



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

The New Zealand Automobile Association Incorporated
342-352 Lambton Quay
PO Box 1
Wellington 6140
NEW ZEALAND

27 May 2011

SUBMISSION TO: Ministry of Transport

REGARDING: **Government Policy Statement on Land Transport Funding 2012/12 – 2021/22**

DATE: 27 May 2011

ATTENTION: GPS Development Team

ADDRESS: Ministry of Transport
PO Box 3175
WELLINGTON 6140
Email: gps@transport.govt.nz

SUBMISSION AUTHORISED BY Mike Noon
General Manager, Motoring Affairs
New Zealand Automobile Association Incorporated
P.O Box 1
WELLINGTON 6140

SUBMISSION AUTHOR Jayne Gale
Principal Adviser, Motoring Policy

AUTHOR E-MAIL jgale@aa.co.nz

AUTHOR PHONE (04) 931 9992

The New Zealand Automobile Association

1. This submission is presented by the New Zealand Automobile Association (NZAA), which represents its Members in the development of policies, regulations and legislation affecting their interests as land transport users.
2. The NZAA represents over 1.3 million Members or one third of the adult population aged over 15. The NZAA carries out research into its Member's views; the views of NZAA Members are usually closely aligned with the views of the population.
3. Motorists (through petrol excise, RUC and motor vehicle registration fees) pay for the majority of the National Land Transport Fund and together with heavy vehicles, pay for the whole fund. Thus the NZAA has a very strong interest in the Government Policy Statement (GPS), which sets priorities for funding from that fund over the next ten years.

Government Policy Statement 2012

4. The NZAA appreciates the opportunity to comment on the proposed GPS 2012-2022. The NZAA is overall very supportive of the direction proposed, but has some comments on detailed aspects.

Overall Objectives

Statement of Strategic Direction

5. The NZAA supports the inclusion of the statement of strategic direction and the development of a Forward Plan for Transport.
6. The NZAA has no real issues with the current vision except that it seems long and unwieldy: *An effective, efficient, safe, secure, accessible and resilient transport system that supports growth in our country's economy in order to deliver greater prosperity, security and opportunities for all New Zealanders*". The NZAA was relatively happy with the older legislation that required Transfund to allocate funds to achieve a "safe and efficient" roading system. This encapsulated our top priorities of road safety and value for money.
7. The NZAA submission on the 2008 GPS noted:
"The NZAA considers that its Members will be well served by an increased emphasis on improved journey time reliability, easing of severe congestion, improved transport connections, transport efficiency and road safety."
8. The AA's concern with the previous government's transport vision was that it tried to be all things to all people with ill defined generic objectives such as "sustainable" and "integrated", which were open to interpretation to suit multiple agendas and thus pleased everyone and raised expectations, but left transport agencies the thankless task of quantifying difficult trade-offs and resulted in disappointing almost everyone.
9. Transport agencies can tend to think of "transport" as a sector in and of itself, but it is not an end in itself, it is there to serve the needs of other sectors. These could be thought of as individual sectors like tourism, agriculture or education but NZAA is roughly happy with "the economy", whether it is phrased as productivity, prosperity or growth. The caveat is that these must take into account that overall utility (including end consumption) is at least as important as intermediate measures (eg freight), and that social, recreational and personal business journeys are also end consumption items and hence of utility (in New Zealand national benefit terms).

Priorities

10. The proposed direction and priorities retain the emphasis of the current GPS, which the NZAA broadly supported as it focuses on mobility, safety and efficiency.

A strong and continuing focus on economic growth and productivity

11. The NZAA supports the continued strong focus on economic growth and productivity but strongly objects to the implied wording in the document that “productive” is synonymous with “heavy freight”. The economy is underpinned by light vehicles, and not just light commercial vehicles. Light vehicles are used for the myriad of activities that productive New Zealanders engage in during the working day: business and sales activity, employee access to workplaces, access to education and training, and delivering people and goods around dispersed destinations. Looking out the window at traffic activity would disabuse anyone of the idea that truck movement is the primary driver of economic activity in our cities. Adding together the financial, education, health, entertainment, service and other sectors not reliant on heavy freight would also be instructive. ***Therefore we strongly suggest the Minister should invite the Ministry to assess the economic growth and productivity contribution of the light vehicle fleet before finalising GPS 2012.***

