

## LAND TRANSPORT CHANGES – AN OVERVIEW

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New Zealand has some 92,000 km of formed road, of which 10,700 km are state highways and motorways.

During the 1990s, the number of vehicles on our roads increased by 26 per cent and we now have nearly 2.6 million road vehicles – the fourth highest ratio of vehicles to population in the world. The distance we travel on our roads is increasing by an average of three per cent each year, and the volume of traffic on our roads is increasing by more than three per cent a year.

The government's new land transport package, *Moving Forward*, recognises that land transport is critical to our economy and to our social and environmental well being. It also recognises that major changes are urgently needed.

At present, the government spends some \$1.3 billion (including GST) on land transport each year. Even so, our land transport system today simply isn't coping with demand.

Below is a brief overview of the problems, the government's solutions and how those solutions will be implemented. Further details are in the accompanying fact sheets.

### The problems

- **A legacy of inaction** Years of under-investment in land transport by previous governments mean that current demand cannot adequately be met. As well, construction and maintenance costs have increased and growth in revenue is not keeping pace with demands on the National Roads Fund.

In the next few years, the government's ability to meet the funding needs of major roading projects will outstrip the existing capacity of the National Roads Fund. This is an unsustainable situation.

There is no capacity in the current funding system to spread the cost of big projects over the many years of their life. At present, the costs are spread only over the years of their construction. In addition, there are severe constraints on involving private sector finance.

Tolling is a funding option for some projects but, at present, each time a local authority or Transit New Zealand wants a particular toll road, it must get legislation passed and this can delay the project.

## MOVING FORWARD

- **Congestion** Crippling traffic congestion in Auckland causes daily frustration for Aucklanders and costs every New Zealander through the burden it is placing on our economy. Auckland's congestion is estimated to cost our national economy nearly \$1 billion every year.
- **High road toll** Our road toll is still too high – 452 people died on the roads last year and nearly 5900 were hospitalised. Despite major gains in road safety in recent years, New Zealand still compares unfavourably with the best performing countries in the world.
- **Regional development hindered** Poor rural roading and rail networks are hampering regional development initiatives. Some roads in the East Cape and Northland, for example, are expected to carry many more tonnes of logs over the next few years as forests in the region mature. Without significant investment in transport infrastructure, economic development in some regions will be hampered.
- **Alternatives to cars disadvantaged** The current funding framework is focussed on roads and impedes support for alternatives to cars, such as public transport, cycling and walking. Funding allocations are currently made using a nationally consistent economic efficiency test that applies to projects as diverse as new motorways and public transport facilities. This often disadvantages projects other than roads.

While a record \$70 million (including GST) has been allocated to public transport in 2001/02, more funding and initiatives are needed to improve access to public transport.

- **Local government concerns** Regional councils are frustrated by limitations on their ability to own and operate public transport infrastructure and services that would benefit local communities. There are also legislative barriers to local authorities working cooperatively on roading issues.
- **Inflexible funding system** The existing funding framework for land transport is inflexible and does not easily allow government priorities to be translated into funding.

Funding decisions also often have a short-term focus, even though land transport infrastructure invariably involves long planning periods and a commitment of resources over many years.

# MOVING FORWARD

- **Outdated road user charges system** While the current, paper-based system for collecting road user charges from heavy and diesel vehicles was a world-leader in its time, it is now inefficient and imposes high compliance costs on users. Charges are calculated on the average cost of the roading system and on vehicles' average rather than actual costs.

## The solutions

A clear set of land transport funding priorities have been developed based on the New Zealand Transport Strategy currently under development. They are:

- **Congestion** To reduce severe congestion, that is congestion that occurs regularly during the week, causes long time delays, and has significant economic, social and environmental impacts.
- **Public transport** To improve funding and delivery of public transport.
- **Walking and cycling** To promote walking and cycling.
- **Regional development and alternatives to roads** To assist local authorities to meet their specific needs where regional development and alternatives to roads are constrained by inadequate investment.
- **Safety** To improve road safety to achieve a substantial reduction in the road toll by the year 2010.

## How we will do it

To achieve its priorities, the government is making more funding available and making its priorities known to Transfund New Zealand and Transit. The government will also be making a number of changes to legislation later this year. Further details are provided in the accompanying fact sheets.

- **Increasing funding** The government is increasing fuel excise duty and Road User Charges for light diesel vehicles. These increases will generate approximately \$175 million (including GST) per annum and, over the next 16 months, will be invested in the following areas.

*A chart showing extra land transport spending to 30 June 2003 follows.*

*Extra land transport funding to 30 June 2003 (including GST)*

	<b>2001/02 budgeted expenditure (approx)</b>	<b>Additional funding to June 2003</b>
Specific road safety initiatives (education and enforcement)	\$229 million	\$34 million
Regional development assistance (not restricted to roading projects)	\$0 <sup>1</sup>	\$30 million
Alternatives to roading	\$9 million	\$30 million
Public transport assistance	\$70 million	\$36 million
Walking and cycling	\$0 <sup>2</sup>	\$3 million
Roading	\$973 million	\$94 million
<b>Total</b>	<b>\$1,281 million</b>	<b>\$227 million</b>

In addition, the government will be making the following changes to the land transport system.

- **More balanced funding system with longer term focus** The focus of the land transport funding system will be broadened to enable more flexibility in funding priorities other than just roads. The new system will also require long-term planning of projects by Transfund and Transit.
- **Empowering regional councils and road controlling authorities** Regional councils will be able to fund and, under agreed conditions, both own and operate public transport infrastructure and services.
- **Encouraging cooperation** The government will remove legislative barriers to clustering of roading responsibilities between road controlling authorities.
- **Using electronic methods for collecting road user charges** An electronic system (e-RUC) will be introduced on a voluntary basis. 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 and the paper-based system may need to be progressively phased out.

<sup>1</sup> No funding output is currently dedicated to regional development

<sup>2</sup> No funding output is currently dedicated to walking and cycling

## MOVING FORWARD

- **Allowing public/private partnerships** Public/private partnerships (PPPs) will be allowed to fund land transport infrastructure projects, under certain circumstances. These projects will be approved by the Minister of Transport on a case-by-case basis under set criteria and will revert to full public ownership at the end of the partnership arrangement.
- **Enabling more tolling** Tolling projects will no longer require their own legislation. The government will introduce a generic regime for tolling schemes which will allow some new land transport infrastructure projects to go ahead sooner. These projects will be approved by the Minister of Transport on a case-by-case basis under set criteria.
- **Investigating congestion pricing** Congestion pricing allows for management of traffic demand by charging road users at rates that differ according to the time and location of travel. Further work will be done on the potential use of congestion pricing to relieve congestion problems and provide environmental benefits.
- **Encouraging alternatives to roads** Legislative changes will be made to the land transport funding framework to broaden the focus and enable more flexibility in funding alternatives to cars such as rail, walking and cycling. The government is continuing to work on a national rail policy that will maintain the integrity and viability of the national rail network. Where appropriate, there will be incentives to encourage more heavy freight to be carried by rail. The government will also develop a National Cycling Strategy which will be required to be taken into account in the allocation of funds.