

Submission by



to the

Ministry of Transport

on the

**Draft Government Policy Statement on
Land Transport, 2024-34**

2nd April 2024

INTRODUCTION

Business New Zealand welcomes the opportunity to comment on the Draft Government Policy Statement on land transport, 2024-34 (the Draft). We note at the outset that we are largely in agreement with what it says, especially to the extent that it establishes a necessary long-term vision for a transport system that focuses on the needs of the economy. We also have a number of general and specific comments to make.

GENERAL COMMENTS

When we submitted on the previous Draft Government Policy Statement on land transport, released in August 2023, we expressed disappointment that, although the then Minister's Foreword acknowledged the needs of businesses and the importance of the road network, the rest of the document had very little to say about how transport policy would meet the needs of businesses. It is encouraging, therefore, that this new Draft GPS rectifies this failing.

In our **Briefing to the Incoming Government**, released in November 2023, we emphasised the important role that a high quality and reliable infrastructure, including roads, plays in delivering productivity growth and the general wellbeing of New Zealanders. However, we also expressed concern that conventional methods of funding the necessary infrastructure investment, in particular through tax revenues, would overburden current taxpayers who will not necessarily enjoy any subsequent benefit. Consequently, we recommended that the incoming government should work to design and apply alternative funding mechanisms. We are pleased that the Draft commits the government to doing this, and we look forward to seeing more details on the design and intended application of these mechanisms, when they become available.

We also note that Climate Change is addressed only briefly in the document. We acknowledge that it highlights the status of the Emissions Trading Scheme (ETS) as the Government's key tool to reduce emissions. Similarly, we acknowledge that it states that, in addition to the ETS, matters relating to climate change/emissions reduction issues are being worked through and will be addressed during development of the second Emissions Reduction Plan (ERP2). However, at this juncture, we emphasise our concern that the impact of climate change (in relation to mitigation and, even more so, adaption) should be fully reflected in the final GPS. This is especially important as we are aiming for an affordable, resilient and long-lasting infrastructure.

It is imperative for our members that New Zealand is able to meet the emissions reduction budgets the Coalition Government has committed to as we track toward net-zero emissions. We are keen to understand further how the GPS will deliver on these emissions reduction targets and how it will be aligned with the forthcoming ERP2.

We are concerned that New Zealand is not currently on a pathway to achieve the first emissions budget. Failure to achieve the first budget adds pressure to the pace of transition in the late 2020s and 2030s. Emissions Budgets 2 and 3 are progressively more ambitious and achieving them relies on actions in the first Budget. This pressure will be felt by all involved in the transition.

The Sustainable Business Council has previously recommended actions to accelerate decarbonisation of light passenger travel through electrification and mode shift. We acknowledge light and commercial electric vehicles require resilient roading infrastructure, which must be invested in alongside a greater focus on active and public transport. However, significant barriers remain to the uptake of electric vehicles, which the proposed charging strategy will only partially address.

We acknowledge increasing the uptake of e-mobility, in all its forms, is only part of the solution when it comes to decarbonising transport. Active and public transport are imperative. Mobility as a service can also provide a useful alternative to private vehicle ownership. We seek reassurance that the alternative policy instruments proposed will enable the low-emissions outcomes set out in the emissions budgets, and do not unduly burden those in society who are least able to pay.

Lastly in terms of our General Comments, we would like to articulate our view that all surface transport modes should be treated consistently as a system, rather than as discrete elements that don't inter-operate with one another. For example, the Draft has nothing to say about the inter-island ferries and their associated port infrastructure. This is despite the fact that the ferries are, in effect, an integral part of State Highway 1, in that they carry large volumes of freight and private traffic, albeit on the water, rather than on land.

Similarly, we would like to see greater recognition of the complementary roles that both railway and public transport operations play in moving freight, as well as reducing congestion on the roads, limiting emissions and reducing wear-and-tear on road surfaces. We also know from our discussions with our members that most major companies in New Zealand that need to move freight have multi-modal transport strategies. Many use rail in addition to road haulage, and many also rely on the Cook Strait ferries. Some also use coastal shipping and a few also use air freight within New Zealand.

SPECIFIC COMMENTS

The comments here follow the structure of the Draft.

Minister's Foreword

We applaud the statement in the Foreword that:

"This GPS reintroduces a focus on increasing economic growth and productivity as a priority for land transport expenditure. Including economic growth and productivity as a strategic priority will help to ensure we meet our full potential as a nation."

Economic growth requires business growth and, hence, the statement accords with the view expressed in our Briefing for the Incoming Government that:

"Business growth will provide more opportunities for individuals to enjoy rewarding and satisfying work, and to develop their skills. It will also yield the tax revenues that are so important in enabling the country to achieve the wellbeing gains everyone wants to see."

