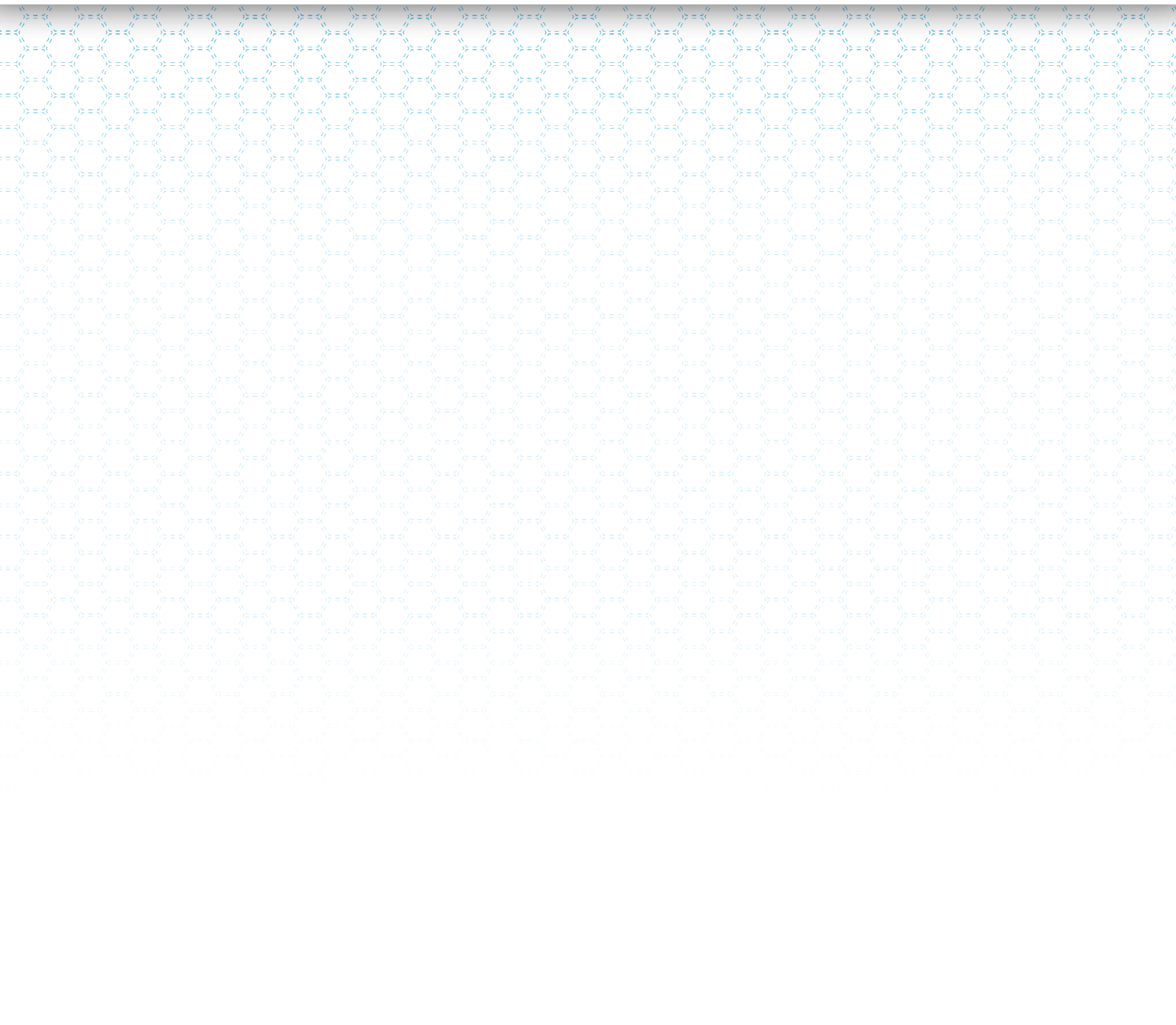




**Local Government  
New Zealand**  
*te pūtahi matakōkiri*



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## INTRODUCTION

1. *Local Government New Zealand* thanks the Ministry of Transport for the opportunity to make this submission in relation to the Government Policy Statement on Land Transport Funding 2012/13 – 2021/22 (GPS 2012).
2. *Local Government New Zealand* makes this submission on behalf of the National Council, representing the interests of all local authorities of New Zealand.

It is the only organisation that can speak on behalf of local government in New Zealand. This submission was prepared following consultation with local authorities. Where possible their various comments and views have been synthesised into this submission.

In addition, some councils will also choose to make individual submissions. The *Local Government New Zealand* submission in no way derogates from these individual submissions.

3. *Local Government New Zealand* prepared this submission following:
  - i. an analysis of the engagement document
  - ii. analysis of all feedback from councils.
4. The final submission will be endorsed under delegated authority by:
  - i. Lawrence Yule, President, National Council
  - ii. John Forbes, Vice-president, National Council
  - iii. Eugene Bowen, Chief Executive, *Local Government New Zealand*.
5. *Local Government New Zealand* would be pleased to meet with the Ministry of Transport for further discussion on any points raised in this submission.
6. *Local Government New Zealand* requests the opportunity to review the GPS 2012 before it is finalised.

## LOCAL GOVERNMENT NEW ZEALAND POLICY PRINCIPLES

7. In developing a view on the provisions on the GPS 2012 we have drawn on the following high level principles that have been endorsed by the National Council of *Local Government New Zealand*:
  - i. **Local autonomy and decision-making:** communities should be free to make the decisions directly affecting them and councils should have autonomy to respond to community needs.
  - ii. **Accountability to local communities:** councils should be accountable to communities, and not to Government, for the decisions they make on the behalf of communities.
  - iii. **Local difference = local solutions:** avoid one-size-fits-all solutions, which are over-engineered to meet all circumstances and create unnecessary costs for many councils. Local diversity reflects differing local needs and priorities.

- iv. **Equity:** regulatory requirements should be applied fairly and equitably across communities and regions. All councils face common costs and have their costs increased by Government and government funding should apply, to some extent, to all councils. Systemic, not targeted funding solutions.
  - v. **Reduced compliance costs:** legislation and regulation should be designed to minimize cost and compliance effort for councils, consistent with local autonomy and accountability. More recognition needs to be given by Government to the cumulative impacts of regulation on the role, functions and funding of local government.
  - vi. **Cost-sharing for national benefit:** where local activities produce benefits at the national level, these benefits should be recognised through contributions of national revenues.
8. We would like the Ministry of Transport to take these into account when reading this submission.

