

**Response to questionnaire for:**

**Assessment of strategic plans and policy  
measures on Investment and Maintenance in  
Transport Infrastructure**

**Country:**

**New Zealand**

## 1 INTRODUCTION

### **Road**

- In total New Zealand has 94,202 km of road. Of this, 10,909 km are state highways and 83,293 km are local roads.
- The State Highway network includes 183 km of Motorway. State highways are a Crown asset that are managed on behalf of the central government by the New Zealand Transport Agency.
- The local road network consists of 83,293 km of local roads (51,546 km sealed and 31,747 km unsealed). These roads are managed by local government.
- Vehicles on New Zealand's road network cover 40 billion vehicle km per year and carry 18.1 billion tonne-km of freight.

### **Rail**

- New Zealand has a rail network that includes 4,000 km of track.
- Over 4,000 million tonne-km of freight is moved across the rail network each year.
- New Zealand has two metro railway networks (Auckland and Wellington) with a total of 21.1 million passenger boardings per year.

### **Ports**

- New Zealand has 14 international ports around the country. These ports are a mixture of local government and privately owned.
- These 14 ports handle 31 million tonnes of exports per annum with a value of around \$NZ40 billion.
- These ports also handle 18.5 million tonnes of imports with a value of \$NZ34.5 billion per annum.
- The 6 major ports in New Zealand move around 1.5 million containers per year.

### **Aiports**

- There are 7 airports in New Zealand with scheduled international services. These airports handle around 62,000 international flights per year and almost 10 million passengers (both inbound and outbound).
- The airports also handle 98,000 tonnes of exports with a value of \$NZ6.5 billion and 96,500 tonnes of imports with a value of almost \$NZ10 billion per annum.

Source: <http://www.transport.govt.nz/ourwork/TMIF/Pages/default.aspx>

## 2 MAJOR PROJECTS AND FUNDING

The main transport projects in New Zealand are:

- Developing a programme of Roads of National Significance (RoNS). The RoNS represent the major investment in New Zealand's roads over the next decade and are important for addressing the current constraints on our key supply chain routes.
- Getting Auckland transport working well – this involves looking at ways to improve transport across New Zealand's biggest city.
- Rebuilding the transport system in Canterbury after the earthquakes of 2010 and 2011.

In addition, the Ministry of Transport is investigating the feasibility of establishing a new ferry terminal at Clifford Bay. This represents a key transport link between the North and South Islands, and would be a major project if it proceeds.

Transport developments in New Zealand are funded through a mix of public and private sources. The costs of maintaining existing infrastructure are also met through these processes.

### **Road**

Central Government plays a key role in collecting and allocating funding to supporting building and maintaining roads.

Revenue for the National Land Transport Fund comes from a range of sources, including:

- revenue generated through fuel excise duty, road user charges, and motor vehicle registration and licensing charges
- additional funding from central government.

The NZ Transport Agency is then responsible for developing the [National Land Transport Programme](#) every three years, which sets out all the activities to be funded from the National Land Transport Fund. Current activities funded through the fund include:

- improvements to the State highway network and local roads – including new road construction and maintenance and the operation of the existing network
- road policing
- public transport services and infrastructure
- road safety promotion
- walking and cycling
- transport planning and sector research
- managing the allocation of funding.

Some of these activities, such as State highways, road policing and research are fully-funded by central government, while the costs of other activities relating to local roads and public transport are shared with local government.

In developing the National Land Transport Programme, the NZ Transport Agency must give effect to the [Government Policy Statement](#) which sets out the overarching outcomes the government expects to achieve). But the Agency makes independent decisions on funding individual projects.

### **Rail**

The rail network is administered and maintained by a statutory company (and has been since October 2008 when the Government re-purchased Toll New Zealand's rail and ferry businesses) – New Zealand Railways Corporation (trading as KiwiRail), which is fully owned by the New Zealand Government.

KiwiRail's focus is its Turnaround Plan, which will improve the quality of rail infrastructure and make KiwiRail a commercially viable business over the long term. The New Zealand Government has committed in principle a total package of \$750 million for 3 years as seed capital for the Turnaround Plan.

