Fund, to be used for land transport purposes.
- A pure 'pay-as-you go' system is one in which costs (cash outflows) must be met from revenue (cash inflows). The timing of revenue receipts determines the ability to make payments. The system applying to the Programme is best described as 'modified pay-as-you-go', where some flexibility has been introduced to deal with cash-flow variations and large lumpy projects.

184. Together, hypothecation and pay-as-you-go form the foundation for land transport planning and funding. They define a relationship between transport network users, the Government, and wider society, which is the starting point for informed discussion about what is needed from the land transport system. The terms of the relationship are that:

- transport revenues will be used to create transport benefits
- transport revenues will be set in proportion to the funding needs of the whole transport task
- today's funding will generally address today's priority needs and tomorrow's funding will address tomorrow's needs
- wider Government revenues will be used where wider benefits are sought.

185. In practice, the world is more complicated than this relationship allows. Issues such as who actually benefits from land transport infrastructure and services, who should pay, and over what period of time, are all open to debate. Complexity also makes it hard to accurately predict how much revenue will be available when, or the schedule by which expenditure may be incurred.

186. In addition to the Government's primary funding sources, a significant contribution to the costs of local roads and public transport is made through local government revenues. Each of these is established through, and operated in accordance with, relevant legislation.

B. Principles guiding the use of alternative financing sources by the Agency

187. In addition to the primary central government and local government funding sources, it is possible to access alternative funding through Government loans or from private financing, or through public private partnerships. At some point, it may also prove practical and desirable to introduce alternative forms of revenue gathering, such as more sophisticated road pricing.

Process principles when considering alternative financing

188. Any alternative funding proposal will require a business case. Because adopting the proposal will foreclose other options, it must represent the best course of action for the land transport system. Whether using debt or revenue measures, alternative funding proposals also have implications for the Government's broader fiscal strategy, and will need to be considered within an all-of-government context. They must be approved by Cabinet in the context of whole-of-government financing and borrowing principles.

Design principles for alternative financing measures

189. All proposals involve some form of trade-off between competing principles. Transparency around what is being traded off in the design and application of alternative funding measures, and why these

trade-offs are being made, is important for decision making and accountability. Particular tensions that should be explicitly analys ed include, but may not be limited, to:

190. achieving economically efficient investment while preserving the intent behind the p measures that are proportionate to the task to be performed without unreasonably curtailing the reasonable discretion of decision makers.

C. Principles guiding the management of expenditure to revenue

191. The Agency is required to match its expenditure to the target expenditure set out in this GPS. However, it is legally required to limit its spending to the available revenue in the Fund. Because both the timing and levels of revenue and expenditure are subject to uncertainty, the Act provides for an allowable variation to be set in a GPS as a way of managing any imbalances that arise. The Minister may vary the expenditure target if forecast revenues are higher than the maximum, or lower than the minimum, expenditure ranges in Table 2.

192. A short-term borrowing facility for cash flow management provides the specific capacity for allowable variation, where expenditure temporarily exceeds revenue. Although this borrowing facility increases the Agency's flexibility, the Government expects the Agency to manage expenditure in a way that it is fiscally neutral at the end of the 10 year period of this GPS. The specific level and conditions of allowable debt are set by the Ministers of Finance and Transport, in accordance with the principles guiding the use of alternative funding measures.

193. Where revenue exceeds expected expenditure, the GPS allows expenditure to be scaled to meet the upper end of each funding range. Surpluses can be carried forward from one financial year into the next.

194. Where it is likely that actual revenue levels will vary significantly from expenditure targets, the Ministry of Transport and the Agency will advise the Minister of Transport on the options for aligning expenditure and revenue.

SECTION 5: APPENDICES

Appendix A: Land transport investment framework

Investment in the land transport network is made under the framework set out in the Land Transport Management Act 2003 (the Act), which requires the following documents to be issued.

Government Policy Statement on land transport (the GPS)

The GPS is issued by the Minister of Transport. It sets out what the Government wants land transport to achieve through investment in different types of activity (for example, road improvements, road policing and public transport). It must also set out how much funding will be provided and how this funding will be raised.