Value-for-money

12. The NZAA strongly supports the proposed increased focus on safety and value for money, and considers there are areas where greater value for money can be achieved without compromising outcomes even within high priority areas such as the RoNS. We refer the Minister to the recommendations of the Ministerial Advisory Group on Roothing Costs, many of which are still relevant.
13. The NZAA has for a long time been extremely concerned that the area of greatest potential cost savings lies outside the transport sector. That is, a severe burden of cost is imposed on New Zealand transport projects by our regulatory environment such as the consent and approvals processes. This is particularly evident when comparing with international benchmarks. The NZAA does not support roading development at any cost, or at the cost of good environmental stewardship, but we do believe a better balance can be achieved at lower cost, as has been achieved overseas.
14. In New Zealand these processes seem more weighted against development because opponents can, at little cost to themselves, add requirements or delays. Thus objections can be based on spurious or dubious logic or for personal gain at no cost, including re-litigating projects on a philosophical bias against development in general or roads in particular. In the meantime, potential beneficiaries (transport users) have no voice in the process and their needs are not balanced or protected, but this group ends up wearing the costs both of any “gold plating” and delays. There is currently an imbalance favouring anti-development over development interests, particularly where those development interests are represented by the public sector.
15. The long timeframes for roading consent approvals (7-12 years) mean that only NZTA has the continuity to progress projects. Local government is subject to two or three elections for each planning cycle, and priorities often change within that time. This is one reason that major new local roading projects have consistently declined in funding over the decades. This however undermines the functionality and capacity of the State highway networks and hence reduces value for money.
16. There does not seem to be an appetite within the government transport agencies to essentially lobby for change, i.e. build a business case of the costs incurred and propose regulatory changes that would reduce their compliance burden. This is seen as outside their

remit, but we would ask, whose remit is it? Concerns we have about the Environment Court and RMA processes are as a result of seeing:

- Facilities provided well beyond any justified cost (e.g. the cycleway on the Wellington Inner City Bypass, environmental mitigation at ALPURT).
- direct access and multiple turning options provided for residents, undermining long term State Highway function and purpose, and undermining capacity and safety
- Large costs in management of temporary runoff with no “test of reasonableness” on the benefits; multimillion dollar delays to projects to protect wildlife disproportionate to what is required to be spent by other sectors.

17. NZAA suspects that the single largest achievement of value for money lies in the area of the regulatory environment and consent processes and practices. ***We would encourage the Minister to include in the GPS a direction to both the Ministry of Transport and NZTA to investigate and report back on the cost burden of, and propose changes to, the regulatory environment for transport infrastructure (and require the same from the Ministry for Economic Development to undertake a similar assessment for the other network infrastructure sectors).***

18. The second largest area for achieving value for money is in applying stronger protections for the asset from degradation of function that necessitate costly duplication. For example NZTA’s moves to prevent ribbon development of State highways will save billions over the longer term, and the same logic applies to local roading. Further, decades of underinvestment in the local roading system means the State highway system has to perform too many functions, none of them well. ***The NZAA recommends that a holistic analysis of the roading hierarchy, including local roads, to identify gaps in investment in local arterial and feeder roads supporting the State highway network function; this could unlock productivity gains at a fraction of the cost of investment in State highway capacity.***

19. The NZAA is also concerned that there remains somewhat of a hangover in attitudes regarding value for money and productivity within the transport sector including within NZTA. Examples include:

- reducing speed limits when the benefit cost ratio in terms of lost time are below one;
- artificially equalising values of travel time for political reasons instead of using the measured values that reflect genuine productivity differences (e.g. Auckland has a higher travel time value; public transport has a measurably lower travel time value; the NZTA Board has decided to equalise all these);
- failing to fully explore the potential of landowner contributions, which are sometimes voluntarily offered to achieve potential productivity gains to the business;
- blindly asserting that “maintenance must have first call on funding” as a dogma, without critically analysing and making an overt trade-off whether in *some* instances better value could be achieved by deferring *some* maintenance and operating costs in favour of a specific capital investment.