## COMMENTS

### Executive Summary

9. Given the economic climate we currently find ourselves in, *Local Government New Zealand* supports the three priority themes the GPS 2012 is seeking to promote over the next three years. Namely:
- a strong and continuing focus on economic growth and productivity
  - value-for-money, and
  - road safety.
10. However, this support is contingent on the fact that we see these themes as representing *short-term* priorities. These priorities do not collectively represent a long-term strategic direction for the transport sector and cannot be treated as such. In the absence of a long-term direction for the transport sector, we also volunteer a fourth priority theme for the GPS 2012: resilience.
11. While not opposed to the three priorities of the GPS 2012, we disagree with the path being promoted by the government to make progress in these areas. We do not believe that the proposed funding allocations signal the best way of achieving the transport outcomes desired by New Zealanders either now or in the future.
12. *Local Government New Zealand* makes the following recommendations to improve the effectiveness of the GPS 2012:

### *General principles*

- i. Local government is a co-investor in transport outcomes and should not be viewed as simply being another interest group. This fact should be reflected by earlier and more meaningful engagement on future Government Policy Statements on Land Transport Funding.

- ii. A Government Policy Statement on Land Transport Funding is an implementation plan, not a strategy. It must be read within the context of a longer-term plan (i.e. 30 years minimum to align with Regional Land Transport Strategies).
- iii. A Government Policy Statement on Land Transport Funding should view transport infrastructure as belonging to an interdependent network, with more direct acknowledgment of the tradeoffs that inevitably occur when distributing finite funding across defined activity classes.
- iv. The National Land Transport Fund (NLTF) is generated from the use of local and central government assets through a PAYGO funding system dictated largely by the efficiency of revenue collection. The Government is the steward (not "owner") of the NLTF and some form of distributional equity (based on where the revenue was generated) must be reflected in funding allocations.
- v. A Government Policy Statement for Land Transport Funding should be underpinned by an intervention hierarchy of maintain, operate, build.
- vi. Transport outcomes can be optimised by a Government Policy Statement on Land Transport Funding that builds an effective partnership between central and local government.

*Direction of GPS 2012*

- vii. The GPS 2012 must be supported by a longer-term vision for the transport sector. In the absence of a statutory National Land Transport Strategy, this vision should be articulated by the proposed Forward Plan for Transport and the National Infrastructure Plan.
- viii. As a co-investor in transport outcomes, the local government sector should be involved as a collaborative partner in the setting of any long-term direction for transport in New Zealand.
- ix. Consideration should be given to the potential impact on the construction industry in rural and provincial New Zealand as a result of centralising investment in and around major population centres over an extended period.
- x. Transparency is required around the selection process for both current and future Roads of National Significance (RONS). Any process must consider all parts of the network, not just state highways.
- xi. Given the scale of the funding commitment made in pursuing existing RONS, any decision to identify and prioritise further RONS should not be made in the absence of an explicit longer-term direction for the transport sector.
- xii. More research into the feasibility of making explicit the full extent of infrastructure investment in road safety is needed before a decision to proceed is made.
- xiii. While rebuilding Canterbury should be New Zealand's top priority, funding this rebuild must not come at the expense of a reduction in the level of service provided by the local road network.
- xiv. The impact target to create "A secure and resilient transport network" should be elevated to a priority theme of the GPS 2012.
- xv. High-level reporting on progress made towards achieving desired impacts are included.

### *Funding availability*

- xvi. Clarification on the future of "R" funding beyond 2015 is needed.
- xvii. Consideration should be given to the ongoing sustainability of the National Land Transport Fund, particularly for out-years.
- xviii. If a commitment is made to largely complete the seven Roads of National Significance over the next ten years, consideration must be given to the impact of this funding commitment on the NLTF and the potential need to provide local government with additional funding tools needed to advance projects of local and regional importance.
- xix. If the Government is setting a cap of local road investment based on community willingness to pay via rating mechanisms and historical financial assistance rates, additional non-rates based funding mechanisms, such as regional fuel tax, be made available to local government to fund local priorities.

### *Funding allocation*

- xx. The Government's economic growth and productivity objectives can be achieved more comprehensively with a balanced portfolio of investment, rather than using state highway improvements as the primary lever for achieving economic objectives.
- xxi. The Government's economic growth and productivity objectives can only be realised by investing in both ends of the supply chain.
- xxii. Local government is already under pressure to realise efficiencies when balancing community expectations of levels of service against willingness-to-pay through rates increases. Efficiencies realised through reductions in levels of service are false efficiencies.
- xxiii. Allowance for inflation must be made in relation to local road-related activity classes.
- xxiv. Allowance for inflation must be made in relation to public transport services.
- xxv. Additional funding should be made available to advance facilities for walking and cycling.
- xxvi. Additional funding should be made available to advance facilities for public transport infrastructure.
- xxvii. Additional allowance is made to enable the local government sector to make a positive contribution to developing a safe road system over the next decade. At a minimum this should involve holding the Road user safety activity class at current levels.
- xxviii. The benefits of infrastructure investment by central government, local government and the private sector can only be realised by integrated planning. Progress towards integrated planning is an agreed objective for central and local government that is directly threatened by reducing the Transport planning activity class.

### **General comments**

- 13. *Local Government New Zealand* provisionally supports the three priority themes the GPS 2012 is seeking to promote. Namely:
  - i. a strong and continuing focus on economic growth and productivity
  - ii. value-for-money, and
  - iii. road safety.

14. However, while not opposed to the direction, we are opposed to the implementation path designed to get us there. We do not believe that the proposed funding allocations represent the best way of achieving these outcomes. This submission offers recommendations on how the GPS 2012 can be amended to achieve jointly-desirably transport outcomes more effectively.
15. Of concern is the lack of strategic thinking. The New Zealand Transport Strategy 2008 set out a long-term vision for the transport sector. It identified upcoming issues that need to be addressed during the first half of this century such as climate change, volatile energy prices, an ageing population and transport affordability. Unfortunately, this document has been disregarded and never replaced. Government Policy Statements have since become the strategic direction for transport by default. The key flaw with the situation we currently find ourselves in is that the Government Policy Statement is an implementation instrument, not a long-term planning document. It is limited to providing guidance over a 10 year period when in reality a more long-term perspective is needed to assess the real implications of transport investment decisions.
16. The proposed funding allocations in the GPS 2012 largely mirror the long-term planning vacuum they were created within. The document addresses what it perceives as immediate problems without seeming to consider the larger consequences of these decisions. As a result, while *Local Government New Zealand* supports the priorities in the GPS 2012, this support is limited by recognising that these are *short-term* priorities. These priorities are not a long-term strategic direction for the sector and cannot be treated as such.
17. Of greater concern is the government's belief that channelling progressively more investment into state highway improvements is the best path for achieving economic growth, value-for-money and road safety benefits. State highways may carry roughly half of vehicle kilometres travelled but collectively still amount to only 12% of the total road network. Local roads, passenger transport needs and, walking and cycling facilities also require attention. Simply increasing state highway capacity is not a panacea for resolving New Zealand's transport problems.
18. The narrow path the GPS 2012 proposes to take us down is likely to have perverse implications that do not appear to have been given adequate consideration. This submission will raise the issues from the perspective of the local government sector in relation to each of the headings in the engagement document.

