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AA SUBMISSION ON DRAFT GPS ON LAND TRANSPORT 2024

Summary

1. The NZ Automobile Association (AA) appreciates the opportunity to provide feedback on the Draft Government Policy Statement on Land Transport 2024/25-2033/34 (draft GPS 2024).
2. We welcome and endorse the “maintaining and operating the system” and “increasing resilience” strategic priorities and agree that maintenance and operation should be the funding priority for GPS 2024. We also agree with the proposed change to the primary objective for the safety priority.
3. We support including the Strategic Investment Programme in GPS 2024 as this will help guide future investment in projects in the programme alongside other priorities and demands for transport funding. We recommend a small change be made to the primary objective of the sustainable urban and regional development strategic priority to improve consistency with the programme.
4. We welcome the substantial funding increase proposed under draft GPS 2024. This is vital for road maintenance.
5. Taking into account the allocation of funding across activity classes, we are satisfied that the proposed mix of funding strikes a reasonable balance between motorists’ and general taxpayers’ revenue. However, we are concerned about the impact of the debt on the sustainability of the National Land Transport Fund (NLTF).
6. The proposed \$18 billion expenditure target means that in practice most activity classes will be funded close to their lower-range levels.
7. The AA recommends the combined lower ranges of the state highways and local roads maintenance activity classes be increased by \$1 billion in the final GPS to ensure a minimal level of funding to undertake critical renewals work.
8. Draft GPS 2024 provides significant additional funding for state highway improvements but it is unclear how much of this is actual new funding and how much is reallocated funds from the GPS 2021 Road to Zero activity class.

9. The change in funding arrangements for road safety improvements will also make expenditure on these activities less transparent. Overall, it seems likely that the funding available for road safety improvements will not be sufficient to make tangible progress towards the road safety goal of a 40% reduction in deaths and serious injuries by 2030.
10. The AA recommends the final GPS amend the road improvements activity class definitions to include safety and specify reporting arrangements on safety improvements expenditure.
11. Hypothecating traffic infringement fee revenue for safety investment under the NLTF risks incentivising a focus on their revenue potential rather than their core purpose of improving road safety. In the AA's view, increasing the Crown grant by an equivalent amount would avoid this risk, would be much more simple, and would also be revenue-neutral for the Crown.

Introduction

12. The NZ Automobile Association (AA) appreciates the opportunity to provide feedback on the Draft Government Policy Statement on Land Transport 2024/25-2033/34 (draft GPS 2024).
13. The AA has advocated for the transport interests of our Members throughout our 120-year history. Today our work reflects the wide range of interests of our 1.8 million Members, many of whom are public transport users and cyclists, as well as private motorists.
14. In developing this submission, we sought input from our 18 District Councils around the country, particularly on the projects in the Strategic Investment Programme and have also drawn on the results of our recent Member surveys.
15. Our submission follows a similar structure to the core sections of the draft GPS. The first section provides feedback on the proposed strategic priorities and the Strategic Investment Programme. The second section provides feedback on the proposed mix of revenue for the National Land Transport Fund (NLTF). The third section provides feedback on the proposed allocation of this revenue for funding the National Land Transport Programme (NLTP).

Strategic Direction

Strategic Priorities

16. The AA welcomes and endorses the “maintaining and operating the system” and “increasing resilience” strategic priorities.
17. These are in our view the two biggest current challenges currently facing the transport system and we are pleased they closely match the AA's two top election calls – “revive essential road maintenance” and “make the road network resilient”. We have provided some comments on them below.
18. We are generally comfortable with the other strategic priorities. We have recommended a minor change be made to one priority to improve alignment with the proposed Strategic Investment Programme (see Alignment with Strategic Priorities section).

Maintaining and operating the system

19. The AA agrees with and supports the draft GPS 2024 statement that “maintaining and operating the land transport system is a core enabler for the delivery of all other proposed strategic priorities and outcomes”.¹
20. Our roads carry the overwhelming proportion of travel by all modes on our land transport network and failure to maintain and operate them effectively and efficiently can result in adverse impacts for the communities, cities and regions they connect.
21. In the AA’s view, elevating road maintenance to strategic importance and providing a commensurate amount of ongoing funding for it is essential. There is a pressing and growing need to catch-up on the backlog of deferred work, start to turnaround the unacceptable state of our road networks and respond to very strong public sentiment that this problem needs to be fixed.
22. We therefore strongly support maintenance and operation being the funding priority for GPS 2024² and note this is also reflected in the proposed allocation of 60% of funding to activities under this priority over the next 10 years³
23. We consider this could be made clearer up front by specifying that maintaining and operating the system is the overarching priority for the GPS 2024.

