

Submission

By

Business|NZ

To

**Transport and Industrial Relations Select
Committee**

On

Transport Legislation Bill

15 September 2004

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**TRANSPORT LEGISLATION BILL
SUBMISSION BY BUSINESS NEW ZEALAND
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1. INTRODUCTION

- 1.1 Encompassing four regional business organisations (Employers' & Manufacturers' Association (Northern), Employers' & Manufacturers' Association (Central), Canterbury Employers' Chamber of Commerce, and the Otago-Southland Employers' Association), Business New Zealand is New Zealand's largest business advocacy body. Together with its 56-member Affiliated Industries Group (AIG), which comprises most of New Zealand's national industry associations, Business New Zealand is able to tap into 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.
- 1.2 In addition to advocacy on behalf of enterprise, Business New Zealand contributes to Governmental and tripartite working parties and international bodies including the ILO, the International Organisation of Employers and the Business and Industry Advisory Council to the OECD.
- 1.3 Business New Zealand's key goal is the implementation of policies that would see New Zealand retain a first world national income and regain a place in the top ten of the OECD (a high comparative OECD growth ranking is the most robust indicator of a country's ability to deliver quality health, education, superannuation and other social services). It is widely acknowledged that consistent, sustainable growth well in excess of 4% per capita per year would be required to achieve this goal in the medium term.
- 1.4 The strength of the economy also determines the ability of a nation to deliver on the social and environmental outcomes desired by all. First class social services and a clean and healthy environment are possible only in prosperous, first world economies.
- 1.5 Safe and efficient transport infrastructure and services are among the critical drivers for facilitating the rate of long-term sustainable economic growth required for New Zealand to regain a place among the top ten of the OECD
- 1.6 Business New Zealand therefore welcomes the opportunity to comment on the Transport Legislation Bill, which implements the key recommendations of the Government's Transport Sector Review. We support the restructuring of the transport sector agencies, but have concerns about some of the other key aspects of this Bill, particularly the codification of the New Zealand Transport Strategy (NZTS) in transport legislation and the repeal of 'safety at reasonable cost'.
- 1.7 The Bill has five broad themes:
 1. The alignment of the statutory objectives of the Minister of Transport and the transport agencies with the NZTS.

2. The creation of a new Crown land transport entity to replace the Land Transport Safety Authority (LTSA) and Transfund New Zealand.
 3. Better integration of safety funding with other land transport funding.
 4. The Minister to lead strategic policy.
 5. The Minister to have primary responsibility for search and rescue coordination.
- 1.8 Following the Summary of Recommendations section below, the remainder of this submission will discuss each of these five themes.
- 1.9 We would like to express our appreciation to the Ministry of Transport officials who provided us with a very full and informative briefing on the Bill. Their assistance was much appreciated.

2. SUMMARY OF RECOMMENDATIONS

- 2.1 Business New Zealand recommends that the Bill should proceed. We agree with a number of key aspects of the Bill:
- (a) The strategic policy capability of the Land Transport Safety Authority and Transfund New Zealand should be transferred to the Ministry of Transport;
 - (b) The Land Transport Safety Authority and Transfund New Zealand should be replaced by Land Transport New Zealand;
 - (c) The Ministry of Transport's policy leadership role should be strengthened; and
 - (d) The Minister should be provided with primary responsibility for search and rescue coordination.
- 2.2 However, we have concerns with other aspects of the Bill. These could be addressed through the following recommendations:
- (e) The term 'at reasonable' cost should be retained in transport legislation;
 - (f) The Bill should be amended to remove the explicit references to the five existing objectives of the New Zealand Transport Strategy;
 - (g) The Minister and the transport agencies should be focused on safety and efficiency objectives and the safety agencies should not be provided with broader roles;
 - (h) The Committee should consider alternative names for the Maritime Transport Authority; and

- (i) The Committee should investigate ways to reduce the risks associated with the abolition of the funder/provider split that would not raise additional risks about political interference in the funding of specific projects.

3. ALIGNMENT OF STATUTORY OBJECTIVES WITH THE NZTS

3.1 Business New Zealand can understand the motivation behind aligning the statutory objectives of the Minister of Transport and the transport agencies with the NZTS. It is certainly important to ensure that the Minister and the transport agencies are working towards consistent objectives.

3.2 However, we are concerned about following implications as follows:

- The removal of 'at reasonable cost' from transport legislation;
- The codification of the existing NZTS in transport legislation; and
- The widening of scope of transport agencies beyond safety.

At Reasonable Cost

3.3 Business New Zealand is very disappointed that the term 'at reasonable cost' is to be removed from transport legislation. As we have discussed with the Committee in submissions on previous transport legislation, Business New Zealand considers efficiency to be a critical element of transport decision-making. We are deeply concerned that removing this discipline will encourage transport agencies to engage in activities that would fail a benefit-cost analysis. To argue that 'sustainability' would cover efficiency is heroically optimistic considering the way that particular term has been used (and in some cases abused) over recent times.

