

Submission on

Proposals for targeted changes to the

2012 National Land Transport Programme co-investment ratios

(funding assistance rates)

21st July 2011

Introduction

1. Thank you for the opportunity to make a submission on proposals for targeted changes to the 2012 National Land Transport Programme co-investment ratios (funding assistance rates).

About TRAFINZ

2. TRAFINZ (The Traffic Institute of New Zealand Inc) represents a wide grouping of NZ local authorities, covering the majority of the New Zealand population. Its membership includes regional councils, the major metropolitan cities and smaller provincial authorities as well as private sector and non-local government members.
3. TRAFINZ' Executive is comprised of elected councillors and officers, drawn from a cross section of the membership, together with senior personnel representing its key government partners and supported by a number of senior technical staff from transport consultancies that volunteer their services *pro bono*. This year TRAFINZ will run its 63rd Annual conference.
4. The Institute's primary focus is on sustainable transportation planning, traffic management and road safety. It provides specialist advice to member authorities on traffic and safety issues by drawing from the depth of expertise available through its members. It also acts as a conduit for local authorities to respond to the NZ Government on new transport policies and legislation.

Submission

Overview

While supporting an increased emphasis on safety, we generally opposed the direction being signalled in the Government Policy Statement which was consulted on recently. It is our considered view that the GPS places too much emphasis on the Roads of National Significance, to the expected detriment of other parts of the transport system. It is also our observation that the current Government is taking a very aggressive top down approach to transport decision making. As representatives of local government and the communities they represent we are firmly of the view that a partnership approach would be far better.

These targeted proposals all appear to TRAFINZ to reduce the level of funding to these categories, reinforcing the shift of resources to the Roads of National Significance. We are also very concerned that regional communities' ability to plan for their transport futures is being significantly undermined by a range of signalled changes, including these proposals around funding.

Consistency of Funding Assistance Ratios

The proposals make much of the need for consistency in FAR rates. However there is one obvious and glaring inconsistency that has been institutionally reinforced by the merger of Transit and Transfund as the NZ Transport Agency.

If one uses a local road, the cost of doing that is shared between transport taxes (excise and RUC etc) and the local ratepayer.

If one uses a state highway, the cost of doing that is paid for only by transport taxes. NZTA is both the applicant for (100%) funding and the funder. If the system were consistent then in the case of State Highways the taxpayer would be the applicant and provide a funding contribution. It would certainly cause Governments to stop and think about the balance of transport investment in a way that clearly is not happening at the moment. Obviously such a system would also lead to a significant rebalancing of FAR rates across the board. This is in some ways similar to the National Government (1991-2000) which did see the anomaly in rates funding being used to pay for roading.

We suspect that nobody considers that general taxes (income, GST etc) should be used to cross subsidise transport. However it seems to be accepted that general rates should. We make these observations, both to encourage thinking about a longer term funding formula, but also to underline that the proposals for the 5 activity classes being considered here will exacerbate this inconsistency.

Specific comments

Passenger Transport

These changes will clearly place significant additional pressure on Regional Councils to maintain and certainly to further improve passenger transport services. TRAFINZ notes the comments made that

there has been a major boost to public transport funding over the last decade. However we consider that this was desperately needed given the state of neglect allowed by successive administrations. We also consider that having strong public transport systems is highly desirable for environmental and social (accessibility) reasons. It also affords transport choice for individuals, and nationally is some insurance against potential risks to the post war dominance of the motor car from global trends such as rising energy costs.

We agree with Government that Auckland has to be a successful world class city for New Zealand to succeed. It is almost impossible to see that happening without a viable public transport system which arguably should and would have been in place decades ago. We note the significant patronage growth on Auckland public transport, but also that it is a work in progress. Auckland's spatial plan will be a very important element in complementing this.

Wellington has the country's best and most used public transport system, but its rail network and trains were almost heritage items. The already apparent danger is that changing the funding ratios here will undermine the Regional Council's ability to further improve the rail and particularly bus systems. Wellington is also a work in progress and TRAFINZ supports the Government's investment in upgrading this infrastructure.

In both Auckland and particularly Wellington public transport makes a significant contribution, especially at peak times, to reducing pressure on the roading system. We suggest that it does that at a lower cost than providing increased roading capacity for the same peak periods.

In other centres TRAFINZ is also aware that successful public transport programmes are already being put at risk by other recent requirements, most notably around farebox recovery rates. While we agree that it is eminently reasonable to require reasonable farebox recovery to prove efficiency, we consider that this may take some time to establish particularly in smaller centres with less comprehensive public transport programmes.