20. The NZAA is concerned that productivity and value for money trade-offs are not often made explicit within NZTA’s processes. Just as the first action of the Safer Journeys Action Plan is to embed the Safe System approach throughout New Zealand, the first action in the GPS should be to embed value for money through the agencies. ***The NZAA recommends the GPS require agencies to scan, at all levels, entrenched policies and practices to ascertain if they can be tweaked to achieve better productivity and value for money outcomes.***

21. For example, in the setting of speed limits, there are trade-offs between access, safety and productivity. Too often access is treated as non-negotiable; then productivity is trumped by safety. The long term value for money of a bypass is completely eroded when development means another bypass is required. We need a more strategic and logical approach to how access, productivity and safety are traded off and managed. The intention to limit access on higher hierarchy roads needs to be signalled well in advance, and tie back to policy and planning documents through LTCCCPs, RLTS and thus this should be signalled in the GPS. Protection of the roading hierarchy, and management of development and access in accordance with road function and purpose, needs to be embedded in all levels of the planning process, including the GPS. ***The intention to manage access (eg limit access on higher hierarchy roads) needs to be signalled well in advance and tie back to central and local government policy and planning documents starting with the GPS.***

Road safety

22. The NZAA strongly supports the proposed increased focus on safety, and in particular the move to direct priority to road safety engineering by identifying the amount of safety related spend within each output class. The NZAA submission on the previous GPS notes:

“kilometres of existing network far exceed kilometres of new road, hence the AA places high priority on the safety retrofit programme.” Eric Howard has advised that \$150m per year spent on safety retrofit will have a profound effect on our road toll over time.

23. The NZAA is particularly pleased that the Minister has set explicit ranges for the proportion of road expenditure that provides safety benefits, both as part of the RoNS but also specifically mentioning safety retrofit work that the NZAA has lobbied for (e.g. barriers, passing opportunities, high risk rural roads and skid resistance). The proposed GPS also specifically mentions reporting on the proportion of roads that have increased their KiwiRAP star ratings, which the NZAA strongly supports.

| Safety related roading expenditure | 2012/13 \$ million | 2013/14 \$ million | 2014/15 \$ million |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| State highways | 150–240 | 150–240 | 150–240 |
| Local roads | 80–120 | 80–120 | 80–120 |

24. While we would have preferred a dedicated funding pool to provide more certainty and planning, the focus on the safety spend will go some way towards raising the priority of safety engineering. It is not clear whether the ranges the GPS sets for safety expenditure meet the NZAA’s election call for an additional \$150m to be spent on road safety engineering; we are currently working with NZTA to establish this and until this is confirmed will continue to call for the additional \$150m to ensure that the focus remains strong and the opportunity to save 80-90 lives per year after 10 years of such investment as detailed by road safety expert Eric Howard is achieved.

25. In the past for project funding, safety was a factor that helped justify projects thrown up through a “bottom up” process. Recently NZTA has moved to an excellent “top down” gap analysis and prioritisation for State highway projects and for safety engineering in particular. NZAA particularly supports the use of the innovative KAT model which provides an overview of State highway safety needs across the country on a nationally consistent basis. This means NZTA can identify high return safety projects with confidence and drive them through. This much smarter ‘top down’ approach *must* be supported by funding.

26. Given the assurance of value, and the launch of the Decade of Action, now is the time to *increase*, rather than reduce, safety engineering funding and make it easier to access.

However, a significant proportion of safety retrofit work occurs under the maintenance and renewals output classes. The NZAA is extremely concerned that levelling the funding for maintenance and renewal output classes for State highways and local roads (as is proposed for this GPS) will have the unintended consequence of making it *harder* to fund the *most* effective safety investments ie safety retrofits. Safety work will have to compete against other maintenance work; but maintenance is notorious for inflationary pressures, having strong links to oil prices. In addition, some of the highest value safety retrofits work (barriers, rumble strips) leads to higher ongoing maintenance costs. **Hence again the NZAA calls for an additional \$150m to be reprioritised in this GPS for safety engineering, which is not consistent with a level maintenance and renewal spend.**