We also agree that the other strategic priorities indicated in the Foreword are appropriate, and we comment further on them below.

Section 1: Introduction to GPS 2024

The Introduction indicates that Regional Land Transport Plans (RLTPs) must be consistent with the GPS. However, this presents a timing problem for councils that are currently fulfilling a statutory obligation to complete a mid-term review of their RLTPs by the end of June 2024. This might be difficult to achieve when it is not known when the GPS will be finalised, especially because the current Draft is significantly different from the August 2023 draft. There is, therefore, a strong case for revising the deadline for completion of the RLTP reviews to allow adequate time for consultations with their communities, including businesses, and to ensure that the RLTPs can fully align with the final GPS that will emerge.

We acknowledge that Government is committed to delivering 10,000 public EV chargers by 2030, subject to cost benefit analysis, but we are concerned that this could create problems for the electricity network. The uptake of electromobility is highly intertwined with the energy transition. In fact, the uptake of electrification and the roll out of charging infrastructure poses significant challenges for Electricity Distribution Businesses as those businesses operate within specific regulatory frameworks and face investment limitations. Currently, EDBs focuses on overcoming barriers related to connecting to the electricity network. These barriers include pricing (connection costs and ongoing line charges) and process inefficiencies arising from varying network practices. Simultaneously, Charging Point Operators (CPOs) require efficient connections to accelerate charger deployment.

Section 2: System Reform

We endorse the stated overarching goal that the transport system should be effective, efficient, safe, secure, accessible and resilient, that supports the economy in order to deliver greater prosperity, security and opportunities for all New Zealanders.

We also support the idea that the National Infrastructure Agency (NIA) should work closely with the NZTA to develop a 30-year infrastructure plan, supported by fast-tracking of consent applications. We have advocated for long-term planning horizons in our White Paper "**We're all in this together**"¹, which urges greater collaboration between business and government in addressing the long-term challenges the country faces. Similarly, our Briefing for the Incoming Government highlighted the importance of making it easier for businesses to invest by simplifying consenting processes and alleviating the regulatory burden in general.

Lastly in relation to this section, we support the promised amendment of the Land Transport Management Act to require future Government Policy Statements on Land Transport to deliver 10-year investment plans that synchronise with local government LTPs. At present it is difficult for councils to fully align their RLTPs with the GPS and NLTP.

Section 3: Strategic Priorities

We believe that the four Strategic Priorities articulated in the Draft are appropriate in relation to the nation's needs, and that they reflect the overarching goal for the transport system referred to above. They are also mutually reinforcing to a large extent.

In our view, the **Economic Growth and Productivity** priority should be paramount because improved performance in these two areas are, realistically, the only way in which sustained improvements in wellbeing-enhancing services, like health and education, can be delivered.

The reinstated RONS programme will be important in helping to grow productivity, and it is encouraging to note that there is also a commitment to supporting a number of Roads of Regional Significance (RORS) projects during the GPS period. However, we would like to see more recognition than is shown in the Draft GPS of the important role that the state highway corridors in the South Island play in the New Zealand economic context. The South Island is home to well over 1,000,000 Kiwis and contributes nearly a quarter of our national GDP. We want to ensure that the roading and infrastructure pipeline which underpins that activity is being considered in relation to the South Island's population base and contribution to GDP.

The commitment to public transport infrastructure developments is also important. They will support productivity growth by cutting down travel times for both public transport users and private vehicle users. Likewise, support for the rail network will help to limit congestion on roads and contain the amount of costly road surface damage.

The GPS mentions that investment in public transport has increased by 71 percent since 2018 but that there has been a 23 percent decrease in patronage. This is still not above the level in comparison to pre-covid baseline. Further reviews of the Public Transport Operating Model (PTOM) may be required, and national infrastructure planning should account for public transport as part of the wider land transport system.

We agree with what the Draft says about the **Increased maintenance and resilience** priority, and we welcome the announcement of ringfenced State Highway Pothole Prevention and Local Road Pothole Prevention activity classes. Potholes cause damage to vehicles and put the safety of road users at risk. The current piecemeal approach to repairing them also reduces productivity by slowing traffic and causing congestion.

¹ <https://businessnz.org.nz/wp-content/uploads/2024/03/240313-Were-all-in-this-together.pdf>

In relation to the **Safety** priority, we are concerned that the recent approach to reducing the number of deaths and serious injuries on the roads has favoured measures to reduce traffic speed, rather than more rigorously policing and penalising dangerous behaviours, such as driving while impaired by drugs or alcohol, texting while driving, not wearing seatbelts, or driving unwarranted vehicles.