Each GPS is in place for a period of 6 years, but must set out the results that the government wishes to achieve over a ten year period from the allocation of funding. The GPS also enables the government to take a longer term view of its national land transport objectives, policies and measures.

The Crown land transport investment strategy sits within the GPS and must be reviewed every 3 years. It must state the overall investment likely to be made in the land transport sector over a period of 10 financial years. Components, such as the short to medium term results to be achieved from the allocation of funding, must look forward 6 years but may look forward up to 10 years.

In addition, the strategy's forecast funding ranges must extend out to 10 years.

More detailed information about the content and purpose of the GPS is laid out in Appendix B.

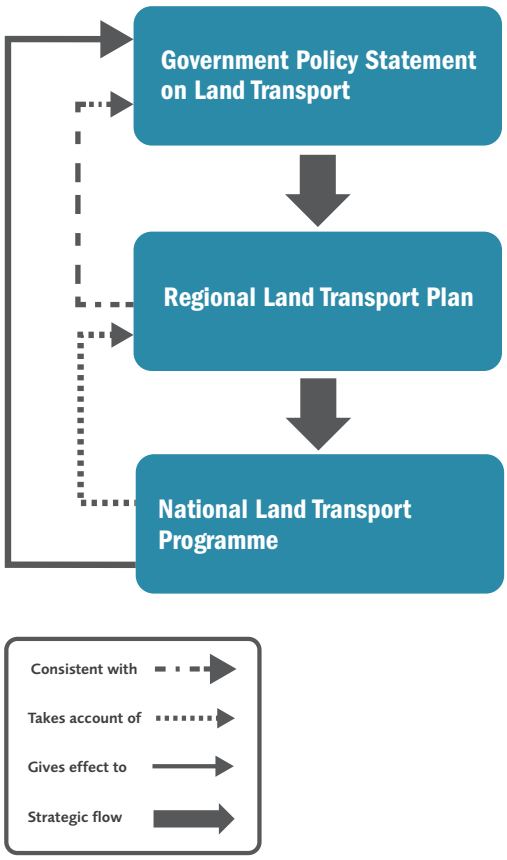
National Land Transport Programme (the Programme)

The New Zealand Transport Agency (the Agency) must develop a Programme every 3 years to give effect to the GPS. The Programme sets out the specific activities that will be funded to give effect to the GPS.

Regional Land Transport Plans

Regional Land Tr ansport Plans are prepared by Regional Transport Committees and by Auckland Transport for Auckland. They list the planned transport activities for a region for at least 10 years and are used to prioritise applications for Government funding through the Agency. Regional Land Transport Plans must be issued every 6 years and reviewed every 3 years. Regional Transport Committees and Auckland Transport must ensure consistency with the GPS when preparing Regional Land Transport Plans. The linkages between these different documents are set out in Figure 4.

Figure 4: Linkages between land transport documents



Funding for land transport investment

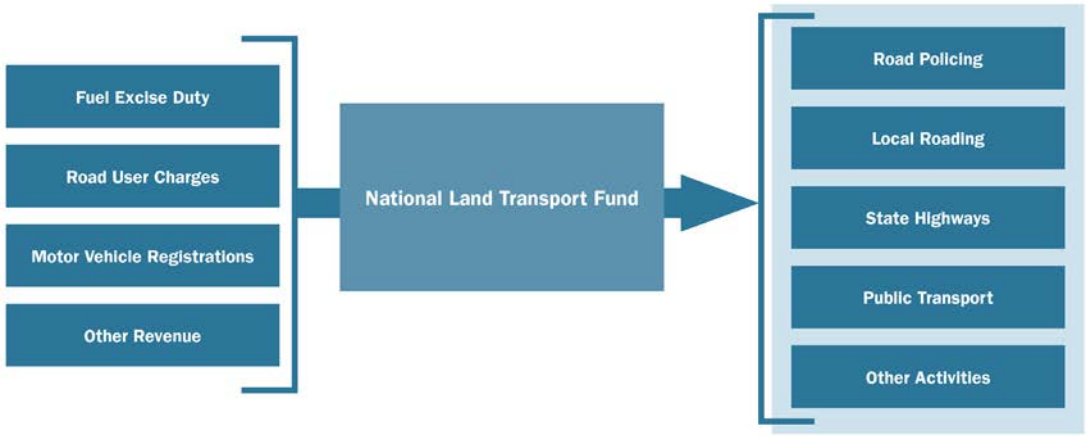
While the GPS provides a national picture of land transport funding, the specific detail of how funding is invested is the responsibility of the Agency. The Agency's investment in the land transport system is implemented using the National Land Transport Fund (the Fund) The Fund is main central Government funding source for the land transport system.