3.4 *Recommendation: Business New Zealand recommends that the term 'at reasonable' cost should be retained in transport legislation.*

Codifying the NZTS

3.5 Business New Zealand is concerned by the proposed codification of the NZTS in transport legislation. Any strategy must have the flexibility to change under different circumstances or priorities. To suggest that the current NZTS is the final word in transport strategy would be naïve. It is highly likely that this government or a future government will eventually decide that the NZTS needs amendment. To entrench the existing strategic objectives in legislation will make it much more difficult to amend the NZTS in the future. In our view this is shortsighted.

3.6 A better way to reflect the NZTS might be to require the Minister and transport agencies to have regard to the objectives of the NZTS. This would ensure that the NZTS is followed as well as provide flexibility in the event of changes being made to the NZTS.

3.7 *Recommendation: Business New Zealand recommends that the Bill should be amended to remove the explicit references to the five existing objectives of the New Zealand Transport Strategy.*

Broader Roles of Agencies

3.8 Business New Zealand is concerned at the broader roles expected of the transport agencies, particularly the safety agencies. For example:

- If the transport agencies were not adequately resourced to undertake the broader roles, broadening their roles would dilute the importance of safety as an objective and could result in poorer safety outcomes.
- A high proportion of the funding for each of the safety agencies is sourced from fees and charges paid by the transport industry. While there is probably broad acceptance in the industry of the current arrangements for the funding of agencies' safety activities, acceptance of industry-pays is unlikely to be as forthcoming if the agencies move into other areas.
- A broadening of roles might encourage the Minister and agencies to intervene in the transport industry on grounds unrelated to their core safety obligations. We submit that such intervention would impose significant costs on businesses and consumers, reduce quality of service, impede innovation, reduce productivity, and harm competitiveness.

3.9 We therefore submit that the Minister and the transport agencies should be focused on safety and efficiency and that the safety agencies should not be provided with broader roles.

3.10 *Recommendation: Business New Zealand recommends that the Minister and the transport agencies should be focused on safety and efficiency objectives and the safety agencies should not be provided with broader roles.*

4. CREATION OF NEW CROWN ENTITY

4.1 Business New Zealand agrees with the transfer of the strategic policy capacity of the LTSA and Transfund to the Ministry of Transport. We also agree that the remnants of the LTSA and Transfund should then be merged into a new agency called Land Transport New Zealand (LTNZ).

4.2 *Recommendation: Business New Zealand recommends that the strategic policy capability of the Land Transport Safety Authority and Transfund New Zealand should be transferred to the Ministry of Transport.*

4.3 *Recommendation: Business New Zealand recommends that the Land Transport Safety Authority and Transfund New Zealand should be replaced by Land Transport New Zealand.*

4.4 On a related matter, Business New Zealand notes that the Maritime Safety Authority is to have a name-change to the 'Maritime Transport Authority' to reflect its soon-to-be broadened responsibilities. We note that there are at least two existing transport-related industry associations that share the acronym 'MTA' – the Motor Trade Association and the Marine Transport

Association. The Committee may wish to consider alternative names for the Maritime Transport Authority to reduce the potential for confusion.

- 4.5 *Recommendation: Business New Zealand recommends that the Committee should consider alternative names for the Maritime Transport Authority.*

5. INTEGRATION OF FUNDING

- 5.1 Business New Zealand is comfortable with the integration of the National Land Transport Programme (NLTP) and the Safety Administration Programme (SAP) into a Land Transport Programme (LTP) prepared by LTNZ.

- 5.2 However, we are less than comfortable about the associated abolition of the funder/provider split. There are risks in this abolition that will need to be carefully managed. The proposed solution would appear to be for the Minister to approve the LTNZ LTP, but this also raises risks of its own – the potential for political interference in the funding allocation process. While we accept that the current funding arrangements have the Minister approving the ‘pots’ of funding for the NLTP, the Minister does not approve the NLTP. Under the Bill’s provisions the Minister will approve the LTP, and the LTP includes the specific projects within each ‘pot’ of funding.

- 5.3 *Recommendation: Business New Zealand recommends that the Committee should investigate ways to reduce the risks associated with the abolition of the funder/provider split that would not raise additional risks about political interference in the funding of specific projects.*

6. STRATEGIC POLICY

- 6.1 Business New Zealand agrees that the Minister should lead strategic policy and that the Ministry of Transport’s policy leadership role should be strengthened. The Ministry’s diminished capability over the past few years was a concern shared by many submitters to the Review. The intention to clarify the Ministry’s role and associated moves to improve its capability can only be welcomed.

- 6.2 *Recommendation: Business New Zealand recommends that the Ministry of Transport’s policy leadership role should be strengthened.*

7. SEARCH AND RESCUE

- 7.1 Business New Zealand agrees with the proposal to provide the Minister with the primary responsibility for search and rescue coordination. We are aware that search and rescue arrangements were found wanting after a boating accident near Oamaru in 2002, with a subsequent review recommending a number of changes. Although most have already been implemented, this legislation will formalise the new arrangements.

- 7.2 *Recommendation: Business New Zealand recommends that the Minister should be provided with primary responsibility for search and rescue coordination.*