Moreover, some recent speed reductions seem to have been imposed arbitrarily. A case in point is the stretch of State Highway 2 between Featherston and Greytown where the speed limit was reduced to 80 kph, even though that particular stretch is straight and broad along most of its length. On other stretches of the same highway further north, the speed limit remains at 100 kph, even though the road is often less broad and straight.

We concur with what the Draft says about **Value for Money**. The recent increase in spending on transport investments has not resulted in better outcomes, especially where state highway and local road maintenance is concerned. We should add, however, that a lack of value for money has not been confined to government spending on transport and, in this regard, we share the frustrations expressed about this recently by the Auditor General. There needs to be better *ex ante* investment appraisal of capital spending and *ex post* evaluation of operational spending.

The GPS notes the intention to rapidly advance reforms to the National Land Transport Fund's revenue system. The reforms include tolling legislation and allowing for time-of-use charging to help reduce congestion and maximise use of existing assets. These reforms should consider impacts on those most impacted to avoid inequitable distortionary effects on consumers of the transport system. For time of use charging in particular, it is recommended that this is not implemented as a revenue tool. Rather, it should be used primarily to ensure the goal of congestion reduction can be maximised.

The GPS states that road maintenance has become less efficient, and the Ministry has advised that it is difficult to ascertain whether the amount spent on road maintenance is delivering value for money. A stronger focus and investment in data intelligence (including a national data platform) could help to provide certainty on investment and policy decisions and alternatives. This should be looked at as part of the proposed Performance and Efficiency Plan.

The GPS also states that the NZTA will be required to find efficiencies in the delivery of its services, it is encouraging to see that this includes developing digital and electronic systems and processes allowing third parties to bid and operate these services. Public-Private Partnerships (PPPs) in these areas can lead to increased productivity and efficiency with reduced overheads in areas such as Tolling.

Section 4: Investment in land transport

Our thoughts about funding the necessary investment in land transport are framed by our awareness that much of the country's general infrastructure has been underfunded and poorly managed for a number of decades. Alongside transport, this includes water infrastructure and social infrastructure, such as school and hospital buildings.

New Zealand's infrastructure deficits will take decades to address, so it is appropriate that the NIA will work with the NZTA to develop a 30-year plan. However, developing a coherent transport investment plan is likely to be much simpler than executing it. In the context of urgent needs for investment in diverse components of the infrastructure, feasible and sustainable funding will be crucial.

In light of this, it is appropriate that the Draft paves the way for a range of funding mechanisms, including the NLFT, direct government funding, tolling of new highways, and PPPs. We recognise that policy development work on some novel funding mechanisms, such as value capture, needs to be undertaken, but we look forward to seeing details of how they will be applied.

Similarly, we look forward to hearing about how value capture can support the role of councils in local road infrastructure development. And, on the subject of local roads, we are pleased to note that the Draft commits to ringfencing the Local Roads Improvements and Local Road Pothole Prevention activity classes in the NLTP.

We support the principle of user-pays, when it comes to highway maintenance and development, so we support the application of Road User Charging for all classes of vehicles, including EVs.

Most of the activity class funding ranges shown in Table 4 of the Draft appear to align with what text says about the classes. In particular, the projected funding increases for state highway operations, both state highway and local road pothole prevention, and both public transport infrastructure and state highway improvements, are fitting. However, we question whether the projected small increases in local road improvements will be sufficient, unless councils can augment the NZTA investment by other means.

Equally, we are concerned about the projected funding range for the rail network. At the upper end of the range, there would be very little increase in funding, while funding would shrink to almost nothing at the bottom end of the range. It is possible, that the government could approve direct funding for the rail network in addition to NLTP funding, but we think there is a danger that under-funding of the rail network could jeopardise its ability to play its role in the wider transport system.

Section 5: Statement of Ministerial expectation

We have relatively little to say about this section because it largely reinforces the content of the previous sections. However, we wholeheartedly support its messaging to the NZTA about the need for an emphasis on delivery, more expeditious business case processes, and a focus on the Agency's core business instead of doubling up on the work of other agencies. Likewise, we are encouraged to see the Minister directing the NZTA to maximise the resources available for land transport investments by pursuing alternative funding mechanisms, such as tolling and PPPs. We do not think it is realistic for the NZTA to rely solely on direct government funding to supplement the NLTF. Equally, we endorse the Minister's call for an increased focus on performance and efficiency in the NZTA's activities.

CONCLUSION

Undoubtedly, the nation faces a major challenge in trying to remediate and develop a land transport infrastructure that is fit for the future needs of New Zealanders. This is especially true when the state of the land transport infrastructure is considered alongside the poor state of the water, health and education infrastructures. Nonetheless, we are confident that the Draft provides a good foundation for addressing the challenge, and we look forward to the implementation of what it promises.

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