### **What is the GPS?**

19. While it was probably not intended that comment should be provided on this section, the government's perspective on what the Government Policy Statement is designed to do appears to be fundamentally different from the view held by local government.
20. New Zealand's current PAYGO funding system is dictated largely by the efficiency of revenue collection. As our roads make up a continuous network it is not possible or appropriate to physically "user differentiate" the local road network from the state highway network. This means that revenue generated from the use of both networks' road assets is

generated collectively. The government, as steward of the NLTF is then responsible for allocating this fund to where it is needed most.

21. This stewardship role means that a greater standard of care is required when setting national investment priorities. Roughly half of the fund is derived from the use of assets that belong to, and are managed by, local government. *Local Government New Zealand* believes this to mean, that a significant portion of the revenue going into the NLTF should not automatically be considered as “belonging” to the government. Unfortunately the proposed GPS 2012 fails to acknowledge, either formally or informally, a connection between how revenue was generated and where funding will be allocated.
22. We do concede that the Minister has full right to direct *national* funding priorities. However, based on our system of revenue generation, we believe national priorities must also be seen to be balanced against the advancement of local and regional priorities. The GPS 2012 tips this balance. It does not appear to represent the intended future actions of a responsible steward. Instead it systematically undermines the needs of the local road, passenger transport and walking and cycling networks to maximise the investment available to the largest state highway investment program in New Zealand’s history.
23. Local government has not been immune to the impacts of the global financial crisis. Our sector certainly appreciates the dire economic position we as a country currently find ourselves in. In fact, an outcome arising from the Local Government Transport Congress held earlier this year even went as far as accepting the government’s immediate economic objectives so long as current pressures could be examined in light of longer-term transport imperatives.
24. Regrettably, any semblance of further long-term focus has been lost. Every signal given by the GPS 2012 is that the narrow focus on economic efficiency is not only here to stay, but should also be primarily realised via state highway improvements. It is not so much a temporary fix as a new funding reality. As such it represents a fundamental shift in the transport funding relationship between local government and the Crown as steward of the NLTF.
25. This GPS 2012 represents a departure from our sector’s understanding of the purpose behind the Land Transport Management Act 2008. An effective GPS should be used as a prioritisation tool, not a command-and-control mechanism for directing the activities of local road controlling authorities. While some level of cross-subsidisation between the competing interests for transport investment will always be necessary, the GPS 2012 goes too far.
26. Local government requires a Government Policy Statement that optimises our ability to work in an effective partnership with the government. Such a GPS is contingent on the government viewing local government as a partner for investing in the fulfilment of jointly desired outcomes. On the basis of both the GPS 2009/10-2018/19 (GPS 2009) and the GPS 2012, this does not yet appear to be the case. This will need to change if New Zealand is going to be able to optimise the investment both central government and local government make in our land transport network.



### **What did GPS 2009 do?**

27. The GPS 2009 represented a shift in the government's priority for investment in land transport to more explicitly encourage economic growth and productivity. It did so predominantly by prioritising funding for "value-for-money" interventions as well as increasing the proportion of investment in the state highway network.
28. Local government has also been directly impacted by the global financial crisis. While the timing of the release of the GPS 2009 created practical difficulties, the local government sector generally recognised the need to switch our short-term focus towards interventions providing high potential economic benefits. What we again disagreed with was the path advocated by the government to get us there.
29. In our previous submission on the GPS 2009, *Local Government New Zealand* identified that investing in state highway improvements as the primary lever for achieving economic objectives would be likely to create perverse outcomes for the local road network in the longer-term. This is still the case. The performance (level of service) of the local road network will continue to decline in comparison to state highways as a result of the funding imbalance signalled by the GPS 2009.
30. A more balanced portfolio of investment across activity classes (encompassing state highways, local roads, passenger transport, walking & cycling, road safety) is considered to be more likely to maximise the transport benefits available to New Zealanders.

### **What is the direction planned for GPS 2012?**

31. While we remain nervous about the long-term implications of the current policy settings, *Local Government New Zealand* accepts the government's immediate priorities identified in the GPS 2012. Economic growth, value-for-money and road safety are broadly acceptable national transport priorities to work towards over the next three years.
32. However, we do not believe that the steps subsequently identified by the GPS 2012 to achieve these outcomes will provide the best return on our investment. Unfortunately, in its current form the GPS 2012 simply carries forward our issues with the GPS 2009 and exacerbates them.
33. An alternative direction that not only responds to current pressures but also addresses the implications of funding centralisation and the advancement of non-economic well-beings driven should also be considered. **We believe this may be achieved by elevating the significance of resilience from an impact to a fourth priority theme of the GPS 2012.**
34. The recent impacts in Canterbury have highlighted the importance of building resilience into our communities. Given the long lifespan of transport infrastructure, resilience should be a requisite consideration for all transport decision-makers. It is also a factor that could inadvertently be undermined by committing such a significant proportion of the NLTF to state highways improvements over the next 10 years. In the absence of a long-term direction for transport, promoting resilience as a fourth priority theme of the GPS 2012 is akin to applying the Precautionary Principle to

new investment decisions. This will mitigate the potential for further misalignment between local and central government in the interim.

35. Alternative options for maximising our progress towards fulfilling these objectives will be provided later in this submission as specific comments on proposed funding allocations.