Metropolitan rail services are key parts of the public transport networks of Auckland and Wellington. Significant contributions to support developments to the rail networks in both cities were made through the National Land Transport Fund over the 2009/12 period.

### **Maritime and Aviation**

Central government plays less of a direct role in financing capital developments in the maritime and aviation sectors. However, government agencies do play a key role in providing a regulatory environment that enables the activities of commercial operators, while maintaining the necessary safety standards.

Most ports and airports in New Zealand are owned by local government, although some, particularly the larger ones, are also owned partly by central government or private interests. The costs of maintaining these facilities are generally funded by users.

### **Private-public partnership**

Private-public partnerships are a potential option for procuring new transport infrastructure developments. This can be considered alongside a range of other funding options, including borrowing, tolling schemes etc.

While New Zealand is proceeding with private-public partnerships in other other sectors, such as prison services and education, there are currently none that relate to transport infrastructure.<sup>1</sup>

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<sup>1</sup> The New Zealand Treasury has provided guidance on the potential uses of private-public partnerships. This is available at: <http://www.infrastructure.govt.nz/publications/pppguidance>

### **Policy/funding structure changes due to the crisis**

The global financial crisis has had both beneficial and negative impacts on the transport developments in New Zealand. For example, costs in 2009 and 2010 were lower than estimated, due to a general slow-down in the construction sector. This meant that NZ Transport Agency could accelerate the development of some projects.

However, the economic slow-down also had an impact on the revenue collected for the National Land Transport Fund through, resulting in the collection of less money than was forecast and a deficit in the expenditure expectations set by the Government.

The New Zealand has sought to achieve the right balance between increasing fuel excise duties and road user charges and placing additional costs on road users. A planned increase to these charges was deferred in 2011, but has now been made in 2012.

## **3 STRATEGIC PLANS**

The government's transport objective is for an effective, efficient, safe, secure, accessible and resilient transport system that supports the growth our country's economy, in order to deliver greater prosperity, security and opportunities for all New Zealanders.

Lifting the contribution that transport makes to economic growth is an important priority. We are looking for the transport system to provide access to new and developing markets, lower business costs, and provide access to and for skilled labour across the country.

There are a number of challenges for the transport system. New Zealand is a small country of 4.4 million people; the shape our country and distributed nature of our population means that transport infrastructure is expensive to build, operate and maintain compared to many other countries; we are further from the economic centres of the world than any other developed country; and our trading partners have become much more diverse over the last few decades.

Key issues for the transport system include:

- *Improved planning and investment in infrastructure and services* – the government spends approximately \$3 billion each year on transport infrastructure and services, but demand exceeds the funding available. We need to ensure that the transport system provides essential road and rail routes that connect well to our sea and air ports, and support our exporters.

Existing revenue sources are coming under pressure and we need to consider how we can best meet the cost of the transport system in the medium term.

- *Decreasing the rates of transport-related death and injury* - the government has a strong commitment to delivering a safer transport system. Road safety is an important part of this because of the social cost of transport deaths and injuries (estimated at more than \$3 billion a year) and the human cost to families and communities.
- *Demographic changes* - by 2021 New Zealand's population is expected to grow by 300,000, and to a total population of 5.1 million in 2031. At the same time the population will be getting older, with the percentage of people over 65 years of age growing from 13 percent of the population in 2009 to 21 percent in 2031, totaling more than 1 million people at that time.
- *More open and efficient transport markets* - we need to improve the efficiency and competitiveness of our domestic and international markets. This includes improving access to international markets through international air services negotiations that enhance New Zealand's attractiveness as a tourist destination and provide new capacity for time-sensitive exports.
- Better quality transport regulation - improving the quality of regulation and removing unnecessary regulation is an important part of the government's economic programme, and is aimed at enhancing New Zealand's productivity growth and international competitiveness.

