

Government Policy Statement on Land Transport Funding 2012/13 – 2021/22

Purpose

On 26 April, the Minister of Transport released an engagement document on the Government Policy Statement on Land Transport Funding 2012/13 – 2021/22 (GPS 2012), asking for feedback by Friday 27 May. This report:

- provides an overview of GPS 2012 and changes from the current GPS
- summarises the implications of the GPS for Auckland Transport; and
- outlines the key points of feedback on the GPS engagement document for submission to the Minister of Transport which require endorsement by the Board.

Overview of the GPS

The GPS is issued by the Minister of Transport every three years and outlines the land transport outcomes and priorities the Government expects to be realised from its investment through the National Land Transport Fund (NLTF). The GPS describes:

- what the Government expects to achieve from its annual investment of around \$3 billion in land transport through the NLTF;
- how it will achieve this through investment in activity classes (e.g. road safety, State Highways);
- how much funding will be provided; and
- how the funding will be raised.

The GPS influences decisions on how money from the NLTF will be invested in activity classes, such as State Highways and Public Transport. It also guides the decisions of the NZ Transport Agency (NZTA) and Local Government on the type of activities that should be included in regional land transport programmes and the National Land Transport Programme.

Revenue for GPS 2012 will rely on Fuel Excise Duty and Road User Charges increasing at an average rate equivalent to the CPI (Consumer Price Index). The planned increases for 2011 were not carried out to lessen the impact on motorists of higher fuel prices and consequently this had led to more pressure on the National Land Transport Fund.

While the GPS provides an overarching framework for the allocation of land transport funding, the NZTA is responsible for determining how the money is allocated to regions and for which specific activities. In carrying out this responsibility, the NZ Transport Agency must give effect to the GPS while also taking regional land transport strategies and programmes into account.

Three priorities have been identified for GPS 2012:

- **A strong and continuing focus on economic growth and productivity.** This includes providing any on-going support necessary to repair the land transport system in Canterbury over the next three years, alongside continuing to improve the State Highway network, particularly through the Roads of National Significance (RoNS) programme.
- **Value-for-money.** Land transport services should be delivered in better and smarter ways. Asset management will need to be improved in order to boost the performance of roading infrastructure. GPS 2012 will make it clear that the Government expects land transport agencies to deliver more with the resources allocated.
- **Road safety.** The direction outlined in “Safer Journeys”, the Government’s road safety strategy, will be supported through the next National Land Transport Programme (NLTP).

The GPS also outlines out a number of specific targets (known as impacts). In GPS 2012, the Minister of Transport intends to carry over the impacts set out in GPS 2009. These are:

- Improvements in the provision of infrastructure and services that enhance transport efficiency and lower the cost of transportation through:
 - Improvements in journey time reliability
 - Easing of severe congestion
 - More efficient freight supply chains
 - Better use of existing transport capacity
- Better access to markets, employment and areas that contribute to economic growth
- A secure and resilient transport network
- Reductions in road deaths and serious injuries
- More transport choices, particularly for those with limited access to a car
- Reductions in adverse environmental effects from land transport
- Contributions to positive health outcomes

The total level of investment available through the NLTF is expected to be approximately \$3 billion in 2012/13, rising to \$4.20 billion in 2021/22.

Summary of Funding Proposals

The GPS provides proposed upper and lower funding ranges for transport activity classes for the whole country. Table 1 gives a breakdown and comparison of the proposed GPS allocations (Column 2) against the allocations in the current GPS period (column 1).

Estimates of the allocations for the 2012 – 15 period are based on the expected final spend for the current GPS period (2009 – 2012). Attachment 1 gives more details on how this has been calculated.

