

## Submission on

# Government Policy Statement 2011

27th May 2011

### Introduction

1. Thank you for the opportunity to make a submission on the Government Policy Statement 2011. We would appreciate the opportunity for further engagement in the development of the policy, and equally in the development of a wider Strategic framework.

### 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

#### Process and Consultation

5. In developing this submission we have discussed the GPS with a wide range of organisations and individuals with particular interest in and knowledge of the transport system. We have participated in February's Local Government transport forum, and have also read the submissions of Local Government New Zealand, and IPENZ among others. We agree with the deep concerns about the GPS expressed in the LGNZ and IPENZ submissions.
6. TRAFINZ is deeply concerned about the process, and what it represents. Local Government is required by law to consult with an open mind. We would hope that Government, which

quite reasonably sets this requirement on Local Government, will also be open to considering changing the direction and balance of its GPS. Consultation is both a mechanism for understanding the balance of wider opinion, and of obtaining access to knowledge of which the decision maker may not be aware. It should be an opportunity to add value.

7. TRAFINZ considers that the Government, in setting and delivering its GPS, and in developing a national strategy or forward plan should see Local Government as a partner, and particularly recognise that that partner operates almost 90% of New Zealand's roading infrastructure by distance, and accommodates just over 50% of vehicle kilometres travelled. The money derived from fuel and road user taxes should not be seen as 'Government' money, but as money derived from road users, and from a national and local network.

### **Absence of vision**

8. TRAFINZ strongly agrees with LGNZ's concern that the GPS has been developed without reference to a long term strategic framework. Such a strategic framework should of course be the subject of significant discussion beyond Government and its agencies, because it has such an impact on all New Zealanders.
9. We know the Minister has said he wants a focus on action rather than developing strategies. We understand that. However we consider the balance of actions being proposed in the GPS would benefit from guidance of a well considered and well consulted on strategy.
10. We consider it odd that the draft GPS says that it (the GPS) will have its strategic direction influenced by a – yet to be written - Forward Plan, and Infrastructure Plan. The obvious conclusion is that the (theoretically) strategic plans will be driven by the GPS rather than the other way around. That is not the way to plan.
11. We are also concerned that the GPS is becoming a de facto strategy, when it should actually just be a delivery programme, which flows from a Strategy. We are further concerned that the proposed investment mix in the GPS is not supported by any evidence of rationale and data that shows it is the best one. The process of consultation, analysis and framework development is utterly inadequate for the GPS to fulfil the strategic vacuum.
12. TRAFINZ is also concerned by the relationship between the GPS and Regional Transport Strategies. The draft GPS says that Regional Transport Strategies will 'be taken into account.' Our observation from involvement in most regional transport committees is that it is the GPS and NZTA's funding decisions that set the agenda. It is increasingly difficult to see Regional Transport Committees as relevant to influencing real decisions. This is a very poor outcome. It undermines any concept of partnership, and the fact that it is local people who know best their own place and their own communities.

## Scenario Planning

13. TRAFINZ is very concerned at the absence of any evident scenario planning. This is something that a strategy should include. The GPS is predicated on continuing growth in traffic (freight and people) volumes. It does not acknowledge that since 2005 there has been no growth in vehicle kilometres travelled in New Zealand, and on both a per capita basis and a per vehicle basis, we are actually travelling less. We suspect this reflects the economic climate, and the rising cost of fuel. The clear international consensus is that there will be a long term trend of rising fossil fuel costs. We suspect that people are now thinking more about their travel and being more judicious about it, especially at the margin. This is helping significantly in reducing road trauma. The GPS seems to assume business as usual, with an almost seamless transition from a fossil fuel powered fleet to an alternative fuel (electric) one. Our advice from a number of expert sources in New Zealand and internationally places considerable doubt that this will occur on a scale or at a price that makes such a transition seamless, if it occurs at all. We have seen evidence that this is also the case in other countries, and the concept of 'Peak Car' has been postulated.
14. We think that the assumption that the future will be the same as the past is most unwise. If traffic growth is markedly less than predicted then the economics of large long life roading infrastructure will be reduced, from an already low base. We suspect the most likely scenarios are that traffic volume growth will be lower rather than higher. There is a considerable danger of sub-optimally used roading infrastructure. The Ministry of Transport itself, in a presentation to the Local Government Transport Forum in February predicted a reduction in the proportion of trips by private vehicle from 83% in 2008 to 70% in 2041. While this is a proportion of trips rather than a raw number, it is an indication of a changing future. We further note Treasury advice in the same presentation indicating population decline from about 2041 as the baby boom generation passes.
15. Crystal balls are risky, but we consider that the most likely scenario is of increasingly expensive fuel, and limited availability of affordable alternative fuel vehicles and less traffic, precisely at the time RONS come on stream.