The AA recommends that maintaining and operating the land transport system be the overarching priority in the final GPS, in line with its role as the core enabler for all other priorities and outcomes and its expected 60% of funding over the next 10 years.

Safety

24. “Safety” remains a strategic priority under draft GPS 2024, but its primary objective has changed from “develop a transport system where no-one is killed or seriously injured” under Road to Zero to “transport is made substantially safer for all”. The commitment to the Road To Zero target of a 40% reduction in deaths and serious injuries by 2030 also remains but the emphasis on ‘Vision Zero’ has gone.
25. The AA supports the proposed change. We understand and continue to support the 2030 target but consider that Road to Zero has ended up being seen as unrealistic by New Zealanders and has become somewhat polarising. It has therefore not achieved the necessary cut-through to start making meaningful progress towards the targets.
26. We think the change in language to focus on a “substantially safer” transport system will resonate much more closely with the public. This is because it is much more in-line with most New Zealanders’ views on road safety – that reducing the number of deaths and serious injuries on our roads is an important priority but it needs to be balanced alongside other transport priorities. The new focus should make it easier to communicate about road safety and should also mean people are more likely to be receptive to this communication.

¹ P21

² P40

³ P40

Strategic Investment Programme

27. The AA welcomes the inclusion of the Strategic Investment Programme in draft GPS 2024 and notes that a number of projects in the programme are also the top transport priorities in the cities and regions in which they are based. Most will also take a long time to plan, fund and construct so it makes sense to include them in the GPS to help guide future investment, alongside other priorities and demands for transport funding.

Alignment with Strategic Priorities

28. We note the Minister's expectation that projects in the Strategic Investment Programme "will be given particular consideration during the NLTP's development, given their alignment and potential impact on the wider government priorities in...[draft GPS 2024]⁴".
29. We consider a minor amendment is needed to the Sustainable Urban and Regional Development priority, to improve this alignment. While regional development is included in the heading, the primary objective and explanatory text is about towns and cities. Transport's role in regional development is about improving connections within and between regions.
30. Almost half the projects in the Strategic Investment Programme are focused on improving regional or inter-regional connections. While these projects partly "sit under" the "Integrated freight system" priority, their purpose is much broader than this – they are about enabling economic growth through connecting people, businesses and economies.

The AA recommends that to improve consistency between the proposed strategic priorities and the Strategic Investment Programme, the sustainable urban and regional development priority be amended to:

"People can readily and reliably access social, cultural, and economic opportunities through a variety of transport options. Sustainable urban and regional development is focused developing resilient and productive towns and cities that have a range of low-emission transport options and low congestion *and improving connections within and between regions.*"

Proposed NLTF Investment

31. The AA welcomes the substantial NLTF funding increase proposed under draft GPS 2024.
32. This investment is desperately needed for road maintenance and improvements, including resilience. It is also needed to meet the costs of the range of other activities the government wishes to fund from the NLTF.

FED and RUC increases

33. Draft GPS 2024 proposes Fuel Excise Duty (FED) increases totalling 12 cents a litre across the 2024-27 NLTP period. While few people welcome increased charges, given the clear need for additional investment, particularly to arrest and reverse the decline in the quality of our state highways and local roads, we agree that there is a fair case for increasing FED and Road User Charges (RUC) rates.

⁴ P30

34. The AA's position is that the road maintenance should get the first call on FED and RUC revenue to ensure road users get well-maintained roads in exchange for fuel taxes. We note that the planned \$14.5b in total FED and RUC revenue for draft GPS 2024 is more than enough to fund the proposed GPS 2024 road maintenance, improvements and safety activity classes at their combined midpoint funding levels of \$13.3b.
35. Taking into account both the cost-of-living crisis and the proposed allocation of funding across activity classes, we are satisfied that the draft GPS 2024 NLTF revenue proposal strikes a reasonable balance between motorists' and general taxpayers' revenue.

Crown grant

36. The AA supports the proposed \$2.9b Crown grant for the NLTF. This is a more appropriate funding source than FED and RUC for the wide range of land transport and urban development activities the government wants the NLTF to support.

Climate Emergency Response Fund

37. We note that the proposed Crown grant includes \$500m to increase uptake of walking and cycling and to reduce emissions⁵. This is to come from Emissions Trading Scheme (ETS) revenue in the Climate Emergency Response Fund (CERF).
38. Motorists are currently paying approximately \$1b billion a year at the pump in ETS charges. One of the AA's election calls is that this revenue be targeted to initiatives that will most effectively reduce transport emissions in line with the government's climate change commitments. This reflects our concern that at least some previous CERF funding allocation decisions have not met this test.
39. The AA agrees there is a case for allocating ETS transport revenue to walking and cycling where there is evidence the investment will have a meaningful impact on getting emissions down. However, it is unclear how the \$500m allocation has been determined or whether allocating some or all of it to other actions could achieve more effective emissions outcomes.

