Submission

By

BusinessNZ
The voice of business

to the

Ministry of Transport

on the

Draft Government Policy Statement (GPS) on Land Transport

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DRAFT GOVERNMENT POLICY STATEMENT (GPS) ON LAND TRANSPORT SUBMISSION BY BUSINESSNZ[1]

1.0 Introduction

1.1 BusinessNZ welcomes the opportunity to make a submission on the Draft Government Policy Statement (GPS) on Land Transport ('the Draft GPS").

1.2 BusinessNZ notes that the Draft GPS proposes investing close to $40 billion in land transport over the next 10 years.

1.3 It is important to acknowledge the improvements that have occurred in recent years, including general acceptance of an existing infrastructure deficit, especially in the transport sector, and of the role of markets and private providers in infrastructure provision, including the greater use of public private partnerships (PPPs).

1.4 BusinessNZ broadly supports the Draft GPS, and in particular the continuation of the government's prioritisation of 3 key areas, namely economic growth and productivity, road safety and value for money. This submission focuses on these key areas.

2.0 Discussion

Priority 1: Supporting economic growth and productivity

2.1 BusinessNZ notes that the Government proposes to continue promoting improvements which will bring benefits for national economic growth and productivity and is supportive of this objective.

2.2 The importance of infrastructure as a key driver of economic growth, enhanced productivity and competitiveness, and social well-being is well established. Good infrastructure can also deliver a more cohesive society. By ensuring, for example, global connectedness and the ability to move, efficiently, people between home and work and business-produced goods and services from farm gate and factory to point of embarkation, good infrastructure creates clear economic and social value for NZ.

2.3 Providing high quality connections between key areas of production, processing and export is essential if we are to improve our export growth potential. As the Draft GPS states, exporting primary produce remains central to NZ's economic welfare.

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[1] Background information on BusinessNZ is attached as Appendix 1.

Priority 2: Road Safety

2.4 BusinessNZ notes the Draft GPS statement that while good progress has been made in reducing road fatalities and serious injuries, support remains for the delivery of the Safer Journeys vision of a safe road system increasingly free from death and serious injury – essentially a zero tolerance objective.

2.5 While BusinessNZ strongly supports continuing improvement in the transport sector, it is important to understand up-front that there is an optimal amount of resource which should be utilised in reducing the risk of premature death or injury, just as there is an optimal amount of resource that should be spent on crime prevention, health interventions etc. The crucial and undeniable fact is that resources are limited and risk cannot be completely eliminated, not at least without great cost, and probably not even then. While it may be possible to reduce risk, beyond a certain point, the marginal cost of taking action becomes progressively higher, while the potential returns diminish. In this respect it pays for companies and individuals to invest in risk minimisation strategies up to the point at which the marginal cost equals the marginal benefit of taking action.

2.6 The economic perspective of risk stresses two ideas:

1. More resources, including time and money, are needed to reduce risk; and

2. People (through their actions) have a desired level of risk that is well short of zero, because of what they must give up in terms of increased cost or other desirable considerations. For example, a reduction in the risk of death through road accidents might be achieved by prohibiting individuals from driving faster than 5 kilometres per hour. However, this could be done only at the significant cost of requiring individuals to spend a much longer time getting to their destinations. The implications for the broader economy in terms of the movement of freight (not to mention the inconvenience to individuals) would be monumental.

2.7 Over more recent years, efforts have been undertaken in NZ to ensure there is a greater degree of consistency in decision-making, something to be commended given the number of potential projects aimed at reducing risk.

2.8 The purpose of calculating an economic value of human life is to provide an estimate of government's (and through it society's) preparedness to pay for programmes which will reduce the risk of injury or premature death. When taxpayers' money is spent on health and safety measures for transport or healthcare services, the decisions made implicitly or explicitly place a value on the reduction of the risk of premature death.

2.9 While there are a number of different methods for valuing life and some are utilised in NZ (e.g. willingness to pay), the key point is that interventions to reduce the risk of serious injury or premature death should be relatively consistent across regulatory interventions. This will ensure resources are spent on activities which provide the greatest return on investment, given resources are limited and it is not possible to eliminate all risk.

2.10 In light of the above and of the principle that good information is needed to ensure safety expenditure delivers the best possible results per dollar spent, BusinessNZ is pleased that the Draft GPS will make it clearer how much investment in roading will deliver safety benefits that save lives.