27. We recognise that consistently identifying the safety related spend is not straightforward and there are issues regarding consistent definitions, overlap (a project achieves safety *and* efficiency) and trade-offs (safety is at the *expense* of efficiency or vice versa), but we consider the exercise of tracking safety spend will increase focus on safety engineering and result increase integration between safety and infrastructure objectives.
28. The NZAA is concerned that local authorities will need specific assistance to consistently define the safety spend, as they do not have the benefit of KiwiRAP and KAT (the KiwiRAP Analysis Tool). The NZAA is also very concerned that local authorities will have difficulty finding the matching funding for potentially high value safety works on local roads. **We recommend GPS specifically task NZTA with the mentoring role of advancing the local authority knowledge base to enable local authorities to achieve Safer Journeys' road safety engineering outcomes within a fixed budget.: tailoring the State highway 'best practice' to suit lower hierarchy, lower volume local roads, and providing practical tools, advice and assistance.**

Canterbury earthquake recovery

29. The NZAA supports the focus on rebuilding Canterbury transport networks. The GPS proposes that NZTA would assist Christchurch City Council at the special funding assistance rate for emergency works (about a 75% NZTA contribution compared to the current rate of 43%). **The NZAA conditionally supports the proposed emergency works FAR as a reasonable first step to assist recovery.** Whether the FAR approach meets the need will be revealed over time, and can be adjusted as needed, but it seems like a fair starting position. In particular the NZAA considers that having some local share, even if small, places a discipline on local body ambitions (at the expense of road users).
30. However, the NZAA does not have information about:
- the adequacy of the proposed 75% FAR (with all the other expenses facing it, will Christchurch City Council have the matching contribution needed?)
 - the scale of works to fund (how grand or minimalist a transport network will be rebuilt?) and
 - what trade-offs have to be made from projects in the rest of the country (to what extent will this detract from other priorities?).

Short term economic stimulus

31. The NZAA supports the removal of the short term focus on economic stimulus, which is no longer needed. However we were impressed by the cost savings achieved by the stimulus projects and wondered to what extent the acceleration of projects actually reduced their cost. **The AA seeks an evaluation of the stimulus projects to assess whether better value for money is achieved by accelerating projects.**

Roads of National Significance (RoNS)

32. The seven RoNS feature strongly in GPS 2012. Although the GPS does not propose to add any new RoNS in its timeframe, we note the reference to using the State highway classification to identify possible future RoNS routes including:
- Hamilton to Tauranga
 - Cambridge to Taupo
 - Hawke's Bay Expressway further development
 - Christchurch motorway (SH1 North and South of current projects),
33. ***In its role representing the motorists, the primary funders of the NLTF, the AA would appreciate having input on the selection of future RoNS. The NZAA strongly encourages fast tracking of processes to procure land, initiate planning processes, place limits on access and protect corridors for potential RoNS.***
34. The NZAA strongly supports the focus in this GPS on seeking value for money within the RoNS because the RoNS are the biggest ticket items, so have the greatest scope for cost efficiencies and hence NZTA could afford to put considerable thought into looking for smart savings on the RoNS without being overly driven by standards. ***The NZAA is concerned that the design standards for the RoNS should achieve a four star KiwiRAP standard, but within that we should be careful not to "over-engineer"***. It would be concerning to detect the attitude that "an extra \$150m doesn't matter in the scale of a \$2 billion Waikato Expressway, Western Ring Route or Transmission Gully project", for example, because that \$150m could achieve a lot when spent in other parts of the country: it could fund the NZAA's election call for a \$150m safety retrofit budget, which could save the lives of New Zealanders, or more than fund the NLTF contribution to Clifford Bay, which could have huge travel time benefits between the two islands.
35. In addition to the RoNS reducing congestion, improving road safety and supporting economic growth, they also provide a critical level of certainty and urgency to the road contracting sector. This is generating cost savings by giving contractors certainty to invest in large equipment and capability. The scale of the projects also encourages learning and innovation which will benefit the industry and future projects. ***The NZAA broadly supports continued funding of the RoNS with the caveat that value for money is sought at each stage of the RoNS, and that the RoNS continue to be vigorously benchmarked against other expenditure.***
36. ***The NZAA would suggest that placing a cap on RoNS budgets, or narrowing the inbuilt "contingency" budgets, could generate operational efficiencies. The NZAA supports NZTA's interpretation that local roads feeding into and supporting the RoNS also qualified for higher strategic fit under the previous GPS, and would support making that explicit in GPS 2012.***

Forward Plan for Transport

37. The NZAA supports the concept of a Forward Plan for Transport, which provides the sector with certainty, and looks forward to working with the Government to progress the Forward Plan including ways that motorists can engage on raising funding to achieve it.