Table 1: Assessment of New Draft GPS Funding Estimates for New Zealand

Activity class	Final Nov 2010 GPS expected spend (\$m, 2009-2012)	Draft '11 GPS Estimated Spend (\$m, 2012 - 2015)	Changes (\$m)	% Change
	1	2	3 = (2-1)	
New and Improved infrastructure for SH	\$3,173	\$3,414	\$241	8%
Renewal of SH	\$636	\$616	-\$20	-3%
Maintenance and operation of SH	\$906	\$952	\$46	5%
New and Improved infrastructure for local roads	\$453	\$357	-\$96	-21%
Renewal of local roads	\$673	\$629	-\$44	-7%
Maintenance and operation of local roads	\$723	\$684	-\$39	-5%
Public Transport Services	\$617	\$788	\$171	28%
Public transport infrastructure	\$208	\$139	-\$69	-33%
Road user safety	\$114	\$84	-\$30	-26%
Road policing	\$888	\$874	-\$14	-2%
Walking and Cycling facilities	\$46	\$51	\$5	12%
Transport Planning	\$84	\$58	-\$26	-31%
Sector Training & Research	\$17	\$11	-\$6	-33%
Management and monitoring of the funding system	\$102	\$84	-\$18	-18%

Table 2 provides a rough estimate of these proposed funding allocations based on the current GPS. Discussions with NZTA staff indicate that this would provide a reasonable, high level, approximate estimate of the possible funding allocations to Auckland by NZTA as the NLTP is developed. Attachment 2 provides the detail on how this has been calculated.

Table 2: Estimated GPS Funding Implications for Auckland

Activity class	Auckland 2009 NLTP (\$m, 2009 - 2012)	Possible for Auckland (\$m, 2012 - 2015)	Change (\$m)	% Change
	1	2	3 = (2-1)	
New and Improved infrastructure for SH	\$1,502	\$1,605	\$103	7%
Renewal of SH	\$97	\$92	-\$4	-4%
Maintenance and operation of SH	\$159	\$171	\$12	8%
New and Improved infrastructure for local roads	\$189	\$150	-\$39	-21%
Renewal of local roads	\$145	\$132	-\$12	-9%
Maintenance and operation of local roads	\$114	\$109	-\$4	-4%
Public Transport Services	\$347	\$441	\$95	27%
Public transport infrastructure	\$172	\$115	-\$57	-33%
Walking and Cycling facilities	\$25	\$27	\$2	10%
Transport Planning	\$33	\$23	-\$10	-31%

The following observations can be made:

State Highway funding - Funding for New and Improved Infrastructure for State Highways is proposed to increase by 8% or by at least \$241m from the current GPS for the country and around \$103m for Auckland. Much of the Auckland draw on State Highways construction will be for the Waterview project.

New and Improved Infrastructure for Local Roads - Funding for local road improvements has been reduced from current to proposed allocations by 21% nationally – resulting in an estimated \$39m less for Auckland. Furthermore, reductions in funding for new and improved local roads will reduce AT's ability to meet its Statement of Intent key goals, especially the ability to "Deliver a properly connected arterial road network that is integrated with the State Highway network and moves people and goods efficiently and safely".

Maintenance and Renewals for Local Roads - The Engagement document indicates a reduction in funding from existing levels of 5% for maintenance and 7% for renewals, which will put severe pressure on maintaining levels of service for Auckland's roads and if not managed, could result in a reduction in the value of the asset and in safety.

PT Services - There has been a large increase in funding for PT Services. Nationally the difference between the last GPS and the current engagement document indicates an increase of \$171m or 28%. Based on the previous GPS the increase in funding for Auckland would be around \$95m for the 3 year period 2012-2015. This increase is to provide for metro rail in Auckland and Wellington. The increase will fund the higher rail track access charges of \$29.7M and the cost of leasing the new EMU rolling stock at a cost of \$45.6M. After these costs are taken into consideration, the net change is approximately \$19.7M.

PT Infrastructure - The engagement document indicates a reduction of \$69M nationally (a 33% reduction) and around a \$57M reduction for Auckland between the existing and proposed three year allocation. As most of the rail stations have been updated in the current GPS period, it is likely that this reduction will fall predominantly on bus priority measures on arterial roads such as AMET1 and Dominion Road. It is important to note that pressure on the transport system is likely to be particularly severe in 2013/14 as at that time both electrification (including new electric rolling stock) and the Waterview project will not have been completed. This will make it more imperative than ever for AT to progress its partnership with NZTA to optimise traffic signals on arterial roads and roll out its bus and ferry service improvements.

Walking and Cycling - There has been no change in the allocation for the walking and cycling activity class. The same small increase of \$7M or 12% as proposed in the 2009 GPS for the 2012 to 2015 period has been maintained.