## The balance of expenditure

16. We strongly agree with LGNZ's submission regarding the balance of expenditure. In excess of 50% of all vehicle kilometres travelled are travelled on local roads. In our opinion the GPS puts an excessive focus on new and upgraded state highways – the 'Roads of National Significance'. Together the 7 RONS represent less than 400 km, or less than ½ a per cent of the country's roading network, but the GPS intends some 40% of all transport money going to upgrade this small, albeit important distance of roading, across the next decade. In short this represents a massive cross subsidy from local roads, and state highways outside the RONS into the RONS. This will limit Local Government's ability to maintain its 82,000 kilometres of local roads, still less enhance it. It is becoming apparent that many local

authorities will struggle to achieve the necessary local share to maintain, still less enhance the 88% of the network controlled by local authorities.

17. TRAFINZ is concerned that essentially all other classes of transport expenditure are being squeezed by excessive focus on one class – new or expanded State Highways. In addition to the pressure the proposed investment mix places on local road maintenance and operation, we are also concerned about the pressure it places on public transport including rail funding mix, and buses outside Auckland and Wellington. Bus services which in many provincial areas have seen significant growth are proposed to have funding capped. We are also concerned about the planned real reductions in road user safety and policing categories.
18. These proposals will undoubtedly undermine safety objectives as well as network efficiency ones.
19. We consider that the GPS should be amended to lengthen the time for delivery of the RONS, to free up some more resources for the rest of the transport network. We would obviously recommend that the focus for RONS should be on those elements which have the best benefit : cost ratios. It is not necessary to have uniform capacity along an entire corridor when traffic volumes may vary considerably. We think it likely that some elements of some of the RONS will never be economically rational investments. Others components will deliver good value now.
20. TRAFINZ supports the proposed investment in Hastings and New Plymouth as model communities for walking and cycling. However we consider that there should be a greater level of national funding support in walking and cycling across New Zealand. Many Councils have clear well thought through visions and plans to improve their cycling and walking networks. Dunedin City for example is developing an excellent cycling and walking network around the harbour. Hamilton, Wellington and Hutt Cities are doing likewise. Auckland is also clearly putting some important focus on cycling. The benefit : cost ratios are generally good, and such investments will contribute both economically and to safe systems. We suggest that they might be one sort of investment that could often fit into the new safety allocation. We support the investment being made in tourist cycleways, but consider it would be incongruous not to adequately support facilities to support every day use in cities and towns around New Zealand. Insufficient funding through NZTA will undoubtedly make it hard to sustain these strategic cycling and walking initiatives.
21. TRAFINZ opposes the approach to travel demand management (TDM). We consider that well planned TDM has the ability to reduce travel costs and reduce pressure on transport networks. For example Greater Wellington is operating a very successful car pooling operation. We are also concerned that many road safety coordinators' roles also include travel demand management. Cutting support for TDM is likely to threaten not only the TDM work that many road safety coordinators undertake, but also consequently their road safety role. This would certainly not help deliver safe systems. Regional Councils deliver many of the TDM programmes (carpooling, workplace travel planning etc). As we understand it what funding there is is proposed to come through local roads maintenance and operations,

which will clearly cut Regional Councils out of the funding picture. We assume that this is an oversight and should be corrected.

22. We make the observation also that the structure of NZTA (both allocating funding and being the major recipient of funding) should be considered. We ask whether there is sufficient decision making separation, and whether the structure plays any role in the balance of expenditure ? The funding assistance ratios certainly do. Noting the cost of establishing the organisation as it is, we wonder whether it is appropriate to consider means of (greater) internal separation of those two key roles.

### **The Budget**

23. TRAFINZ is concerned about the prediction that the amount of money available for delivering the GPS will rise from \$2.9 billion to \$4.2 billion over the next ten years. Our concern is that this amount might not be forthcoming, especially if traffic growth is more modest than predicted. The obvious question then would be what would be cut from the programme. We would recommend that savings come from deferring the more marginal or negative benefit components of the RONS. We would like to see the assumptions lying behind this revenue growth made explicit as well as the thinking if the revenue levels are not achieved.

### **Objectives of the GPS**

24. TRAFINZ is comfortable with the short term objectives of the GPS
  - A strong and continuing focus on economic growth and productivity
  - Value for money
  - Road safety
25. We again agree with LGNZ that a wider set of objectives beyond the next 3 years is necessary, and should be developed in the context of a new consulted on strategy.
26. We think it is appropriate that the 2009 GPS objective 'Immediate economic impact' – keeping the construction industry going – has been removed. We consider that any infrastructural investment would have achieved that, arguably better than the RONS.
27. However we do not believe that the GPS will promote economic growth to the degree the Government wishes, and certainly is not optimal for that objective. Many of the RONS projects offer very low value for money. Benefit : cost ratios of less than 1 will destroy rather than create economic wealth. We know that regions tend to want 'our share' of the RONS largess but even supporters of investment for any given district will often readily acknowledge that from a national perspective such investment does not make sense if it is of low benefit : cost.
28. We acknowledge that the benefit : cost ratio model may not perfectly capture all benefits (wider economic benefits) and discount rates may arguably be too high. However offsetting

that they also do not capture externalities, and in our experience appear to be overstating traffic growth and understating constraints on traffic growth. (eg energy prices) We would recommend that work be done to improve the B:C model's capture of externalities, positive and negative. That should include risks of varying scenarios. We would further recommend that the resultant model is used to drive decisions, rather than a political or philosophical framework.