## **Long Term**

[Connecting New Zealand](#) summarises the government's broad policy direction for transport over the next decade. This includes the government's focus on economic growth and productivity, value for money and road safety. The government's key land transport actions include:

- investing \$36 billion in land transport over the next decade, including \$19.5 billion in State highways and \$12.5 billion in subsidies for regional and local roads, and public transport
- completing the first set of Roads of National Significance
- implementation of the new Safe System approach to road safety and reducing the road toll
- growing public transport patronage with less reliance on subsidies
- Driving greater performance and value for money from the New Zealand Transport Agency

- continued reduction in emissions in carbon dioxide from land transport over time

### **Mid Term**

The Government Policy Statement on Land Transport Funding 2012/13 – 2021/22 sets out the government's outcomes and priorities for the land transport sector. These include:

- investing in the State highway network
- continuing to progress the seven Roads of National Significance
- rebuilding the land transport system in Canterbury (following the earthquakes in 2010 and 2011)
- investment in local roads and public transport systems
- development and implementation of the Safer Journeys 2012-15 action plan (to improve road safety and reduce the road toll)

The government will also complete investigations into the merits of establishing a new ferry terminal at Clifford Bay (to reduce the travel time for ferries travelling between the North and South Islands).

## **4 ASSESSMENT METHODOLOGY**

### **Better Business cases**

The Better Business Cases framework, adapted from the UK, was launched in mid 2010 across the New Zealand State sector for capital proposals requiring Cabinet decisions.

The objective of Better Business Cases is to enable better informed decisions on public spending proposals as part of wider programmes and plans so they are well placed to deliver the intended benefits for New Zealand, whilst managing the risks and costs.

More information is available at:

<http://www.infrastructure.govt.nz/publications/betterbusinesscases/>

*The information below relates to the land transport only. Investment decisions for port and air investments are taken by the relevant local government or private bodies involved.*

### **Land Transport investment**

The NZ Transport Agency ([www.nzta.govt.nz](http://www.nzta.govt.nz)) is responsible for planning and funding in relation to the land transport system in a way that delivers value for money. The NZ Transport Agency works with local government, as they have responsibilities for both transport and land use and are funding partners of land transport activities.

The NZ Transport Agency has statutory independent decision making responsibilities with respect to the allocation and investment of the National Land Transport Fund (NLTF).

The NZTA's planning and investment processes, policies and systems aim to achieve integrated planning and provide the best investment return for the transport system users.

The NLTF is the government's main contribution to funding the land transport activities approved in the National Land Transport Programme (NLTP). The NZTA uses different types of funds within the NLTF to invest in particular activities.

When evaluating strategies, programmes, packages and projects, the Government Policy Statement on Land Transport Funding requires both local government and the NZTA to consider a number of matters, including achieving better value for money.

In assessing whether to invest in land transport activities the NZTA rates strategies, programmes, packages, projects and other activities across three factors, being the:

- strategic fit of the problem, issue or opportunity that is being addressed,
- effectiveness of the proposed solution, and
- economic efficiency of the proposed solution.

Value for money has been defined in a variety of ways but in general it means selecting the right things to do (strategic fit), implementing them in the right way (effectiveness), at the right time and for the right price (economic efficiency).

This requires taking a long-term, whole-of-life view of the total value for money attributable to an activity, not simply consideration of the initial capital cost. A whole-of-life assessment considers:

- the social, environmental, cultural and economic impact of the outputs
- any ongoing maintenance and operation costs of the asset or service, and
- costs associated with its disposal.



The NZTA uses an Assessment Framework to assist it achieve value for money in selecting the right things to invest in, as it:

- assesses the contribution that strategies, programmes and activities make against the impacts sought by the GPS and wider objectives of the LTMA,
- provides a consistent means of comparing and prioritising land transport activities based on their relative contributions to outcomes, and
- takes into account the strategic potential of proposed activities and considers the effectiveness and economic efficiency of the solutions in a balanced way.

When assessing an activity's readiness to proceed, a number of criteria are considered that can impact on value for money. These include social responsibility, project management and delivery, consultation, peer review and audit, risk assessment (consent, designation, environment, land, engineering, contracting, etc) and management.

The further components of value for money (implementation in the right way for the right price) are addressed by the NZTA's procurement policies and procedures.

Further information on the NZTA's investment processes are available at <http://www.pikb.co.nz/>.