

Submission

By



to the

Transport and Industrial Relations Select Committee

on the

Land Transport Management Amendment Bill

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LAND TRANSPORT MANAGEMENT AMENDMENT BILL SUBMISSION BY BUSINESS NEW ZEALAND¹

1.0 INTRODUCTION

- 1.1 Business NZ welcomes the opportunity to comment on the Land Transport Management Amendment Bill (“the Bill”).
- 1.2 An efficient transport system is fundamental to New Zealand’s future with transport infrastructure (road, rail and coastal shipping) an essential component of New Zealand’s international competitiveness.
- 1.3 The stated purpose of the Bill is “...to enhance New Zealand’s transport planning and funding system established under the Land Transport Management Act 2004...”
- 1.4 Key issues covered in the Bill include the following:
- Reserving fuel excise duty for land transport purposes
 - Allowing regional fuel taxes
 - Providing for a government policy statement to plan out the government's priorities for the next 3-6 years
 - Moving to a three-year planning cycle rather than an annual one
 - Introducing regional land transport programmes
 - Making changes to the Regional Land Transport Committees
 - Increasing the term of regional land transport strategies and the national transport strategy to 30 years
 - Merging Land Transport NZ (LTNZ), Transit and the office of the director of land transport to form the New Zealand Transport Agency
- 1.5 While Business NZ is supportive of aspects of this Bill (particularly in moving toward longer-term planning horizons and reserving fuel excise duty for land transport purposes), we consider a number of other proposals e.g. allowing regional fuel taxes, are very much “second best” options. Merging LTNZ, Transit etc may well provide greater economies of scale but this needs to be traded off between the potential for blurred accountabilities and sub-standard decision making.

¹ Background information on Business New Zealand is attached as Appendix 1.

- 1.6 Business NZ has long supported moves to allow tolling, public private partnerships (PPPs), and other investment options for urgently-needed high cost highways for which there is significant community support. The recent Independent Inquiry into Local Government Rates recommended that the government remove legislative barriers to the funding of transport projects through the use of tolls².
- 1.7 Business NZ is disappointed that the opportunity has not been taken to review the criteria surrounding “concession agreements” under Section 56 of the Land Transport Management Act, particularly that the term of concession agreements must not exceed 35 years. Furthermore, Business NZ is disappointed that the government has not seriously considered the possibility of borrowing to complete major projects. The objection often raised by government that it does not wish to incur increased debt does not stand up to scrutiny when the economic and aggregation benefits of early completion are factored into the calculation. Business NZ would therefore like to see the Bill specifically identify debt funding as a preferred option for funding.
- 1.8 Brief comments on some of the issues raised in the Bill are outlined below.

Hypothecation

- 1.9 Business NZ supports proposals to hypothecate, (i.e. reserve) all fuel excise duty for land transport purposes (which will add about \$600 million to the 2008-09 transport funding account) and to change the way fuel excise is set. This will guarantee that investment will continue at levels tied to demand – ensuring security of future funding for transport infrastructure. Business NZ has long advocated for such an outcome.

Regional fuel taxes

- 1.10 Regional fuel taxes do have significant problems, including the potential for compliance issues for business (in seeking the claim refunds for particularly diesel used for industrial purposes), while the potential exists for boundary issues to affect suppliers of fuel and which could encourage some businesses to simply refuel outside the regional boundary to avoid the tax. Moreover, the fact that a maximum of 5 cents of the possible 10 cent tax would be available for roading projects – with the potential for the 5 cents going towards public transport is also of concern. Greater clarity is required in terms of how the other 5 cents is to be spent. Business NZ believes that robust processes and consultation is required to ensure that any funding spent is soundly based.

² *Funding Local Government*, report of the Local Government Rates Inquiry (August 2007). See discussion on pages 157-158 of the Report and Recommendation 21.

- 1.11 Despite their significant weaknesses as outlined above, in the absence of tolling, congestion pricing and the like, regional taxes are likely to be better than nothing in order the progress projects in specific areas.

Planning horizons

- 1.12 Business NZ supports the proposal for a government policy statement (GPS) to be made every three years setting out government's planned investment and funding priorities for the following 3 to 6 years and further forecasts for years 7 to 10.
- 1.13 This provision should provide clearer Government policy direction for transport (New Zealand Transport Strategy), the economy (e.g. economic transformation and innovation) and in other areas. We note however, that in setting the GPS there is no specific obligation on the Minister to consult other than with the New Zealand Transport Agency. It is fundamental that there be an effective public consultation process around the GPS.
- 1.14 We are also supportive of the change to a 3-yearly planning cycle instead of the current annual cycle. We agree that this is likely to reduce 'planning churn' and reduce the annual re-litigation of regional transport decisions and projects that currently occurs. However, we do have a reservation that this will result in less consultation over the 3-year cycle, however and therefore recommend that an appropriate consultation regime, including a performance monitoring and reporting schedule, be established.
- 1.15 Given the longer time frame (3 years) that the regional land transport strategy and programme will be in place, it will be critical that the plan agreed is in fact truly supported by its stakeholders.

Merger of LTNZ and Transit

- 1.16 The Bill aims to merge LTNZ, Transit and the office of the director of Land Transport into one Crown Entity. The suggested benefits are to have more integrated decision making and better accountability. One entity accountable to the Minister is intended to provide cost effective delivery of its services and better achieve value for money. It should also be able to better consider all transport modes and make appropriate trade-offs. One entity would also make the new planning system easier to implement.

- 1.17 The idea has both positives and negatives. There are potential efficiency gains from removing a duplication of functions and it could improve intra-department communication. However, the more functions and responsibilities an organisation has the harder it can be to hold to account. Building a big bureaucracy with less clarity around, and a multiplicity of, objectives, could lead to poorer service and less value for money.
- 1.18 The original decision to split the funding and delivery arms of Transit New Zealand in the mid-1990's was well conceived, as evidenced by the strong support this change received internationally. At that time the New Zealand roading sector was regarded as a model recommended by the World Bank for adoption worldwide.
- 1.19 Since then, we believe a major reason why the split was not successful was a failure of government to properly define the roles of the respective agencies so that each agency focused on its core functions. This has, in our view, affected the performance of the agencies evidenced by the poor decisions highlighted by the Ministerial Advisory Group.

APPENDIX 1

BACKGROUND INFORMATION ON BUSINESS NEW ZEALAND

Business New Zealand is New Zealand's largest business advocacy organisation.

Through its four founding member organisations – EMA Northern, EMA Central, Canterbury Employers' Chamber of Commerce and the Otago-Southland Employers' Association – and 70 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, Business NZ contributes to Governmental and tripartite working parties and international bodies including the International Labour Organisation, the International Organisation of Employers and the Business and Industry Advisory Council to the Organisation for Economic Cooperation and Development.