



Hon Mark Gosche
Minister of Transport

28 February 2002

Media Statement

\$227 Million Land Transport Package

Note: Entire Media Pack Embargoed Until Legislation Introduced – approx 5pm today

The \$227 million land transport package announced today will ensure crucial roading projects proceed while also giving greater emphasis to the government's social, economic and environmental priorities.

Transport Minister Mark Gosche said that over the next 16 months the package would fund:

- An extra \$94 million for roading, particularly for severely congested roads on top of some \$970 million already allocated in 2001/02
- \$30 million for regional development - the first time land transport funding has been specifically dedicated to regional development
- Another \$30 million for alternatives to roading, such as rail, in addition to the \$9 million allocated in 2001/02
- \$36 million more for public transport on top of approximately \$70 million already allocated in 2001/02
- \$3 million to promote walking and cycling - the first dedicated funding for walking and cycling
- An extra \$34 million for road safety education and enforcement in addition to some \$230 million allocated in 2001/02.

This package sits within the wider context of a New Zealand Transport Strategy currently being developed. This strategy will provide direction across all modes of transport, land, sea and air, and link the government's social, environmental and economic goals.

"We want a system that recognises that land transport is about more than just roads," Mr Gosche said.

"There's also rail, passenger transport, walking and cycling, which all struggle to get funding under the current system, yet may be the best option. Of course roading will continue to be the main focus of government land transport spending, but we want a more balanced mix.

"The current system of funding is inadequate for meeting existing needs, let alone any future ones, he said.

"The number of large land transport projects planned over the next few years means that the current expenditure programme is financially unsustainable. Without change we estimate we would face a deficit of \$425 million over the next

three years. A funding boost is essential if key projects throughout **New Zealand** are to proceed.

“We have therefore decided on a funding package worth \$227 million over the next 16 months. The \$227 million will be raised through increasing fuel excise duty by 4.2 cents a litre, effective immediately legislation is passed, and increases to road user charges (RUCs) for diesel vehicles of four tonnes weight or less.”

“All of the revenue raised by these increases will be spent on the land transport package. None will go into the Crown’s general revenue,” Mr Gosche said.

“A 4.2 cent increase per litre in petrol is likely to translate to a 4.7 cent increase at the pumps, which could increase average household weekly petrol costs by \$1.34.

“Road user charges (RUCs) for diesel vehicles of four tonnes weight or less will increase, on average by 30 per cent, from April 1. This figure will **vary** depending on the weight of the vehicle. The majority of vehicle owners affected would face an increase of about \$6.28 over 1000 kilometres, Mr Gosche said.

“At the same time, the government is to make major changes to the funding framework for land transport to ensure its priorities are reflected in future funding allocations by Transfund New Zealand.

“The package will also allow the use of tolling as a way of raising extra funds for new roads, and allow partnerships with the private sector to finance some large projects,” said Mr Gosche.

“These changes will apply only to new roads. Ownership of any roads built under public-private partnerships will remain in public hands and there are no plans to toll existing roads.”

To allow for a more effective and environmentally responsive means of charging, the government was also looking at a new electronic system for collecting Road User Charges.

Mr Gosche said decisions on how the \$34 million for road safety would be spent would be made in the next few months. Other details of the package would also be announced over the next few months and legislation would be introduced mid-year.

“All New Zealanders will ultimately benefit. An improved land transport system will reduce congestion in Auckland, which is estimated to cost the country about \$1 billion a year. It will also help stimulate the economy in regional areas, improve road safety and improve access to public transport services. This package ensures the cost of those benefits are shared by those most directly benefiting – road users.”

Full details of the package can be found on
<http://www.executive.govt.nz/minister/gosche>.

For media enquiries please contact Lyn Holland, Mark Gosche’s press secretary on (04) 4719 063 or (021) 270 9004.



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Transport Vision

Land Transport changes announced today reflect the government's vision for the future of the New Zealand transport system, says Transport Minister Mark Gosche.