All fuel excise duties and road user charges go directly to the Fund. Additionally, a portion of motor vehicle registration and licensing income and other revenue

is paid into the Fund, while a small subset of activity, such as funding for the SuperGold Card free off-peak public transport scheme, is supported directly from the Government's consolidated fund.

The Agency, the New Zealand Police, and approved organisations such as regional, district and city councils receive funding from the Fund for the land transport activities that they deliver, such as the construction and maintenance of State highways and local roads, road policing, and public transport.

Figure 5: Funding flows



Appendix B: Purpose, scope and required content of the Government Policy Statement (GPS)

A core function of the GPS is to set out the Government's priorities, objectives and funding available for the land transport sector. A GPS describes:

- the Government's priorities for expenditure from the National Land Transport Fund (the Fund)
- how it will achieve these through the allocation of funding ranges for different activity classes (for example, the maintenance of State highways, road policing and walking and cycling)
- how much funding will be provided
- how the funding will be raised.

Under the Land Transport Management Act 2003, the GPS must set out:

- the results that the Crown wishes to achieve from the allocation of funding from the Fund over a period of at least 10 consecutive financial years (longer-term results)
- the Crown's land transport investment strategy
- the Crown's policy on borrowing for the purpose of managing the National Land Transport Programme (the Programme)
- specify any additional expected funding for land transport activities, including any appropriations made by Parliament (subject to the Public Finance Act 1989).

It may also set out national land transport objectives, policies, and measures for a period of at least 10 financial years.

The GPS cannot specify particular projects to be funded, or levels of funding for individual interventions. It also does not cover port, airport, maritime or aviation investment, although it may impact on land transport links to port and airport facilities.

The Crown's land transport investment strategy must:

- link the amount of revenue raised from road users with planned levels of expenditure from the Fund for the first 6 financial years of the GPS and any subsequent years that the Minister considers relevant, address the following matters:
  - i. the short-term to medium-term results that the Crown wishes to achieve through the allocation of funding from the Fund
  - ii. the activity classes to be funded from the Fund
  - iii. likely revenue, including changes to the duties, fees, and charges paid into the Fund
  - iv. the identification of an expenditure target for the Programme
  - v. a maximum and a minimum level of expenditure for the Programme for each year (subject to the ability to carry forward funds from the closing balance of the Fund from one financial year to a future financial year)
  - vi. an allowable variation between expenses and capital expenditure incurred under the Programme and the inflows received by the Fund
  - vii. funding ranges for each activity class viii.the allowable reasons for varying the expenditure target identified under subparagraph (iv) when making funding allocation decisions
  - ix. a statement of the Minister's expectations of how the Agency gives effect to the GPS
  - x. the forecast funding ranges for each activity class for the period of 4 financial years following the first 6 financial years of the GPS
  - xi. the 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.

Appendix C: Summary of key policy direction (or strategy) documents

Connecting New Zealand (see www.transport.govt.nz)

Connecting New Zealand contains the Government's broad long term policy direction for the whole transport sector to assist investment decision making. It is a key document for land transport, and identifies economic growth and productivity, road safety and value for money as areas of focus.

Business Growth Agenda (see www.mbie.govt.nz)

The Business Growth Agenda is focused on six key inputs that businesses need to succeed: export markets, capital markets, innovation, skilled and safe workplaces, natural resources and infrastructure. For transport, this means ensuring that the transport system enables the efficient and effective movement of people and goods from the farm gate, through our cities and to overseas markets. While infrastructure is important, the agenda is also focused on minimising the costs of transport on businesses and improving access to export markets.