*Including a statement of strategic direction*

36. The planning and funding processes administered by the Land Transport Management Act 2003 (and reinforced by more recent amendments to this Act in 2008) are designed to transparently align local, regional and national priorities. The success of this alignment is reliant on relevant parties buying into and making progress towards an overall vision for the sector. Unfortunately such a vision does not exist.
37. The GPS 2009 alluded to the development of a Forward Plan for Transport. This document would replace the NZTS 2008 and supplement the National Infrastructure Plan in effectively plugging this strategic gap. While specifically mentioned in the GPS 2012, no further details about the Forward Plan for Transport have been forthcoming from the Ministry of Transport. Ignoring the views of local government funding and decision-making partners in the development of this document will significantly undermine its potential value.
38. Until the Forward Plan for Transport is presented, Government Policy Statements will remain the default strategic vision for the transport sector. While a Government Policy Statement is a three year implementation plan (with out-years), an over-arching strategic direction allows immediate funding allocations to be set with one eye on the future. Without the benefit of this direction, the GPS 2012 has crucially ignored the wider challenges the transport sector will need to grapple with in the near future. Such an approach is not sustainable.
39. Statute dictates that local government via Regional Land Transport Strategies (RLTS) must plan ahead for at least 30 years. A sample of RLTS documents reveals consistent identification of issues which are less directly targeted at improving economic productivity such as energy security, climate change, changing demographics and land use intensification. Addressing these challenges will require a more balanced mix of expenditure across and between activity classes than we are currently seeing.
40. Unfortunately, the sequencing decision to pursue all seven RONS simultaneously locks in the lion's share of the NLTF into state highway improvements. This prevents a more balanced mix from occurring for many years to come, stifling regional discretion. It effectively entrenches the misalignment between regional and national strategic direction first signalled by the GPS 2009 for the next decade. Regional aspirations relating to non-economic transport outcomes will effectively be frustrated for the ten-year duration of the GPS 2012. This situation is unlikely to be remedied with the advent of a Forward Plan.
41. Regardless, a more fit-for-purpose articulation of the government's overall vision for transport is still sorely needed. While no details have been provided it is hoped that the Forward Plan for Transport may offer the guidance needed to start addressing the big transport questions expected

to arise beyond 2022. This has to be more than a statement of strategic direction included as an appendix to justify the direction of the GPS 2012.

42. Local government will be putting its hand up to be involved as a collaborative partner in the development of any strategic direction for the transport sector.

*Removing the short to medium-term focus on economic stimulus*

43. The short to medium-term economic stimulus provided by increased expenditure on the state highway programme in the GPS 2009 has been substantially over-stated.
44. As the National Land Transport Fund is now fully hypothecated, approximately \$3bn is now invested in New Zealand's land transport network annually. Distributing this funding to progress local, regional and national transport projects will inevitably create jobs. These jobs will exist regardless of what activity class they are connected to.
45. Continuing the emphasis on developing major state highway projects in and around our urban centres will significantly change the dynamics of the construction industry. Moving projects will also move jobs as jobs exist where the work is. Concentrating projects in our large metro centres will in fact limit employment opportunities in rural and provincial New Zealand. There are indications that in some regions this is already resulting in less competitive tendering and higher prices. While the GPS 2009 may have provided an economic stimulus for our biggest contractors, the overall resilience of the construction industry could suffer.
46. Such perverse outcomes will continue to occur until a longer-term context is applied to decisions made on immediate transport priorities.

*Roads of National Significance*

47. *Local Government New Zealand* is not opposed to advancing Roads of National Significance. Each of the seven projects had already been identified as critical to the development of the regions in which they are located. However, we are critical of both the lack of transparency around the process of how these roads were initially identified as being "nationally significant", as well as the sequencing decision to undertake all of these projects simultaneously.
48. Roads of National Significance were not a feature of the first iteration of the GPS 2009 promulgated by the previous government in August 2008. At this point some of those routes represented little more than lines on a map. While individual regions may have identified these routes as being of long-term strategic importance they were by no means all fully-costed proposals simply awaiting the government's green light.
49. As a result the decision to deem these routes as being "nationally significant" (without assessing evidence against established criteria) creates a lack of transparency which undermines the credibility of the entire prioritisation process.
50. It is therefore with great trepidation that the next tranche of future RONS are received. While there appears to be more transparency in the selection process, using a state highway classification system as the basis

of this selection process explicitly excludes the consideration of local roads. In effect it is a tool for institutionally marginalising the significance of both local road improvements and nationally significant public transport projects.

51. In our submission on the draft state highway classification system we identified the problems with looking at one part of the network in isolation. We also explicitly recommended that classification is not used as a justification for funnelling an even larger proportion of the National Land Transport Fund into the development of state highways at the expense of local roads. This is now exactly what is being proposed by the GPS 2012.
52. All of the seven proposed criteria in the draft state highway classification are either directly or indirectly related to economic growth. With the exception of the resiliency criteria (Significant lifeline) all are also skewed towards prioritising volume.<sup>1</sup> In this instance volume appears to be being used as a proxy for economic growth. This approach will end up prioritising urban traffic congestion ahead of nationally important supply chains such as those servicing the Clondeboyne dairy processing plant in Canterbury, responsible for 6% of New Zealand's total exports alone.
53. Using the state highway classification as a means of "transparently" selecting future RONS will perpetuate the concentration of funding into state highways servicing our urban centres at the expense of the needs of rural and provincial New Zealand. However, under this approach even high volume (urban) local roads will fail to get a look in as only state highways will be able to be identified as being "nationally significant". This creates a new funding hierarchy for new and improved infrastructure. In descending order of priority this is:
  - high volume state highways (nationally significant)
  - state highway (potentially also segregated by class)
  - local roads.
54. It may not be possible to develop an equivalent classification system for local roads. This is a result of a combination of capacity constraints, coordination issues, geography and difficulties created by the sheer length of the local road network. Adopting such a "black and white" approach to network management may not be desirable or cost-effective. However, without a comparable system in place the needs of the local road network may continue to be regarded as "nationally insignificant". While transparency in the decision-making process is welcomed, it is essential that any process for determining nationally significant roads should take a more inclusive and holistic perspective of the network.

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<sup>1</sup> State highway classification system - Consultation draft, accessible at:  
<http://www.nzta.govt.nz/consultation/classification-system/docs/draft-sh-classification.pdf>

55. For reasons already alluded to, the decision to continue with identifying and prioritising nationally significant roading projects is perhaps the most questionable of all. Sequencing all currently-identified RONS simultaneously is creating unnecessary and unwanted pressure in other activity classes. We understand that the current backlog of state highway improvements will take 10-15 years to complete. This effectively commits funding not only for these routes, but also all other activity classes over this time period. Identifying future RONS will lock a similar funding regime in place for longer still. Local and regional priorities relating to local roads, passenger transport, and walking and cycling will end up being marginalised even further.
56. If we as a nation are committed to developing the RONS as they are currently timetabled, we need to be very clear about the trade-offs. These trade-offs specifically involve less overall investment in the local road network, less funding for passenger transport and services, less funding for walking and cycling projects, less funding for projects promoting road user safety and less subsidisation of transport planning. Creating a pipeline of future RONS announces this to be our new status quo for the next several decades. If funding levels are committed so far in advance, what then is the point of activity class allocation via a Government Policy Statement?
57. Committing New Zealand to such a long-term programme of roading investment is reckless in the absence of a holistic long-term direction.