Transport Planning - Transport planning is proposed to have one of the largest percentage reductions of 31%, a total of \$26m from the existing to the proposed allocation. As these funds are shared between Local Government and State Highways and as the State Highway programme is expanding, it is likely that they will attract the majority of the remaining funds. It is also likely that the Transport Planning FAR rate of 75% could well be reduced to spread the lower funding range more thinly around Approved Organisations across the country.

Demand Management and Community Programme (DMCP) and Road User Safety - A significant change from the 2009 GPS is that DMCP has been excluded as an activity class. This was highlighted in an amendment to the GPS in 2010, but will not take effect until July 2012. Projects which were previously funded by DMCP will now have to be funded via the Road User Safety and Maintenance activity groups. For projects such as school travel planning to be included in Road User Safety, at least 50% of the benefits of the project (from the BCR calculation) need to be safety related, which may be difficult to prove. If funding is required from the Maintenance allocation then an allowance will need to be made in budgets and the projects included in the asset / activity management plan. There has been a 26% reduction in the funding allocated for road user safety, which is likely to have a detrimental effect on road safety and appears at odds with the Engagement document's statement that "Road safety is a priority".

Key Points for Feedback

Support for a well-connected Strategic Road Network - AT believes that a well-connected strategic roading network is a fundamental cornerstone of a strong Auckland economy, particularly the completion of SH20 Waterview which is considered the last critical gap in the Auckland strategic road network.

A well developed arterial road network is essential to realising full benefits of a well connected Strategic Road Network - while the allocation to State Highways is supported, AT is concerned that the reduction in funding new and improved local road infrastructure will reduce Auckland Transport's ability to improve the local regional arterial network both to meet rising travel needs of its growing population and also the full benefits of a completed strategic road network. We recommend that when the national funding allocations are regionalised, that the important role of Auckland's regional arterials are recognised through a higher growth rate in funding allocation to local road infrastructure.

Well maintained transport assets are essential to economic growth - Underfunding maintenance is considered to be a false economy as the replacement cost of poorly maintained infrastructure far outweighs the short term savings. Pressure on maintenance funding will be exacerbated by the need for workplace travel planning activities to be funded from June 2012 through the maintenance allocation, with the demise of the Demand Management and Community Programme activity class. Furthermore, maintenance contracts in the Auckland region tend to be multi-year contracts in which levels of funding have been agreed in advance. If less funding from central Government is available then a higher proportion of the cost may fall on the rate payer.

Support for the increase in PT services allocation – an increase in PT services funding is essential to enable service expansion to meet growing demands which are placing the current services under pressure and to free up our congested motorways and arterials for freight and commercial trips that are vital to the economy and cannot use public transport. The current Regional Land Transport Strategy strongly supports increased public transport provision and the Auckland Plan discussion document highlights the advantages of a greater role for public transport in meeting the future growth needs of our region.

Well developed bus priorities are vital to ensuring that most value for money is obtained from Increased PT services – The bulk of PT travel is on bus, and unless sufficient resources are available to provide for increased bus priorities, the benefits of the increase in PT services will not be realised if bus services are delayed on congested local roads. The reduced proposed allocations pose a real risk to realising the benefits of the increased PT services allocation.

Innovative programming and planning is essential to manage the competing demands of growth and constrained funding – the pressure on the Auckland transport system is likely to be at its highest in 2013 / 2014 before the Waterview project is completed and before electrification of the Auckland rail network. Addressing this will require innovative and effective planning and programming of limited resources including AT prioritising the optimisation of traffic signals on arterial through its relationship with NZTA. We recommend that when the national funding allocations are regionalised, that the important role of operational planning and programming is recognised through a higher growth rate in funding allocation to Transport Planning.

School travel plan and road safety education programmes are vital to delivering improved road safety and reduced social costs – We recommend that when the Auckland application for road user safety is considered that the role of school travel plans in a highly urbanised environment is recognised as essential to deliver on the outcomes of Safer Journeys. The provision of a reduced allocation has the risk of reducing the gains in safety improvements and reductions in social costs delivered through a combination of education, enforcement and engineering

Recommendations


It is recommended that;

- i) This report is received.
- ii) The feedback to the Engagement document is based on the Key points for Feedback section.

Attachments

Attachment 1 – Assessment of New Draft GPS Funding Targets – National

Attachment 2 – Assessment of New Draft GPS Funding Targets – Auckland

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