National Infrastructure Plan (see www.infrastructure.govt.nz)

The National Infrastructure Plan sets the vision that by 2030 New Zealand's infrastructure is resilient and coordinated, and contributes to economic growth and increased quality of life. The plan provides the framework for infrastructure development over the next 20 years and is focused on ensuring that we make better use of existing infrastructure, and that new investment will meet long term needs.

New Zealand Energy Efficiency and Conservation Strategy 2011 – 2016 (see www.eeca.govt.nz)

The New Zealand Energy Efficiency Conservation Strategy (NZEECS) contributes to the delivery of the Government's energy priorities set out in the New Zealand Energy Strategy. The NZEECS sets 5-year targets and objectives to provide consistency and certainty for investment. In terms of transport, the objective is for "a more energy efficient transport system with a greater diversity of fuels and alternative energy technologies."

Safer Journeys Strategy: New Zealand's Road Safety Strategy 2010 – 2020

Safer Journeys is the Government's road safety strategy to 2020. Safer Journeys establishes a vision of a safe road system increasingly free of death and serious injuries.

Safer Journeys adopts the Safe System approach which involves safe speeds, safe vehicles, safe road use and safe roads and roadsides.

Intelligent Transport Systems (ITS) Technology Action Plan 2014-18 (see www.transport.govt.nz)

The ITS Technology Action Plan outlines the Government's strategic approach to encouraging and enabling intelligent transport system technologies in New Zealand. It covers ITS issues and opportunities and provides an outline of central Government's ITS related work over the period of 2014–18.

Public Transport Operating Model (see www.transport.govt.nz)

The Public Transport Operating Model sets the operating environment for the delivery of public transport. It is a fully contracted model with features designed to incentivise commercial behaviour, create efficient networks, encourage a partnership approach to growing patronage, and reduce the level of public subsidy. Under this model, public transport contracts will be awarded through a mix of direct negotiations and tendering. The legislative elements of the model are set out in Part 5 of the Land Transport Management Act 2003. The operational elements are in the New Zealand Transport Agency's Procurement Manual and Guidelines for preparing Regional Public Transport Plans.

Appendix D: 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.
Active modes	Transport by walking, cycling or other methods which involve the direct application of kinetic energy by the person travelling.
Approved organisations	Organisations 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 regional councils, territorial authorities or a public organisation approved by the Governor-General by Order-in-Council.
Connecting New Zealand	A document that summarises the Government's broad direction for the transport sector over the next decade.
Fuel excise duty	A tax imposed by the Government on fuel and used to fund land transport activities.
Hypothecation	The direct allocation of all income from a tax or charge (eg fuel excise duty or road user charges) to a particular type of activity, eg the National Land Transport Fund.
Land Transport Management Act 2003	The main Act governing the land transport planning and funding system.
Land transport performance and productivity	Performance and productivity measures differ by activity. Lead indicators include: • The speed-flow of a road • Tonnes per heavy vehicle kilometre travelled for freight • Costs per passenger kilometre for public transport • The number of deaths and injuries per vehicle kilometre travelled for safety • The sealing cost per lane kilometre for maintenance • Net benefits per dollar spent for all forms of investment.
Land transport revenue	Revenue paid into the National Land Transport Fund under the Land Transport Management Act 2003.

