



WIDENING THE FOCUS

FACT SHEET ONE

The government wants a transport system that is affordable, integrated, safe, responsive and sustainable. We want integrated policies that link social, environmental and economic outcomes.

The existing funding framework focuses heavily on roads. Public transport, rail, walking and cycling are all under-resourced as a result.

Roading will remain a key area of land transport funding but the government is widening the focus to put greater emphasis on public transport, rail, the needs of pedestrians and cyclists, road safety and regional development.

As well, a more strategic, long-term focus for funding decisions is needed. Building land transport infrastructure invariably involves long-term planning periods and a commitment of resources over many years.

Key initiatives

Planned changes include:

- Changing the focus of key government transport agencies to land transport as a whole rather than just roading.
- Amending the principal purpose of Transfund New Zealand to require it to allocate resources to achieve the objectives of the New Zealand Transport Strategy.
- Providing clear Ministerial guidance to Transfund and Transit New Zealand which sets out the government's land transport priorities.
- Using different methods of evaluation for different types of projects. Presently all projects are evaluated against the same criteria, so a motorway project and a public transport project are evaluated against each other, instead of against similar projects.

The government will also:

- Develop a national cycling strategy.
- Ensure that, wherever appropriate, transport incentives work to encourage more heavy freight to be carried by rail.



- Ensure Transit and Transfund evaluate all major projects against the government's new strategic objectives.
- Require Transfund and Transit to develop 10 year revenue and expenditure plans.
- Allow regional councils to fund and, under agreed conditions, both own and operate public transport infrastructure and services.
- Enhance the regional land transport strategy planning process.
- Explore the potential of congestion pricing.



FUNDING CHANGES

FACT SHEET TWO

Our land transport system is funded from the National Roads Fund. This is a dedicated portion of the Crown Account that receives revenue from fuel taxes, Road User Charges, motor vehicle registration and licensing fees. This money is invested in roads, road safety and passenger transport.

Over the next 16 months, to 30 June 2003, the government will invest a further \$227 million (including GST) as a first step in fulfilling its long-term goals for land transport. These funds will come from increased excise duty on petrol and higher Road User Charges.

Petrol Tax

Excise duty on petrol will increase by 4.2 cents a litre which, when GST is added, will mean an increase of 4.7 cents per litre for motorists, if passed on in full by retailers.

The increase in petrol tax could add approximately \$1.34 per week (including GST) to the average household's weekly expenditure on petrol. This translates to approximately \$70 a year (including GST).

Road User Charges

Changes in Road User Charges (RUC) affect only diesel vehicles of four tonnes or less. Charges for these vehicles will increase by about 30 per cent overall. The exact size of the increase depends on the size of the vehicle.

For the biggest group of vehicle owners affected – those with two tonne vehicles – the increase will mean an extra \$6.28 (including GST) per 1,000 kilometres – the equivalent of a return trip Wellington to Hamilton.



Road User Charges – light diesel vehicles (figures including GST)

Weight	Vehicle numbers	Current charge per 1000 kms	New charge per 1000 kms	Increases per 1000 kms	Percentage increase
1 tonne (eg Diahatsu Charade)	2,138	\$14.38	\$22.58	\$8.20	57
2 tonne (eg Mazda Familia, Holden Rodeo)	255,767	\$18.46	\$24.74	\$6.28	34
3 tonne (eg Toyota Landcruiser, Ford Courier)	92,741	\$21.81	\$26.83	\$5.02	23
4 tonne (eg Ford Transit – 15 seater or camper van version)	26,493	\$24.88	\$28.36	\$3.48	14
Total	377,139				

When will the changes take effect?

Increases in petrol excise tax will take effect immediately after the Governor-General signs the legislation, expected to be Friday 1 March 2002.

The new Road User Charges will come into force on 1 April 2002. Previously RUC vehicle owners have been required to purchase new RUC licences within one month of a rate change but, because of the frustration this has caused in the past, the government intends repealing this provision.

Impacts on government revenue

The National Roads Fund currently receives net \$462 million (including GST) from petrol tax excise each year, along with net \$652 million (including GST) from Road User Charges.

The increases will provide around \$142 million (including GST) per year in petrol tax, and \$33 million (including GST) per year from Road User Charges.

All of this additional revenue will be dedicated to the National Roads Fund. None of the additional revenue will go to the Crown Account.



THE EXISTING FUNDING SYSTEM

FACT SHEET THREE

Government expenditure on state highways, local roads, traffic enforcement, alternatives to roads, road safety, passenger transport, walking and cycling is funded from the National Roads Fund (NRF), a dedicated part of the Crown Account.