Funding ranges

38. The NZAA appreciates that there is a funding issue with revenue decreasing from forecast and the economy in difficult times, and that must necessitate some austerity measures. The engagement document flags that expenditure for six output classes is being held constant despite inflation, and for four classes, expenditure decreases. This will present some strong challenges and require progressive operational efficiencies; and unfortunately this just

reflects the reality of the economy. We note there are wide funding ranges within which NZTA will have considerable scope to allocate funds.

State highway improvements

39. State Highway improvements will increase, reflecting the impact of the RoNS. ***The NZAA considers it important to continue with the certainty provided by the RoNS framework but would again urge a strong value for money approach to the RoNS.*** There is a widespread concern from AA Districts that there is no funding for other new construction with all the funding committed to the RoNS.

Public transport

40. The NZAA notes that the output class for public transport services also increases over time to \$300m. The NZAA supports public transport, provided it is appropriate and good value for money. Economic analysis of the benefits of public transport services in Auckland shows low benefit cost ratios and that the majority of the benefits are not to road users (congestion reduction) but added mobility for public transport users (usually locals). Hence there is a valid case for a higher rates contribution than road user contribution for public transport. The NZAA naturally resistant to road users being used as funders (eg from congestion charging or network tolling) for grandiose and poor value for money public transport investments.
41. In 2000, the public transport services output class totalled \$40m pa; now it is five times that, and the funding increase has been very fast. ***We would wish to ensure that a value for money “ruler” is run over the public transport services output class, as some ambitions may have been out of line with actual use and passenger numbers.*** A proper analysis of value for money in public transport might reveal some wishful thinking in terms of particular services that we cannot afford in this economic climate.

Maintenance, renewals and local road improvements

42. The NZAA is not aware of what analysis underpins the flat funding for the five roading output classes, and trusts this has been done, noting that the flat lining amounts to about 3% less maintenance funding, compounding over the 10 years. When lack of local roading share is added to this the issue is doubled. The NZAA notes that local road investment has been declining for many years and that many local RCAs are unable to fund their asset management plans currently let alone improvements. The NZAA has concerns that road users are disadvantaged when high value local roading investment does not proceed due to lack of local funding share, and is concerned that the same could occur for local authorities that cannot afford proper maintenance. ***The NZAA recommends the government review the potential for unlocking productivity gains from local road projects that are not proceeding due to funding constraints.***
43. ***New Zealand needs to move towards an asset management plan for our roading network that identifies the optimal maintenance levels of service and hence optimal maintenance cost to maintain the network asset.*** This asset management plan should consolidate both NZTA and local roads, as each supports the other in the roading hierarchy (failure to invest in one level undermines the function of the other level). With a sound asset management plan, tradeoffs between new investment and maintaining the asset at each level could be explicit and could be optimised.
44. To change funding requirements will require changing maintenance intervention levels, and currently many Road Controlling Authorities see these as fixed. Only time will tell if these targets are achievable and realistic, and whether the new construction is worth any degrading of the existing asset that may result. ***The NZAA recommends the GPS should task NZTA to monitor RCA actions to manage maintenance budgets, project the***

impact on the roading asset value, and report back in timely manner so the GPS can accommodate the realities that emerge.