*Making explicit the full extent of infrastructure investment in road safety*

58. *Local Government New Zealand* accepts the logic behind wanting to clarify reporting details about roading investments that offer specific safety benefits. However, the devil will be in the detail to ensure this does not simply become another meaningless hoop to jump through on LTP online that offers neither operational or road safety benefits.
59. As per the example of the RONS projects, many aspects of road improvements and maintenance provide an element of road safety benefit. At some point the New Zealand Transport Agency will have to determine where this line is drawn. This will be easier said than done.
60. How safety related roading expenditure is defined will greatly affect both the appropriateness of the \$80-120m annual target, as well as the sector's ability to meet it. It is possible that the proposed target is not far off the current status quo although it does appear that the percentage of funding to be spent on safety is higher for local roads than state highways. However, the existence of the target creates other issues. For example, if the local government wanted to spend more than \$120m on safety related roading expenditure in a year, would this receive subsidisation from the National Land Transport Fund? Alternatively, if local government collectively wanted to spend less than \$80m on safety related roading expenditure, would the target, force additional investment that constrains the availability of funding for other activities? More explanation is required on how this safety target will work in practice before its implications can be accurately assessed.
61. The existence of a roading target also skews emphasis towards a single element of the safe system approach. While safer roads are undoubtedly

important, so too are safer road users, safer vehicles and safer speeds. No targets exist for expenditure in these areas and it has even been proposed that less funding will be available for interventions targeted at creating safer road users. This sends a signal that the government is treating some parts of the safe system as being more important than others.

#### *Canterbury Earthquake Recovery*

62. Rebuilding Canterbury is important for both Canterbury as well as the rest of New Zealand. This is quite rightly a priority identified by the GPS 2012.
63. While rebuilding Canterbury has to remain a priority the implications on the rest of the network also need to be managed. At this stage it appears that if additional funding is needed above and beyond that available from emergency works provisions, that this will effectively be sourced from within local road-related activity classes. It is possible that this additional demand could reduce the amount of funding available for maintenance, renewals and improvements in the rest of New Zealand's local road network.
64. This should not be allowed to occur. Funding requirements beyond emergency works provisions and Canterbury's "normal" regional share of local road funding should come from lower priority funding buckets, namely the expanded bucket allocated to progressing state highway improvements. Potentially, delaying some of the RONS is vastly more preferable to risking a real decline in levels of service provided by local roads. This could be solved by reducing planned state highway expenditure and creating a new, temporary activity class specifically allocated for getting Christchurch back on its feet.

#### **What impacts will GPS 2012 contain?**

65. The impacts sets out in GPS 2012 are unchanged from the GPS 2009. Collectively these impacts read as a catch all for achieving "everything else". They are also primarily focussed on benefits to road users, largely ignoring the wider costs and benefits created by land transport.
66. Without an overarching strategy to prioritise these impacts, the short-term imperative to promote economic growth and productivity takes precedence. This is reinforced by the proposed funding levels of activity classes. Progress towards non-economic impacts is likely to be incidental under both the GPS 2012 and future GPS documents until a more balanced strategic direction is forthcoming.
67. As mentioned previously, *Local Government New Zealand* believes the impact target of "A secure and resilient transport network" should be elevated to being a fourth priority of the GPS 2012. Reporting on progress made towards achieving these desired impacts would also be welcome.

#### **Comment on funding availability**

68. Under a fully hypothecated NLTF there is now more money available for investing in transport outcomes than ever before. In 2001/2, \$831.7m of the National Land Transport Programme was allocated for investment in local roads and state highways (before local share was taken into

account).<sup>2</sup> Ten years later this figure has increased significantly to \$2157m in 2011/12. Likewise, investment in passenger transport (not including Crown appropriations) has increased from \$52.3m to \$277m and promotion of walking and cycling increased from \$0 to \$15m over the same time period.

69. While nominally plenty of funding has been made available by the GPS 2012, artificial constraints are being created by the way this funding is being distributed. In 2001/2, investment in the local roads represented 37.3% of all investment allocated to road infrastructure under the National Land Transport Programme.<sup>3</sup> Despite the increase in total funding, based on the funding range midpoints of local road-related activity classes this percentage will continue falling to 28.6% for the period 2012-15.
70. Over the last ten years the local share collectively contributed by local government has increased significantly. This increase of approximately \$200-300m has largely been met by increases in rates. As a result, communities across New Zealand are nearing the limit of what they can afford to pay and are willing to pay, for roading outcomes funded by rates. The government appears to be treating legitimate affordability concerns as a default cap on investment in local roads.
71. In 2009/10, 51.8% of vehicle kilometres travelled were on the local road network.<sup>4</sup> As the NLTF is primarily sourced by Road User Charges and Fuels Excise Duty (which are taxes based on the use of roads) approximately half of the fund, or \$1.5bn annually, is generated from the use of assets directly managed by local government. While some degree of cross-subsidisation for national transport priorities may be necessary, the current imbalance amounts to funding appropriation by the government.
72. The problem may be that the distribution mechanisms for allocating the NLTF have not evolved adequately in response to full hypothecation. While the local government sector may be nearing the limit of what it can afford to invest in land transport, the traditional average Financial Assistance Rate of roughly 50% means that under current mechanisms no more money is available for local road initiatives. As a result, the government is appropriating excess funding to advance the development of the state highway network, even though significant projects of high strategic importance locally and regionally may produce better national outcomes.
73. Under the current approach, such projects will continue to remain unfunded. By default the government is setting a cap on local road investment based on community willingness to pay via rating mechanisms and historical financial assistance rates. It seems that this cap will effectively apply for the foreseeable future. If so, additional non-rates based funding mechanisms, such as regional fuel tax, will need to be made available to local government to fund local priorities.
74. Local government needs the ability to respond to the demands on the local road network. At present, local government's access to funding is being artificially constrained by current distributional policy settings.

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<sup>2</sup> Road Funding by Region, Parliamentary Library background note, June 2006.

<sup>3</sup> As above.

<sup>4</sup> Transport volume: Vehicle travel, Transport Monitoring Indicator Framework, Ministry of Transport.