Major metropolitan areas	The following urban areas, as defined by Statistics New Zealand in Classification-Urban Area 2013 v2.0, which have significant areas with employment densities greater than 100 jobs per square kilometre. In New Zealand this includes: • Northern Auckland Zone • Western Auckland Zone • Central Auckland Zone • Southern Auckland Zone • Hamilton Zone • Tauranga • Porirua Zone • Upper Hutt Zone • Lower Hutt Zone • Wellington Zone • Christchurch • Dunedin
Maintenance	Repairing a road so that it can deliver a defined level of service, while leaving the fundamental structure of the existing road intact.
Motor vehicle registration and licensing fees	Motor vehicle registration and licensing fees are defined as land transport revenue and are a charge paid by vehicle owners and operators. The Motor Vehicle Register established under the Transport (Vehicle and Driver Registration and Licensing) Act 1986, which is continued under Part 17 of the Land Transport Act 1998. It records the details of vehicles that are registered to operate on the road.
Ministry of Transport	The Government's principal transport policy adviser that leads and generates policy, and helps to set the vision and strategic direction for the future of transport in New Zealand.
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.
National Land Transport Programme	A programme, prepared by the Agency, that sets out the land transport activities which are likely to receive funding from the National Land Transport Fund. The National Land Transport Programme is a 3-yearly programme of investment in land transport infrastructure and services.
National Infrastructure Plan	A document which sets out the Government's 20-year vision for infrastructure. It provides a common direction for how economic and social infrastructure is planned, funded, built and used.
New Zealand Transport Agency	The Government agency with statutory functions to manage the funding of the land transport system and manage the State highway system.
Public transport	Passenger transport infrastructure and services contracted by central and local Government.
Regional Land Transport Plans	Plans prepared by Regional Transport Committees that set out each region's transport objectives and policies for a period of at least 10 years. This includes bids for funding from the National Land Transport Programme.

Regional Transport Committee	A transport committee which must be established by every regional council or unitary authority for its region. The main function of a Regional Transport committee is to prepare a Regional Land Transport Plan. Auckland Transport performs this function for Auckland.
Road controlling authorities	Authorities and agencies who have control of the roads, including the Agency, territorial authorities, Auckland Transport, the Waitangi Trust and the Department of Conservation.
Road user charges	Charges on diesel and heavy vehicles paid to the Government and used to fund land transport activity.
Roads of National Significance (RoNS)	Routes which have been nominated by Government as critical to improving economic productivity and growth. Currently there are seven projects on the RoNS programme, based around New Zealand's five largest population centres. The focus is on moving people and freight between and within these centres more safely and efficiently.
State highways	A road operated by the Agency, as defined under the Land Transport Management Act 2003.
Total Mobility Scheme	Subsidised taxi services.

Appendix E: Relevant sections of the Land Transport Management Act 2003 (the Act)

Please note that these sections are excerpts rather than complete replications of the Act.

Relevant sections

Section 3. Purpose

The purpose of this Act is to contribute to an effective, efficient, and safe land transport system in the public interest.

Section 66. Minister must issue GPS on land transport

1. The Minister must issue a GPS on land transport —
    a. before the start of the first financial year to which it applies; and
    b. that covers a period of 6 financial years.
2. The Minister must issue a replacement GPS on land transport under subsection (1) before the current GPS on land transport expires. If a GPS on land transport that is issued under subsection (1) is replaced, the GPS on land transport that is replaced expires on the date that it is replaced.

Section 67. Preparation or review of GPS on land transport

1. When preparing or reviewing a GPS on land transport, the Minister must —
    a. be satisfied that the GPS on land transport contributes to the purpose of this Act; and
    b. take into account —
        i. any national energy efficiency and conservation strategy; and
        ii. any relevant national policy statement that is in force under the Resource Management Act 1991; and
    c. have regard to the views of Local Government New Zealand and representative groups of land transport users and providers.
2. For the purposes of subsection (1), the Minister must, at least once in every period of 3 financial years, review the Crown's land transport investment strategy required under section 68(1)(b).
3. To avoid doubt, nothing in subsection (2) limits section 90(1).
4. Before issuing a GPS on land transport, the Minister must consult the Agency about the proposed GPS on land transport.

Section 68. Content of GPS on land transport

1. The GPS on land transport must include —
    a. the results that the Crown wishes to achieve from the allocation of funding from the national land transport fund over a period of at least 10 consecutive financial years; and
    b. the Crown's land transport investment strategy; and
    c. the Crown's policy on borrowing for the purpose of managing the national land transport programme.
2. The Crown's land transport investment strategy—
    d. must link the amount of revenue raised from road users with the planned levels of expenditure from the national land transport fund; and
    e. must, for the first 6 financial years of the GPS on land transport and any subsequent years that the Minister considers relevant, address the following matters:
        iii. the short-term to medium-term results that the Crown wishes to achieve through the allocation of funding from the national land transport fund:
        iv. the activity classes to be funded from the national land transport fund:
        v. likely revenue, including changes to the duties, fees, and charges paid into the national land transport fund:
        vi. the identification of an expenditure target for the national land transport programme for each year:
        vii. a maximum and a minimum level of expenditure for the national land transport