45. We note that the RUC paid by high productivity vehicles will be set to cover marginal damage to both State highways and local roads. However, financial assistance rates were set based on existing RUC levels; there seems to be no mechanism to transfer the local roading share of the RUC to those local authorities whose roads are most affected by high productivity vehicles. The NZAA suggests that **NZTA should develop such a transfer mechanism to divide up this additional income fairly.**

Road User Safety

46. The NZAA strongly opposes the proposed reduction in road user safety and contends that this output class should at least be maintained flat in light of the recent past, when the NZTA Board, reduced funding by 20% as a result of overspending in the public transport output class. This resulted in some high value programmes being reduced and/ or cancelled. The value of some of the public transport overspend is highly questionable compared to the road user safety spend. **The NZAA would strongly urge that a proper assessment of the relative value of the road user safety programmes be done before their funding is further compromised.**
47. The funding table should have clear categories for engineering, enforcement and education. The NZAA questions if the full enforcement budget is still needed if more enforcement is undertaken by automated camera systems.
48. The NZAA believes that effective training and education is important key in achieving Safer Journeys and has a strong interest in young driver education and training, work related driver education, training for older drivers, eco-drive training and programmes for recidivist offenders and drug or alcohol addicts. The driver education area has suffered considerably from underfunding, and negative attitudes towards driver education and private providers. There are some world leading programmes in New Zealand (Practice, Fleetsafe and the frontal lobe project) and other areas such as SADD that make a valuable contribution. **There is strong public support for driver education through the graduated driver licensing process, and the AA strongly recommends the government consider increased funding for programmes such as SADD, keys2drive and Practice. An older driver programme should be delivered on a nationally consistent basis.**
49. The NZAA is extremely concerned by the continued lack of recognition being given to education and has a serious concern that through several major restructurings, the road safety education sector has become increasingly fragmented and under-resourced. **The GPS needs to drive the NZTA restructure to ensure a clear line of responsibility for driver education and training.**

National Cycle Trail Network

50. The NZAA is very concerned, given the scale of austerity cutbacks in the wider transport programme, at what appears to be an attempt to piggyback the \$50m National Cycle Trail Network Project onto the Land Transport Fund. While NZAA supports the concept of the cycleway in principle for its tourism, recreational and health spin-offs, the NZAA is strongly resistant to road users being used as sole funders of projects that are not directly relevant. It would be helpful if the Government could assess the range of potential ways that cyclists can also make a funding contribution to improve cyclist outcomes. **The Fund is already stretched and is not funded by road users for this purpose (primarily a tourism venture) but for basic transport needs.**

R Funding

51. We note the reference in the GPS to developing alternative funding arrangements to replace R funding before it expires in March 2015. R funding provides a valuable outlet for local preferences and ensures some ongoing development and improvements at a local level. Provided a strong value for money ethic is applied to this funding the **NZAA would support some alternative to R funding being developed, particularly if it can be linked to Safer Journeys**, the high risk rural roads guide and improvements in KiwiRAP star ratings (which can be reliably assessed as high value projects). We note that with the State highway maintenance and renewals and local road improvements, maintenance and renewals being capped, there is no obvious source of funding to implement the safer roads part of the Safer Journeys Action Plan. NZAA Districts would appreciate being consulted on any development of an alternative to R funding, as there were issues with how R funding was applied.

Safer Journeys Action Plan: Right Hand Rule, Alcohol Interlocks, Young Drivers etc

52. We also note that there does not seem to be any funding provision to change traffic phasing and road lane layouts to accommodate the Right Hand Rule change, which will be required either before or after the Rule change. The NZAA believes this will particularly be an issue for local government funded roads. A lack of investment in this area, which the NZAA believes is a medium risk, could undermine support for the Right Hand Rule change. It is also critical there is an information campaign that reaches all drivers about the day the Right Hand Rule will change; this would come from the road user safety output class, which this GPS proposes to have reduced funding (see below).

53. Last year the Minister produced an amended GPS to enable prioritisation of funding for the Safer Journeys First Actions. We consider it valuable to **make explicit in this GPS the priority for funding the Safer Journeys Action Plan throughout the ten year timeframe of GPS 2012 including public information campaigns and engineering treatments.**

Addressing the funding shortfall

54. NZAA expects that over time a funding shortfall will emerge. NZAA can anticipate this will result in increased charges to road users through fuel tax, RUC and tolls. We understand the rationale for the deferral of the 1.5c petrol tax increase, and indeed we consider that petrol tax should be held constant until the RUC contribution reaches that of petrol under the cost allocation model. Full hypothecation of petrol tax in 2008 has resulted in a substantial inequity between RUC and petrol users which needs to be rebalanced over time by increasing RUC while holding petrol tax steady. A survey of NZAA Members shows 73% support for a move to diesel tax for light diesel vehicles.