75. It is noted that the government is projecting a 45% (\$1.3bn) increase in revenue being generated into the NLTF by 2021/22. However, this seems to contradict current trends highlighted by declining car ownership rates, static traffic volumes and decreasing travel both per capita and per vehicle. These outcomes appear symptomatic of wider trends such as increasing fuel prices, an ageing population, and improving vehicle efficiency that may not necessarily simply “bounce back” with economic recovery. In light of the pressure on existing sources of transport revenue the time to start thinking of alternative funding tools is now.
76. Clarification on the work being done on the future continuation of “R” unding is also required.

### **How will funding be allocated?**

77. As the comments above have already outlined, *Local Government New Zealand* is not opposed to the short-term priorities set by the GPS 2012 to focus on economic growth, value-for-money, and road safety. However, we do not believe that the proposed funding allocations represent the most effective and efficient way of achieving the stated objectives.
78. Issues with fulfilling each of the government’s stated priorities will be looked at separately.

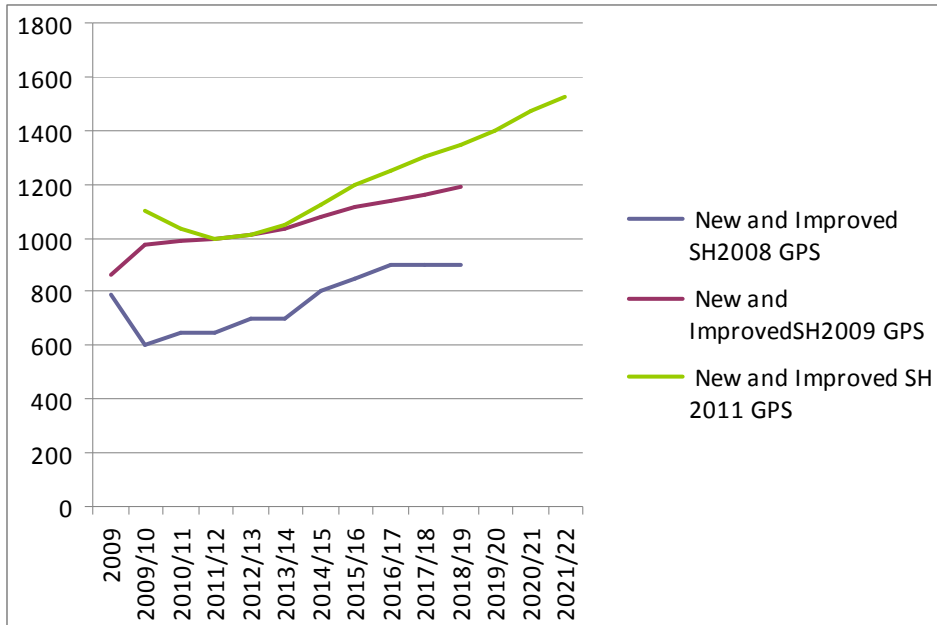
### *Economic growth and productivity*

79. Both local government and central government view investment in infrastructure as critical to supporting New Zealand’s ongoing economic growth and productivity. Agreement on this issue was a key outcome of the Central Government/Local Government mini-forum on infrastructure held in August 2010.<sup>5</sup>
80. Investment in transport infrastructure is seen as a key to achieving economic objectives. The NLTF is relatively unique within government in that it is a fully-hypothecated fund. This ensures that funding is specifically earmarked for investing in transport priorities in advance. Much of the annual \$3bn land transport-related expenditure provided by the NLTF is rightly spent on infrastructure, and more specifically, on improvements to infrastructure.
81. However, the only infrastructural related activity class to increase was New & Improved Infrastructure for state highways. In fact, this activity class has now increased so dramatically that the upper level of its funding range in 2014/15 represents nearly half of the total NLTF. The dramatic recent increase in funding for state highway improvements is illustrated in the following graph comparing allocation levels under the GPS 2011, the GPS 2009 and the original GPS 2009 released in August 2008:

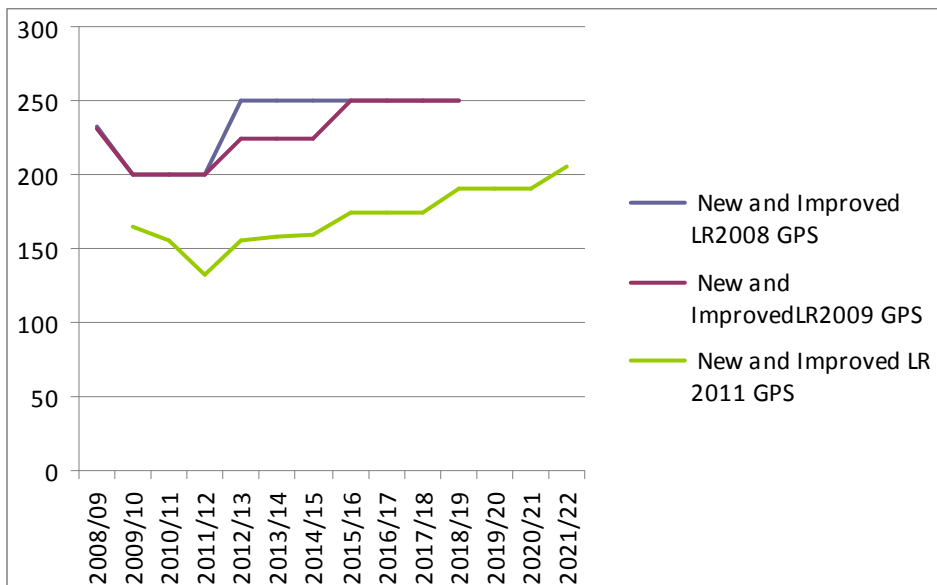
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<sup>5</sup> <http://www.beehive.govt.nz/release/govt-welcomes-joint-infrastructure-commitment>





82. This can be compared to a similar graph showing local road improvements allocated by the same documents over the same timeframe:



83. As the local road network is substantially longer than the state highway network **the current level of subsidy sees state highways now receive \$142,509 per/km compared to \$7573 per/km for local roads.** This equates to nearly 18 times the proportional rate of per/km investment. Under the GPS 2009 and now also the GPS 2012, revenue generated from the use local government assets is effectively subsidising the development of the state highway network to the tune of hundreds of millions of dollars every year. However, *Local Government New Zealand* does not believe that disproportionate investment in major state highway projects will provide the country with the best economic returns.

84. This is because such an approach is guilty of looking at one part of the network in isolation. It forgets that while a significant proportion of these journeys are undertaken on state highways, the first and last kilometres

are always travelled on local roads. Even more importantly, it fails to recognise the benefits provided by other modes including passenger transport, walking and cycling for private travel, and the role of rail and coastal shipping in relation to freight. Encouraging the use of other modes can fulfil jointly-desired productivity benefits by providing benefits to both road users and non-road users. Investing in one part of the network in isolation will simply create problems in other areas.