In short, TRAFINZ considers that public transport has made significant progress over the last decade. It is in transition. The danger is that we could snatch defeat from the jaws of victory. Changing funding ratios at this stage will not help.

Regional transport planning management

TRAFINZ opposes these proposed changes. We are deeply disturbed by what appears to be an increasingly top down approach to decision making, and the sidelining of regional transport committees in making significant decisions on behalf of their communities. Decision making should be a genuine partnership. There is insufficient detail in the consultation document to understand the degree to which potential overhead costs in the relevant projects and programmes might offset the loss of the planning grant, but in any case this will of necessity be at a project/programme level rather than a strategic level, so would constitute a poor substitute.

While the bulk of new investment money is proposed to go into Roads of National Significance, nonetheless there remains a need for local government to undertake planning. We note that many projects have both State Highway and local network components. In our view it is entirely

conceivable that with a significant reduction in the FAR rate would undermine local government willingness to partner in such projects and therefore such projects may either not happen at all, or would be entirely at cost to NZTA. We also note that it is often regions which operate transport models on which all parties including NZTA rely for planning. We note that a move from 75% to 53% FAR would almost double the local component. Again that would undermine concepts of partnership.

Road Safety Community Programmes

TRAFINZ strongly opposes this proposed change. These programmes have contributed significantly and been a very energetic and creative contributor to road safety at a community level. There is no question that the proposed change would significantly undermine Councils' ability and willingness to continue these programmes. Over the last decade all local authorities have employed road safety resources, often in collaboration with their neighbours in the case of smaller authorities. Inevitably should one authority in such a partnership withdraw as a result of the proposed FAR changes it would undermine the other authorities' investment. TRAFINZ supported the draft GPS intent to invest specifically in safety. We consider that road safety community programmes play an important role in road safety.

We note that in the road safety promotion activity class, NZTA claims that prior to 2006 NLTP, coinvestment was at the Construction FAR. We believe this to be incorrect. Prior to 2006 a separate fund within the safety administration programme was held outside the NLTP for the Community Road Safety Programme (CRSP). Territorial Authorities were given a community road safety project grant for the delivery of community programmes which included a coordination and overheads subsidy and funding for grants to community groups. No specific local share was required for project funding. A 75% FAR rate and a requirement for a local share of 25% either in cash or in kind was introduced in the 07/08 year when the (CRSP) was pulled into the NLTP and funding for the activity class was increased.

The current proposal to both decrease the FAR and remove the ability to provide the local share in kind, coupled with the further cuts in funding to this activity class made both in 09/10 and signalled in the draft GPS engagement document 2011, will effectively further reduce in particular, community groups' ability to access funding for the delivery of community road safety projects. Such groups have traditionally been seen as critical to building a road safety culture in the community and we believe have contributed very cost effectively to the delivery of road safety programmes and outcomes. It is doubtful that such groups will be able to find a local share in cash at rates of up to 40% or that Councils will be able to underwrite this on their behalf, under current economic conditions given that Council's own activities in this area may also be reduced as a result of any increased FAR. We would posit that a funding model that fails to recognise the contribution of such community groups to the country's economic and social wellbeing is a backward step in achieving the Government's desired outcomes of achieving effectiveness and efficiency in the transport sector. Efficiency in economic terms is an input output ratio. Changes that reduce both input and output in equal measures will not achieve efficiency neither will changes that result in a decreased output for greater input, both of which could potentially result from the preclusion of community groups

from delivery in this sector. The effective transfer of funding from this activity class to the RONS and state highway projects where the FAR is 100%, also further represents an overall net reduction in funding in the NLTP for Territorial Local Authorities' land transport activities. We would also note the apparent anomaly in applying a funding formula based on land value in a district and the amount a TA spends on roading and transport in determining FAR rates, to community groups applying for funding within this activity class. Such algorithmic variables are meaningless in relation to community group funding and we would posit that you will not find any such groups involved in tendering for construction work within the transport industry.

Conclusion

We note the intended upcoming comprehensive review of FAR rates in 2013 and consider that a more holistic, strategic approach to co-investment, undertaken in partnership with local government, and considering the on-the-ground implications of any proposals would be a much better way to proceed than what is before us now.

TRAFINZ would welcome the opportunity to work with you on such a review.

Yours sincerely,

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