The NRF currently provides some \$1.3 billion (including GST) of government land transport funding.

Transfund New Zealand is responsible for making funding allocations to land transport and Transit New Zealand is responsible for submitting proposed projects for Transfund's consideration. The boards of both agencies are statutorily independent from the Minister. The government can only issue general policy directions to these agencies.

As a result of the proposed changes, the Minister will be able to give Transfund more guidance on the government's general priorities but will still not have the power to make decisions on individual projects.

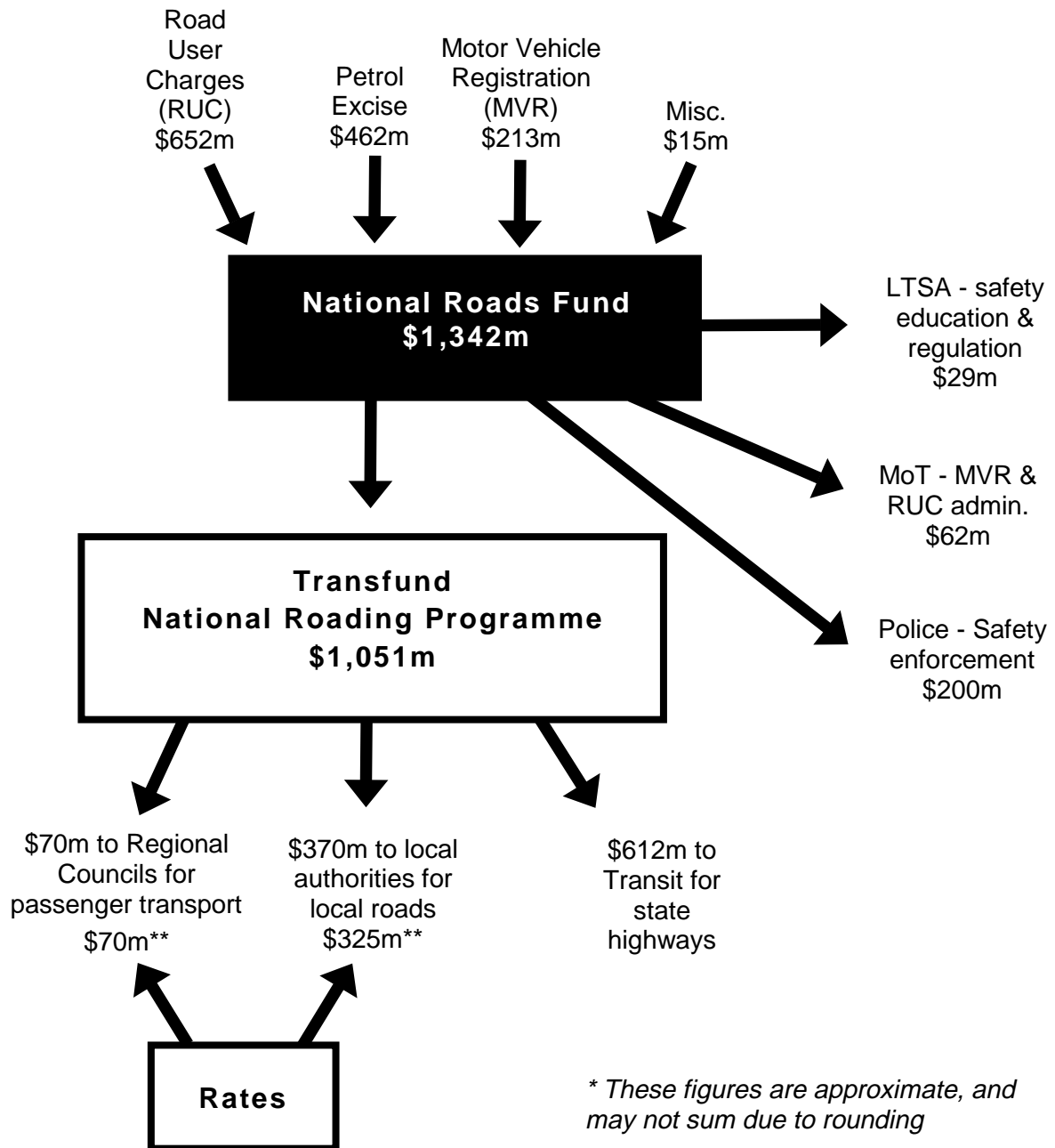
The NRF will be renamed the National Land Transport Fund (NLTF) to reflect the shift in focus to a more balanced mix of land transport options.

A chart showing 2001-02 Land Transport Funding Estimates follows.