85. *Local Government New Zealand* believes that the government's economic growth and productivity objectives can be achieved more comprehensively with a more balanced investment portfolio. National priorities should be decentralised to a larger number of small-medium projects across all modes and networks with higher individual benefit cost-ratios. However, at the very least a Government Policy Statement on Land Transport Funding should reflect an intervention hierarchy of maintain, operate, build. This is not currently the case.
86. A more balanced investment strategy than that outlined by the GPS 2012 will disperse investment across the land transport network. It will provide an economic injection into the rural and provincial areas of New Zealand that has been hit by the recession the hardest. It will also start to target investment at places where the majority of the industries earning our export dollars are physically located, laying the foundations for further growth where it is most needed and can be more readily achieved. Unfortunately the ability to undertake such an approach is hamstrung if the decision to complete the RONS to current timelines is agreed to continue.

#### *Value-for-money*

87. The second priority identified by the GPS 2012 is on realising better value for money. Not only is this to be achieved by investing in projects generating high value returns (as addressed in the previous subsection) but by also placing "greater emphasis on finding efficiencies and savings" as well as "more prudence in the allocation and application of transport revenue".
88. Realising this value for money is largely to be achieved by maintaining or lowering the levels of several activity classes while lowering funding ranges to encourage efficiency. A presumed lack of prudence by road controlling authorities is not a problem that freezing or reducing funding levels is likely to solve alone. It also fails to acknowledge the widespread practice of awarding multi-year contracts and the lack of wiggle-room this affords for finding further "efficiencies". Accordingly, *Local Government New Zealand* does not believe the capability of technologies, in procurement or within the contracting industry, exists to achieve the desired level of efficiency.
89. Take as an example activity classes primarily related to local roads.<sup>6</sup> The specified funding ranges for these activities will essentially cap investment at current levels. This fails to recognise the significant impact of inflation. By any measure, inflation has increased dramatically over the past decade. During the period 2000-2010 (and indexed to 1999), the Consumer Price Index demonstrates a cost increase of 35.86%.

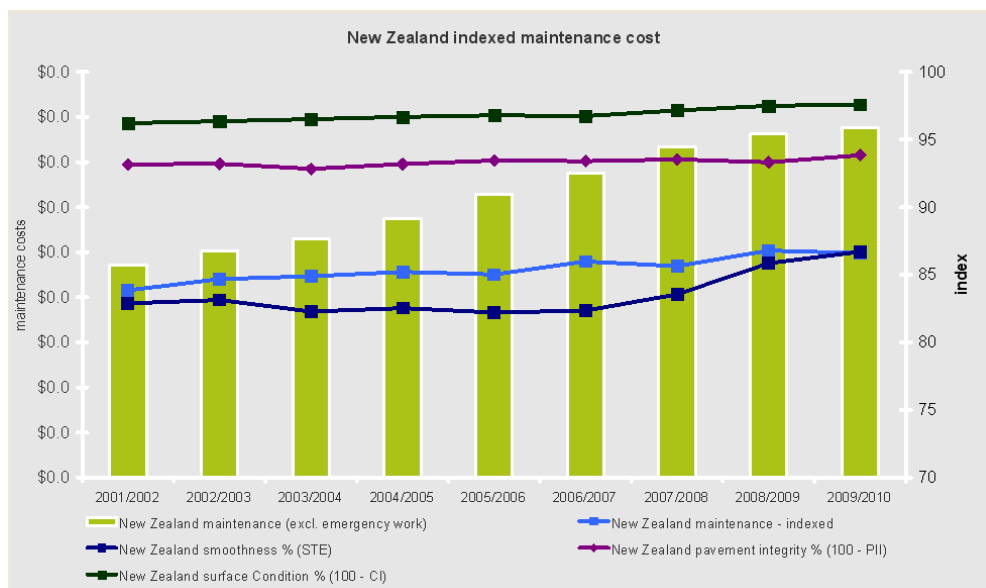
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<sup>6</sup> New & improved infrastructure for local roads, Renewal of local roads, and Maintenance & operation of local roads.

The Construction Cost Index which is more reflective of the costs associated with developing infrastructure has risen by 66.6% over the same period. The Bitumen Cost Index which is linked to the price of oil and is a major input when building roads has also increased a phenomenal 91.1%. The GPS 2012 fails to acknowledge that the real cost of maintaining, operating, renewing and improving roads has increased dramatically over a relatively short period of time. The staggering extent of the efficiencies being sought by the government are outlined in the following graph comparing the funding for local road maintenance and renewals across the GPS 2012, as well as both iterations of the GPS 2009:



90. However, recent increases in maintenance funding cannot simply be attributed to ever rising levels of service. The link between the increase maintenance funding and pavement integrity (for both local roads and state highways) is demonstrated by the following graph:



91. Although it can be argued that state highways provide a higher level of service, last year the maintenance and operation of the state highway

network by the New Zealand Transport Agency cost the country on average \$27,538 per/km. In comparison, the cost of maintaining and operating local roads by local road authorities incurred an average cost of just \$3,141 per/km. Realising further efficiencies for the local road network over the next three years is likely to come from declining levels of service rather than more prudent asset management.

92. Efficiencies gained from a real reduction in level of service are false efficiencies. They are also likely to negatively impact on safety outcomes as a result of a reduction in pavement integrity and a reduction in minor safety-related improvements reprioritised as a result of lowering the funding range available for renewals and maintenance. If artificial constraints on funding result in failure to undertake preventative maintenance, it should be noted that this will in fact increase costs of reinstatement in the long-run. *Local Government New Zealand* considers such an outcome to be a completely unacceptable way of increasing the revenue available to improve the state highway network.
93. If regulating levels of service provided by local government is the real reason behind the “efficiency” drive it must be seen as the fundamental challenge to local autonomy that it is. It ignores the high degree of transparency and accountability of local authorities to their communities that acts as a major incentive for efficient asset management. It also fails to recognise the importance of local geographies, local costs and local knowledge (such as the higher costs for maintenance and construction faced by Kaipara District as a result of roads being built on loose shale type material resulting in continuous road movements and slippage). The GPS 2012 is fundamentally not the right place to be having such a discussion.