55. However, to meet funding shortfalls the NZAA suggests that the GST on petrol tax (about 9c per litre) and on RUC, could be redirected into the Land Transport Fund. The GST on petrol tax is viewed by our Members as a 'tax on a tax'.

56. The NZAA proposes that dedication of new fine revenue to road safety as another way to boost these monies, for example if red light cameras are rolled out nationwide.

Conclusion

57. The NZAA's view is that the proposed GPS is a workable plan given the strong constraints on Government funding. The NZAA recognises that there remains a funding issue and would be happy to work with the Government to develop a reliable funding base for transport investment forwards.

Regards,

A handwritten signature in black ink, appearing to read "Mike Noon". The signature is written in a cursive, flowing style.

Mike Noon
General Manager – Motoring Affairs

THE NEW ZEALAND
AUTOMOBILE
ASSOCIATION
INCORPORATED

342-352 Lambton Quay
Wellington
New Zealand
PO Box 1
Wellington
New Zealand

T. +64 4 931 9999
F. +64 4 931 9960

31 May 2011

Marian Willberg
GPS Development Team
Ministry of Transport
PO Box 3175
Wellington 6140

Dear Marian

Addendum to AA Submission on GPS 2012: Funding for Utilities in the Road Corridor

An issue relating to GPS 2012 regarding lack of coordinated funding of utility platforms in the road corridor was brought to my attention on Friday and was omitted from the AA submission. With your indulgence I would like the following to be accepted as a late addendum to the AA submission on GPS 2012.

Utilities in the Road Corridor: Scale of Costs and Potential Productivity Gains

There are about 100,000 applications by utilities to access the road corridor annually. This costs the nation not only in dollars for physical works, with the opportunity cost of utility and roading agencies' infrastructure rollout, but also in productivity lost through traffic delays to road users and disruption to businesses affected by road works. Further, it incentivises above ground structures, which reduce the inbuilt safety of the roads, and runs counter to Safer Journeys' Safe System objectives of reducing the level of roadside hazards.

The sheer number of accesses, often in the densest trafficked urban areas, highlights the scale of potential efficiency gains from rationalising the process. Building multiple utility ducts into the road corridor at the time of road construction and reconstruction would reduce costs to all parties (utilities, roading agencies and road users) by avoiding any need to repeatedly disturb the road base course and structures, and disrupt traffic. This is particularly urgent at the moment given that Christchurch's roads base course has been disturbed by liquefaction with sub-road pipe structures rising to the surface, necessitating substantial rebuilding of the under road structures.

Issues with Funding and Provision of Utility Infrastructure in Road Corridors

The issues surrounding provision of adequate levels of utility ducting and platforms include:

- current legislation provides utilities the right to access the road corridor at no cost, and prohibits roading agencies from charging rental or rates for providing utility facilities;
- the GPS currently provides no flexibility or priority for the NZTA Board to fund non transport infrastructure (ie utility ducts) from road user funds;
- local roading budgets do not cover non-roading add-ons such as utility ducts, to provide a free service to utilities from their rating base;
- there is no guarantee that utility ducts provided as 'future proofing' will be used in any timely manner, hence providing ducts carries a significant risk, which is not compensated;
- no one (neither road asset managers nor utilities) are required compensate private or commercial road users for the delays imposed, nor for increased severity of injury or other crash costs resulting from poor location or design of utility structures in the road corridor

- utilities who own sub-road structures are required to provide a return on capital for their shareholders, which is higher than that required for roadside structures; utility costs could be lower for renting shared sub-road structures.

In short, those who originally designed the legislation did not anticipate the sheer rate of growth of modern utility works in road corridors (broadband, fibre optics etc). Nor did they apply modern economic theory of incentives to the (predictable) outcomes from the legislation, which is intended to reduce utility costs but has the perverse result of increasing overall costs to utilities as well as to the nation, and under-provision of sub-road utility facilities. And finally there is no recognition of the costs of safety outcomes created by the legislative environment (presumably this should have been flagged in the Regulatory Impact Statement for the Utilities Access Bill 2010, but would not be required for deemed regulation).