Priority 3: Value for money

2.11 BusinessNZ notes and supports the Government's stated objective that it is important the funds raised for land transport are invested in delivering the right infrastructure and services to the right level at the best cost. The more difficult issue is how this can best be achieved. Procurement policy is particularly important in obtaining value for the money. This issue is addressed below, before the specific matter of "who pays" is dealt with.

Procurement processes and approaches

2.12 Procurement practices matter. They can (and do) alter incentive structures faced by business and this in turn affects the conduct, structure, and performance of markets. As a major purchaser of goods and services across a wide range of activities, how government goes about this invariably touches every part of the economy (government spends approximately $30 billion on goods and services every year). In other words, government's procurement power has significant influence over how businesses and sectors organise themselves, and potentially how competitive markets are.

2.13 How government purchases its goods and services has, in some areas, undergone fairly radical change, with a move to more centralised procurement under what is known as the "all-of-Government" procurement process. The contracts created under this process establish a single supply agreement between the Crown and approved suppliers for the supply of selected common goods and services purchased across government. More specifically we understand the NZTA is in the process of implementing network contracts or fence to fence contracts. These changes are expected to deliver a range of benefits to agencies, suppliers and, ultimately, the New Zealand taxpayer. Benefits include: cost-savings to agencies, the government and taxpayers, productivity gains for agencies and suppliers and improved competition.

2.14 A good process, with a reasonable cost of engagement will be one in which innovation and creativity have room to flourish, there is an equal sharing of risk based on who is best able to manage and mitigate the risk, and where decisions are not based on a cheapest price mentality but instead on the least cost value over the whole of life.

Transparency of funding

2.15 As funding for land transport infrastructure comes from motorists, businesses and ratepayers (and more widely from taxpayers in some cases), it will be important to observe the broad principle that such funding continues to be spent on land transport and not siphoned off to fund areas unrelated to transport needs.

2.16 The Draft GPS states that congestion issues need to be addressed without placing an unreasonable burden on the population and that this *"…will require the use of all available transport tools, including increases in network capacity.*

2.17 BusinessNZ accepts that demand management tools (such as congestion pricing and tolls) will be necessary and desirable in some cases but that necessity notwithstanding, it will be important for the rationale for using such tools to be well understood. Businesses should not, for example, end up subsidising road users through the use of ratepayer funding.

2.18 The business sector pays about half the country's rates bill with the level of rates paid often entirely disproportionate to the level of services received. The situation is exacerbated by the generally wide use of business/commercial rating differentials despite strong evidence supporting their removal. Where councils have agreed to reduce such differentials, they have often been tardy in doing so, tending towards incremental change due to "expenditure pressures".

2.19 The potential use of ratepayer funding for local roading already disproportionately impacts on businesses through the wide use of rating differentials.

2.20 BusinessNZ is also concerned that the integrity and sanctity of hypothecation of NLTP funding is retained. Prior to hypothecation, successive governments diverted road user taxes to all manner of public funding. The draft GPS proposes a relatively ambitious spend on public transport which will divert road user taxes to subsidise rail (and bus) services, notwithstanding that it is accepted that road users derive some value from the provision of some public transport services such as in some cases, reduced congestion.

2.21 While Business NZ recognises that the funding available for "*Walking and cycling improvements"* is relatively small, we would be concerned if the provision of increased funding from road user taxes/charges meant less money for important roading projects.

2.22 Land transport funding in New Zealand has moved towards ensuring that funds generated through fuel excise duty, road user charges and motor vehicle licensing fees are progressively retained for land transport initiatives i.e. are effectively hypothecated taxes. The underlying theme is that it is essential to ensure competitive neutrality between transport modes is retained.

2.23 Finally, BusinessNZ strongly believes that a more robust benefit/cost analysis is required to provide greater transparency and consistency. All transport investment opportunities should arguably be subject to the same robust benefit/cost analysis.

2.24 We would be happy to elaborate on any of the issues outlined above if you consider that this would be useful.

APPENDIX 1

BACKGROUND INFORMATION ON BUSINESSNZ

BusinessNZ is New Zealand's largest business advocacy organisation.

Through its four founding member organisations – EMA Northern, Business Central, Canterbury Employers' Chamber of Commerce (CECC), and the Otago-Southland Employers' Association (OSEA) – and 74 affiliated trade and industry associations, Business NZ represents the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy on behalf of enterprise, BusinessNZ contributes to Governmental and tripartite working parties and international bodies including the International Labour Organisation (ILO), the International Organisation of Employers (IOE) and the Business and Industry Advisory Council (BIAC) to the Organisation for Economic Cooperation and Development.