programme for each year (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):

viii. an allowable variation between expenses and capital expenditure incurred under the national land transport programme and the inflows received by the national land transport fund:

ix. funding ranges for each activity class:

x. the allowable reasons for varying the expenditure target identified under subparagraph (iv) when making funding allocation decisions:

xi. a statement of the Minister's expectations of how the Agency gives effect to the GPS on land transport; and

f. must specify the forecast funding ranges for each activity class for the period of 4 financial years following the first six financial years of the GPS on land transport; and

g. must state the 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.

3. The GPS on land transport—

h. may set out national land transport objectives, policies, and measures for a period of at least 10 financial years beginning on the date that the GPS on land transport is issued; and

i. must, subject to the Public Finance Act 1989, specify any additional expected funding for land transport activities, including (but not limited to) any money that Parliament may appropriate for the purpose.

Section 69. Status of GPS on land transport

To avoid doubt, a GPS on land transport is not—

a. a direction for the purposes of Part 3 of the Crown Entities Act 2004; or

b. a legislative instrument for the purposes of the Legislation Act 2012; or

c. a disallowable instrument for the purposes of the Legislation Act 2012.

Section 70. Agency to give effect to GPS on land transport in respect of funding of land transport system

1. The Agency must give effect to the GPS on land transport when performing its functions under subpart 1 of Part 2 in respect of land transport planning and funding.

2. To avoid doubt, the GPS on land transport may not impose an obligation on the Agency to approve or decline funding for a particular activity or any combination of activities under section 20.

Section 71. Availability of GPS on land transport

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

a. present a copy of the GPS on land transport to the House of Representatives; and

b. arrange for a copy of the GPS on land transport to be given to each of the following:

i. the Secretary:

ii. the Agency:

iii. the Commissioner:

iv. every approved organisation:

v. the Auckland Council; and

c. make a copy of the GPS on land transport publicly available in accordance with section 108.

Section 11. Annual report on national land transport fund

1. After the end of each financial year, the Agency must prepare an annual report on the national land transport fund.

2. The annual report required under subsection (1) must be prepared in accordance with generally accepted accounting practice, and must include —

i. an explanation of how the funding of activities or combinations of activities under the national land transport programme has contributed to the achievement of any outcomes, objectives or impacts set out in the relevant GPS on land transport

3. The provisions of the Crown Entities Act 2004 in respect of the preparation, audit, presentation, and

publication of a Crown entity's annual report (including its financial statements) apply, with all necessary modifications, to the annual report required under subsection (1)

Other relevant sections

Section 14. Core requirements of regional land transport plans

1. Before a regional transport committee submits a regional land transport plan to a regional council or Auckland Transport (as the case may be) for approval, the regional transport committee must—

    a. be satisfied that the regional land transport plan—

    ii. is consistent with the GPS on land transport;

Section 19E. Variation of national land transport programme.

If the GPS on land transport is amended under section 90(1), the Agency must vary the national land transport programme as soon as practicable if necessary to give effect to the amendment. Sections with particular relevance to regional land transport committees

Section 20. Approval of activities and combinations of activities

1. In approving a proposed activity or combination of activities, the Agency must be satisfied that—

    c. the activity or combination of activities is—

    i. consistent with the GPS on land transport;

2. When approving an activity or combination of activities as qualifying for payments from the national land transport fund, the Agency must be satisfied that the expenditure on the national land transport programme and any expenses associated with any borrowing undertaken in accordance with section 10(1)(b) in the relevant financial year will not exceed the lesser of —

    a. the maximum level of expenditure for the national land transport programme outlined in the GPS on land transport for that financial year and the actual or anticipated amount of the closing balance of the national land transport fund at the end of the previous financial year;

    or

    b. the sum of —

        i. the anticipated inflows to the national land transport fund in that financial year; and

        ii. the actual or anticipated amount of the closing balance of the national land transport fund at the end of the previous financial year; and

        iii. the allowable variation for that financial year specified in the GPS on land transport.