29. We are in no doubt that there are many projects which would give greater returns on investment which will not be funded under the GPS because they are squeezed out by RONS investment.
30. These investments would include investments in improving other roads, state highway and local roads, passenger transport, walking, cycling, etc. It would clearly not be logical to assume that the only investments that deliver economic efficiency are those in the selected small number of state highways.
31. We also consider that the GPS fails its own objective of delivering value for money. By definition you cannot deliver value for money by investing in projects that make a negative return. (B:C less than 1) There are many other investments at this time which would give considerably better (positive) value of money. Even if there were none it would be better not to invest in wealth reducing projects.
32. Low benefit : cost ratios indicate long term some of the proposed investments will destroy rather than create wealth. Indeed they will exacerbate this by encouraging mode shift towards private car /truck in the short term. We also note that our (New Zealand's) three highest categories of import by dollar value are new vehicles, used vehicles and the fuel to power them. That import value is all money not spent in New Zealand but that we have to earn. That is not to suggest that investments in other forms of transport are superior, but that we should be carefully considering actions that will help reduce fossil fuel use.
33. TRAFINZ is also disappointed that again there is no progress towards pricing more reflective of demand on infrastructure. Congestion pricing would certainly be of significant assistance over time in delivering a more efficient transport network.
34. We will make specific comments about the safety objective later.

#### **Safety Budget identification**

35. TRAFINZ is very pleased to see the specific identification of a targeted (engineering) safety budget in the GPS. We have advocated for such an approach for some time, and believe that if properly applied a significant focus on safety engineering will have a major, lasting, positive impact in reducing death and injury on our roads. The Government is to be congratulated for this initiative.

36. TRAFINZ has stressed many times that as well as death and injury, the cost of road trauma to society is higher than the cost of congestion. In most years it has considerably exceeded \$4 billion. That reflects human cost, direct economic costs, and massive lost potential .
37. The structure of this safety budget and the way in which it is applied and monitored will be crucial in ensuring its effectiveness. What is not clear is the current level of investment in safety, and indeed what would constitute an investment in safety in terms of this funding allocation. For example we would be dubious about simply including the safety benefits from RONS projects which are primarily about capacity enhancement. In most cases safety benefits from these projects are side effects rather than principal objectives, and with respect to several of the RONS projects they are not well aligned to road safety risk in terms of existing crash data and KiwiRAP assessment.
38. Therefore we suggest that this excellent initiative needs to be well supported by appropriate strategies and process. This must not be too bureaucratic, but focussed on delivering high safety benefit projects. TRAFINZ offers its expertise to assist this process.

#### **Delivery of RONS.**

39. TRAFINZ is concerned not only with the default strategic direction of the GPS in focussing so heavily on RONS, but also with the way in which the individual RONS are being progressed. As we have said above, we would be very very concerned if the overall approach (GPS) were set in concrete. TRAFINZ is also just as concerned about the detailed delivery of RONS projects.
40. The 'consultation' exercises that we are aware of are being designed to ignore alternatives/opposition, and simply impose proposals on communities regardless of the views of those communities. That isn't acceptable. While we, and in reality probably nobody knows what 'host' communities want, we consider that a much more open minded approach, rather than what looks like a command and control one, is essential for such significant investments which have such power to significantly change entire communities.

#### **Conclusion**

41. Thank you again for the opportunity to make a submission. We would welcome the opportunity to speak to our submission and to have further dialogue. The issues in the GPS are of a level of significance that they should be the subject of much better discussion than has been allowed for to date. We would also be happy to provide further information if required.

## Recommendations

TRAFINZ agrees with the recommendations set out in the LGNZ submission.

In addition we recommend :

1. Immediate focus on developing a coherent national strategy for transport within which this and future GPS would fit. To have credibility and lasting value this must be an open consultative process.
2. In respect of the delivery of RONS projects, adopting an open consultative process with a willingness to make meaningful and substantial changes in response to consultation rather than imposing predetermined outcomes on 'host' communities.
3. Publishing the assumptions which lie behind the GPS and any overarching strategy.
4. A more balanced approach to investment allocation, reallocating money from the RONS programme to a wider range of transport investment. This includes maintenance funding for local roads and state highways outside the RONS, public transport, cycling, walking, policing and road user safety in particular.
5. Considering whether there is sufficient internal separation between NZTA's funding and highway delivery roles.
6. Publishing the assumptions which lie behind the revenue expectations in the GPS, and commentary on responses to significant changes in the revenue streams should that occur.
7. Using the benefit : cost model more rigorously to filter out poor economic investments.
8. Reviewing the benefit : cost model so it can include positive and negative externalities.
9. Implementing a pricing model to target high demand periods in high demand areas.
10. Developing a number of potential scenarios and ensuring that the GPS is best able to respond flexibly and efficiently to various possible futures.
11. Developing mechanisms to ensure the planned safety budgets are most effective, and are not just side effects of other investment objectives (eg capacity increase).

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TRAFINZ – The New Zealand Traffic Institute