#### *Road Safety*

94. The remaining priority of the GPS 2012 is road safety. Again, the key path for achieving positive road safety outcomes is investment in improving state highways.
95. Due to the concentrated traffic volumes on state highways, it is likely that the road safety benefits of improvements to key elements of the state highway network will be of significant national benefit. It is much harder to achieve similar benefit-cost ratios on the local road network due to the much more dispersed nature of its use.
96. However, while investing in state highways may provide significant benefits, putting all of our eggs into this basket is counter to the safe system approach being promulgated by the Safer Journeys strategy. The safe system approach views the road transport system more holistically by addressing the interaction between the road user, the road and roadside, speed and the vehicle.<sup>7</sup> Working towards a safe system will require making progress in each of these four areas.

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<sup>7</sup> Safer Journeys Action Plan 2011-2012.

97. Achieving improvement in each element of the safe system will take significant resources. The Government Policy Statement is the key mechanism for directing resources under the National Land Transport Fund. The GPS 2012 is sending a strong signal that Safer Roads and specifically, High Volume Safer Roads, are the government's preferred way of making progress towards developing a safe system. Unfortunately, in practice this approach is very similar to the former '3 E's' of enforcement, education and engineering advocated by the Road Safety 2010 Strategy, but gives Engineering a capital E.
98. The implementation of Safer Journeys expects local government to play a major role as a key partner in delivering positive road safety outcomes. However, at the moment it appears that little funding will be available to support local government in this endeavour. Despite best intentions, the delivery of Safer Journeys will fall down if local government is expected to pay for interventions largely through local share.
99. An example of this is the Road user safety activity class. The funding range for Road user safety has been both lowered and narrowed. This drive for supposed efficiencies is completely at odds to both the priority given to road safety and the holistic approach advocated by Safer Journeys. The approach to the Road user safety activity class not only privileges one element of the safe system over another, it also marginalises the potential contribution of local government on one hand while raising public expectations of policy delivery with the other. Such a schizophrenic approach is undesirable and will again lead to perverse outcomes.
100. The local government sector is relying on the GPS 2012 to enable it with the means to make a positive contribution to road safety outcomes over the next decade. Adopting a strategy of state highway improvements as the key mechanism for implementing Safer Journeys absolutely fails to do this. Finding "efficiencies" in the road user safety class to free up more funding for state highway investment is counter-productive and completely unacceptable.

### **Recommendations in relation to specific activity classes**

101. Based on comments made throughout this submission, *Local Government New Zealand* makes the following comments in relation to activity classes.

#### *Local roads*

102. Investment in the state highway should not come at the expense of declining level of service on the local road network. Recognition is also required that the scope for realising further efficiencies is extremely limited and reductions in preventative maintenance will actually lead to increased costs in the future.
103. ***Activity classes relating to renewal of local roads and maintenance of local roads should be increased so that mid-points, not maximums, reflect current usage levels, to allow for both inflation and network expansion.***

#### *Public transport services*

104. The increased allocation to public transport services is stated as funding the cost of upgrading, modernising and expanding the metro rail systems in Auckland and Wellington. However, the availability of access to funding increases outside of these centres is less clear.
105. Patronage increases and a significant rise in operating costs (51.5% rise in the Public Passenger Transport Cost Index in recent years – data source coming from Horizons Regional Council) have added to pressure on the public transport services activity class in recent years. ***At a minimum, the funding range for this activity class should be indexed to increases in inflation for all regions, as well as contractually agreed farebox recovery ratios.***

#### *Public transport infrastructure*

106. The economic benefits of public transport will not be realised without requisite investment in supporting infrastructure. ***Increasing the upper expenditure limit available for public transport infrastructure will support projects with superior cost-benefit ratios and will improve general alignment with Regional Land Transport Strategies.***

#### *Road User Safety*

107. Local government is a key partner in achieving the objectives outlined in the Government's Safer Journeys Strategy, and particularly objectives relating relation to safer road users. Local government cannot be expected to fund road safety initiatives entirely from local share and realising progress will not be possible without financial support. ***At a minimum, the Road user safety activity class should be maintained at current levels***

#### *Walking and cycling facilities*

108. Walking and cycling initiatives are renowned for providing positive economic outcomes. Advancing the modal share of walking and cycling is accordingly a priority identified almost universally across the local government.
109. Many projects of local and regional importance will not be unable to proceed if funding is held at current levels. ***The lessons learned from model communities in Hastings and New Plymouth are designed to be shared across the rest of New Zealand. This cannot happen unless both the upper and lower limits for this activity class are increased significantly over the next decade (particularly in out-years).***
110. The opportunity to align the New Zealand Cycle Trail Network Expansion project with the GPS 2012 is also supported.

#### *Transport planning*

111. Integrated planning is essential to realising the benefits of the transport infrastructure managed and provided by central government, local government and the private sector. This is only possible if sufficient investment is made in transport planning.

112. Significant institutional changes spearheaded by the Auckland governance reforms are raising the profile and importance of spatial planning. It is conceivable that a similar approach (in relation to depth, function) of spatial planning may be picked up by other regions over the next decade. This will require adequate investment on behalf of the government.  
***Future progress towards more integrated planning can be allowed for by increasing the upper funding limit for this activity class to 2012/22.***

## **CONCLUSION**

113. *Local Government New Zealand* supports the three national priorities identified by the GPS 2012 for our land transport sector over the next three years. However, our support is contingent on the fact that these are *short term* priorities. In light of recent events in Christchurch and future challenges on the horizon, we would add to this mix a fourth priority of resilience.
114. While we support the short-term priorities, we disagree with an implementation programme primarily based around investing in major state highway improvement projects. To this effect the GPS 2012 simply takes the worst parts of the thinking out of the GPS 2009 and builds upon them. Maintaining an emphasis on centralising investment only where it gets the biggest bang-for-buck will lead to declining levels of service in less-trafficked regions and perverse outcomes for the wider transport sector and beyond. Such a narrowly focussed investment strategy places too many of our eggs into the one basket and the long-term implications of concentrating such a massive level of investment in and around our major population centres for the rest of New Zealand remain to be seen.
115. *Local Government New Zealand* does not believe the best outcomes for New Zealand can be achieved by a strategy of privileging one aspect of the transport network at the expense of another. The GPS 2012 fails to recognise this fact. Local government requires a Government Policy Statement that views the sector as a capable and credible investment partner. Unfortunately the GPS 2012 fails in this regard as well.
116. The local government sector is ready and willing to collaborate with the government as a co-investor in transport outcomes to optimise the benefits of our collective investment. This will require more of a partnership approach than currently demonstrated in either the engagement process or the proposed outcomes for the GPS 2012. As a sector, we would like to work with the Government to ensure such an approach, from both of our perspectives, is enshrined in the next and future iteration of Government Policy Statements.
117. *Local Government New Zealand* thanks the Ministry of Transport for the opportunity to comment on the GPS 2012.



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