"The vision is that by 2010 New Zealand will have a transport system that is affordable, integrated, safe, responsive and sustainable."

Mr Gosche said a New Zealand Transport Strategy (NZTS) based on this vision was currently being developed.

The objectives of the strategy would be:

- assisting economic development
- ensuring safety and personal security
- improving access and mobility
- protecting and promoting public health, and
- ensuring environmental sustainability.

"The transport sector has lacked a strategic focus. The NZTS will provide a strong direction across all modes of transport - land, sea and air - and will link the government's social, economic and environmental goals."

Full details of the strategy will be announced later this year.

In keeping with the NZTS, the government has identified clear priorities for land transport funding, and these priorities are reflected in the new "Moving **Forward**" land transport package, Mr Gosche said.

The priorities for the National Land Transport Fund (as the current National Road Fund will be called) will be:

- reducing severe traffic congestion
- improving passenger transport
- promoting walking and cycling
- assisting regional development and alternatives to roading, and
- improving road safety

"Roading will of course continue to be the major focus of land transport funding. But we are looking to a more balanced mix of options."

“The transport strategy will reinforce many of our existing priorities. For example in our two years in government, we have increased passenger transport funding by 107 per cent including this new boost. The same is true for road safety. This latest increase means government funding for road safety has increased by 38 per cent under this government.

“This is the first time under any government that transport funding has specifically focussed on regional development, and on walking and cycling.”

“We are making our priorities very explicit. And we are making changes to the funding system to ensure that government priorities are reflected in spending decisions - something that has never happened before. The existing framework isn't flexible enough, and doesn't easily allow government priorities to be translated into funding priorities.”

“Transport funding agency Transfund New Zealand will be required to ensure government priorities will be better reflected in its future funding decisions.”

“Both Transfund and Transit New Zealand will be required to review all major projects currently planned, to ensure that they all meet the new strategic objectives.”

A more strategic and longer-term focus for funding decisions will also result from the changes. Planning of land transport infrastructure invariably involves long gestation periods and a commitment of resources over many years. Therefore longer term planning is essential, said Mr Gosche.

“Transfund and Transit will be required to have 10 year revenue and expenditure plans and these will be more closely aligned with the government's goals.”

Other land transport policy changes planned to implement the government's transport vision include:

- Regional councils will be able to fund, and under agreed conditions, both own and operate public transport infrastructure and services
- Legislative barriers to greater co-operation between road controlling authorities will be removed;
- A national cycling strategy will be developed;
- Where appropriate, encouragement will be given to carrying more heavy freight by rail;
- Further work will be done on congestion pricing issues
- Road management powers will be consolidated and updated.

“The government is significantly boosting the amount of money in the land transport system, but many of the issues won't be fixed by money alone. The funding boost, combined with these policy changes, will help give us a land transport system that is up to the huge demands being made of it. “

Full details of the package can be found on
<http://www.executive.govt.nz/minister/gosche>.

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MOVING FORWARD

LAND TRANSPORT CHANGES – AN OVERVIEW

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.

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- **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.

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- **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.

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

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

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.

¹ No funding output is currently dedicated to regional development

² No funding output is currently dedicated to walking and cycling

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- **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.

MOVING FORWARD

WIDENING THE FOCUS

FACTSHEET 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.

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- 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.

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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.

MOVING FORWARD

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.

MOVING FORWARD

THE EXISTING FUNDING SYSTEM

FACTSHEET 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.