By giving right of free access, the current regulatory regime does not balance road user productivity losses, safety costs and road asset manager costs against the benefits to the other utility users. Hence right of access is naturally overused, to the overall detriment of the national economy. The Utilities Access Act 2010 attempts to address this through a national code approach, and the code attempts to enable a more coordinated regime, but utility legislation prevents the code from creating financial incentives. Unless utilities face the costs they impose, there will remain insufficient incentive to coordinate road accesses, or be concerned about the length of time the road is opened.

Further, by preventing charging of rental, roading agencies have no incentive or capability to provide even the most basic future proofing (by way of ducting to carry multiple utilities) since they must carry the up-front costs. For example, NZTA required the first utility that approached it to build a utility platform across the Auckland Harbour Bridge. However, this utility has no incentive to build a utility platform capable of carrying multiple utilities, nor to allow competing utilities access in future. The appropriate ownership structure for sub-road ducting for competing utilities is thus far from clear.

As a work around the legislation preventing roading agencies from charging rental, NZTA is considering building multiple ducts and selling them one by one as utilities require them, but still has the problem of how this might be funded. Where it is establishing its own cabling for traffic management purposes or where opportunities are created through construction works in heavily trafficked areas, the NZTA has introduced some future proofing as a by-product. However the NZTA Board has, quite rightly, resolved that providing utilities with ducts is not core business from road user funds and is not consistent with GPS priorities.

Because the current regulatory environment adopts what could be called a 'socialist' approach (provide utility ducts for free for the greater good), the (predictable) perverse outcome is no provision of ducts. And yet, optimal provision of utility ducts would benefit utilities (they don't have to dig up the roads), road users (less delays, less roadside hazards), roading agencies (less cost of reinstatement and less damage to the roading substructure and hence asset life) and reducing the overhead burden of managing thousands of requests for utility access to the road corridor.

Recommendations

In summary, there is a major issue to be addressed regarding utility ducting. The AA recognises that this is a much wider and longer term issue than can be dealt with by any one agency, but considers that, at least, the GPS 2012-2022 should presage the need for

coordinated funding, where there is value in doing so, of provision for utilities in the road corridor.

The AA is asking that GPS 2012 specifically allow and prioritise spending by NZTA on utility ducting where this will reduce costs to the nation overall, and task NZTA with preparing a business case for the optimal provision of utility ducting on both State highways and local roads.

We also ask that CERA consider how best to provide optimal utility ducting in the rebuild of Christchurch horizontal infrastructure as there is a unique opportunity during the reinstatement of much of that city's roading.

However amending the GPS 2012 is at best an interim and partial measure; and one that poses a serious concern for the AA. Solely using road user funding for the joint benefit of road users and utilities, without the utilities making any contribution in proportion to their benefits, is unfair and inequitable. Hence in addition to this proposed change in GPS 2012 ***the AA is also seeking a review of legislation to accommodate a suitable structure for determining optimal (ODV) levels of provision of ducting and allowing for a co-payment in rental from utilities.***

Currently the list of legislation that would need to be changed that specifically prevents roading agencies from charging for utility ducting (and hence effectively prevents any provision of utility ducting or other utility platform infrastructure) is:

- Section 30 of the Electricity Act 1992
- Section 31, subsections 1 and 2, of the Gas Act 1992
- section 135 of the Telecommunications Act 2001 and
- possibly the Local Government Act which could be amended to accommodate a contribution from water and sewerage utilities.

Conclusion

The AA recognises this issue goes much wider than GPS 2012, and indeed is a larger piece of work. We are seeking the Ministry of Transport to coordinate a multi-agency approach to develop a process to

- identify priority locations for optimal provision of utility ducting
- establish an appropriate ownership structure for joint utility ducts
- negotiate shared funding arrangements
- set appropriate rental fees.

This would involve sustained effort from all parties but the AA believes the potential gains are there for all sectors to reduce costs, increase productivity and improve road safety outcomes.

Yours sincerely

Mike Noon
General Manager, Motoring Affairs