MOVING FORWARD



*2001-02 Land Transport Funding – before the changes (including GST)**



** These figures are approximate, and may not sum due to rounding*

*** Estimates*



NEW SOURCES OF FUNDING

FACT SHEET FOUR

To help fund land transport improvements, the government plans changes which will ensure finance is more readily available. Legislation changes are planned to allow public/private partnerships and to make it easier to use tolling for certain projects.

Tolls

Tolling could help advance some projects more quickly and free up public funds for other projects. Tolls could also be used to pay for additional benefits that communities or road users want from a project, over and above those funded by Transfund New Zealand. There are no plans to introduce tolls on existing roads.

At present, individual toll roads require legislation before they can be built. The government plans to introduce generic legislation to enable tolling, subject to government approval, rather than requiring stand-alone legislation for each tolling project.

The government will retain control over which tolling projects are approved. In making a decision on a particular tolling scheme, issues the government will consider include:

- the overall benefits of the project
- availability of alternative transport options and the impact of the project on such options
- the use to which toll revenues are being put and the transparency of this use
- the means of ensuring protection against over-charging
- views of road users including affected communities, public transport users, pedestrians and cyclists
- privacy safeguards.

The government will approve a project for tolling only if it helps achieve the objectives of the government's New Zealand Transport Strategy and is consistent with any relevant regional transport strategy.

Legislation is needed for these changes.



Public/private partnerships (PPPs)

Public/private partnerships could allow Transit New Zealand and territorial local authorities to access private sector finance to fund land transport projects. PPPs, like borrowing, spread the cost of the project over its life, rather than just over the years of construction. At present, future projects have to be paid for from funding which comes from existing road users, even when many of the benefits arise years into the future.

Legislation is needed to enable public/private partnerships to be established. They could be agreed on a case-by-case basis, with conditions including:

- the partnership arrangement is of limited life
- the project assists in achieving the objectives of the government's transport strategy
- the assets are at all times operated under public supervision
- the project does not involve the transfer of ownership of the asset into majority private ownership
- all assets revert to full public ownership at the end of the partnership arrangement
- all powers to acquire land under the *Public Works Act 1981* remain with the public sector
- the project has a high degree of support from affected communities.

Public/private partnerships could be used for both roading and other land transport infrastructure projects.



ELECTRONIC ROAD USER CHARGES

FACT SHEET FIVE

The government wants to ensure the system used for recovering roading costs from heavy and diesel vehicles is fair and does not impose unnecessary compliance cost on vehicle operators. An electronic system of road user charges will enhance the efficiency and fairness of these charges.

The current paper-based system for Road User Charges (RUC), introduced in 1977, is a weight-distance tax that uses vehicle distance measuring devices (odometers and hubodometers). Charges are based on the average cost of the roading system. Charges are also based on vehicles' average rather than actual weights.

This system is inefficient and imposes high compliance costs on users. It also requires substantial ongoing enforcement and a national network of agencies issuing licences. Non-compliance is currently estimated to cost the country about \$28 million (including GST) per year, representing some four per cent of the total net RUC revenue.

An electronic system, called e-RUC, will offer a fairer and more accurate means of charging heavy and diesel vehicles. It should also mean savings for many businesses.

E-RUC will be introduced on a voluntary basis and, initially, RUC vehicle operators will have the choice of moving to e-RUC or continuing to operate under the existing system. Over time it is expected that the majority of heavy and diesel vehicles will switch to e-RUC.

Legislation is needed to implement e-RUC and to ensure privacy is protected.



WORKING TOGETHER

FACT SHEET SIX

Local authorities have indicated that they want to work more cooperatively on transport matters and with Transit New Zealand. Several councils already have developed, or are developing, arrangements with each other or Transit for joint or delegated management of roads. These arrangements are called 'clustering'. Marlborough District Council, for example, already anticipates savings of some 10 to 20 per cent on road maintenance as a result of clustering.

Through a partnership arrangement, the Tauranga District Council and Transit have jointly contracted to build New Zealand's largest single roading contract, a new expressway giving Tauranga access to the north and west.

Auckland is also exploring clustering of its transport responsibilities. The government is encouraging and participating in these discussions.

Existing legislation will be changed to clarify delegation powers and to remove barriers to clustering.

Simplifying road management legislation

Road users can expect to benefit from a more coordinated approach to the management of interconnecting road networks, and from lower costs for maintaining and improving them.

As part of this land transport package, road management powers will be simplified and consolidated into a single statute. This will be done without making any significant changes to the nature and scope of road controlling authorities' powers.