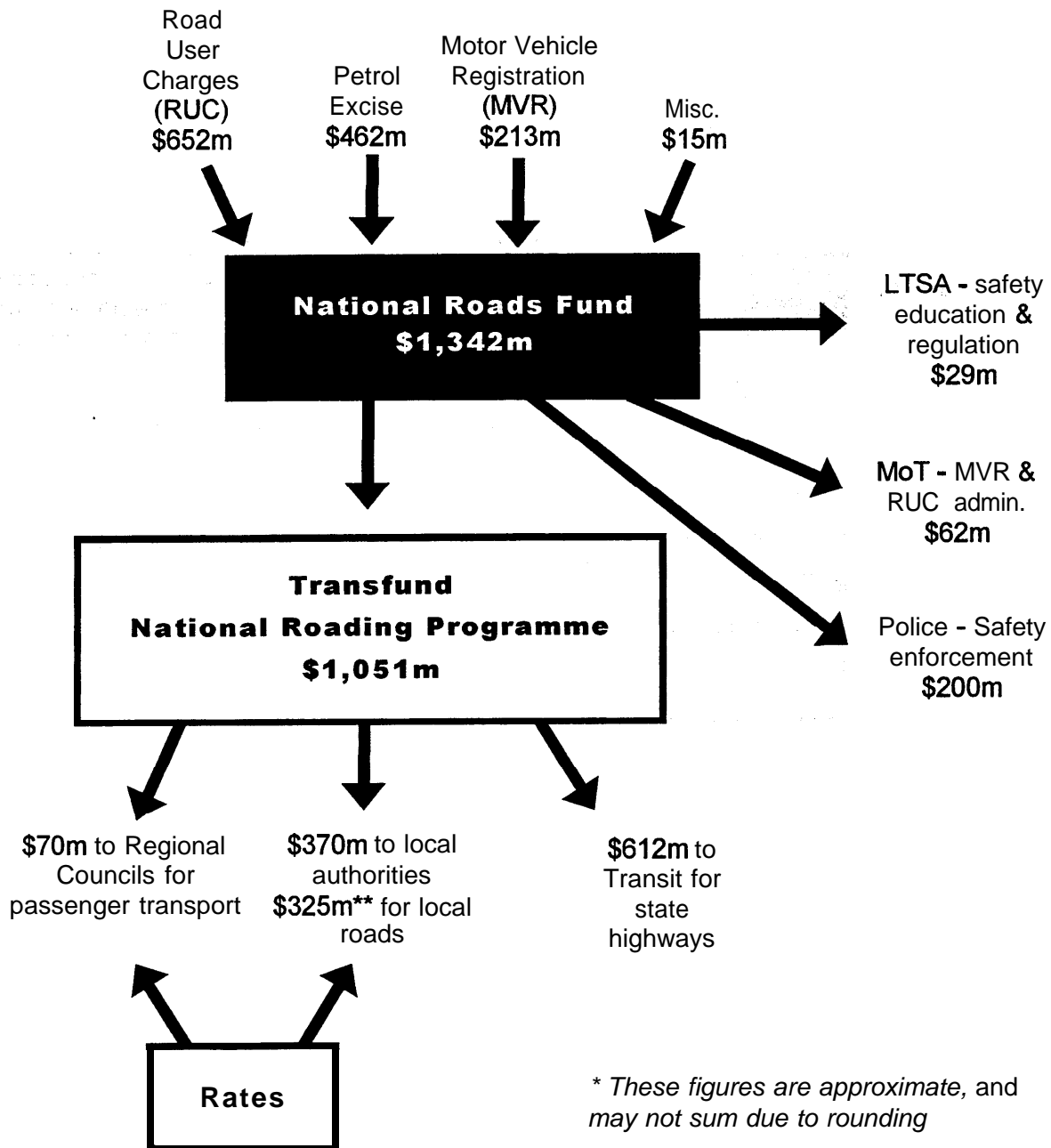
As a result of the proposed changes, the Minister will be able to give Transfund more guidance on the government's general priorities but will still not have the power to make decisions on individual projects.

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 200742 Land Transport Funding Estimates follows.

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



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

** Estimates

MOVING FORWARD

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.

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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 1987* 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.

MOVING FORWARD

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.

MOVING FORWARD

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.