The AA recommends the allocation of ETS transport revenue in GPS 2024 be based on strong evidence of the initiatives that will most effectively reduce transport emissions.

Crown loan

40. The AA is concerned about the implications of current NLTF debt and the proposed \$3.1b loan for the 2024-27 NLTP for the sustainability of the NLTF.
41. We note that the proposed NLTF debt repayment profile under draft GPS 2024 reduces available NLTF funding for actual transport activities by 13 percent from the headline figure of \$20.8b to \$18b⁶.

⁵ P43

⁶ P44

42. Draft GPS 2024 records that Waka Kotahi was carrying just under \$1.5b in debt at 30 June 2023 out of total combined debt facilities of up to just under \$3.8b⁷ (not including any liabilities for the Transmission Gully and Puhoi to Warkworth PPPs). Waka Kotahi was expected to draw down most of the balance, including the remaining \$1.5b of the \$2b Crown loan for NLTP 2021-24, between 1 July 2023 and 30 June 2024.
43. If Waka Kotahi draws down all its current facilities and the proposed Crown loan for 2024-27, this would mean it is carrying almost \$7b in debt, which will be more than one year's forecast NLTF revenue, by the end of the 2024-27 NLTP.
44. We also note that draft GPS 2024 states that the proposed FED and RUC increases will be used in part to meet the rising costs of maintaining roads⁸ but also states that the increases will be used to repay the proposed \$3.1b loan for the 2024-27 NLTP.⁹ It is unclear to us whether the increased FED and RUC revenue will be sufficient to do both.
45. The final GPS needs to clarify what proportion will be allocated to repaying the loan, together with any implications for available investment across the activity classes.
46. The unsustainability of NLTF debt is one of the reasons why the land transport revenue system is being reviewed. This review was called for when the government provided Waka Kotahi with a \$2 billion loan under GPS 2021 and has been underway for some time. We note that draft GPS 2024 states that the Ministry "is currently examining options with a view to public consultation" in early 2024 and "it is expected that this work" will be completed in time "to inform" GPS 2027.¹⁰
47. Draft GPS 2024 also records that work is planned to develop a Mass Rapid Transit Framework, which would cover how these projects should be funded and financed – including NLTF funding¹¹. We understand officials were due to report back to Cabinet on this review in early 2023 but this has not yet happened. Given the huge expectations for investment in mass rapid transit, it is frustrating to learn that a new framework is not expected to be in place until after GPS 2024 is adopted.
48. We are disappointed with the ongoing absence of firm timelines for both reviews given the increasing magnitude of the NLTF debt problem, ongoing cost pressures across the system and the increasing range of demands on the NLTF. We acknowledge it will take some years to design and transition to a new revenue system but we do not consider the debt situation can wait this long.

The AA recommends the final GPS 2024 state that NLTF debt will be reviewed before GPS 2027 to ensure it is not compromising the ability to fund land transport priorities nor adversely affecting the long-term financial sustainability of the Fund.

Proposed NLTP funding

49. Draft GPS 2024 specifies minimum NLTP 2024-27 expenditure of \$16.3b, an expenditure target of \$18b and maximum expenditure of \$18.9b. The \$18b target is a very welcome 31% increase on the GPS 2021 expenditure target of \$13.7b.

⁷ Table 5 p45

⁸ P42

⁹ P42 and P43

¹⁰ P43

¹¹ P53

50. Funding allocations across all activity classes range from \$16.3b – if all activity classes were funded at the lower end of the range - through to \$25.1b – if all activity classes were funded at the upper end of the range.
51. The draft GPS 2024 expenditure target is therefore \$1.7b or 10% more than would be needed to fund all activity classes at the lower end of the range and \$7.1b less than what would be needed to fund all classes at the upper end of the range.
52. In practice, this will mean most activity classes – and certainly the bigger-ticket roading and public transport ones – will receive funding allocations closer to the lower-range than the upper-range.
53. We have provided some comments on the implications of this for road maintenance, safety and state highway improvements in the sections below.

Road maintenance

Core problem

54. Over the past decade, road maintenance costs have increased up by 30% and there has been a 16% increase in vehicle kilometres travelled on our roads.
55. While GPS 2021 provided a welcome boost in maintenance funding, it is now widely agreed that much more is needed to address the problem.
56. As the core problem is the decline in the quality of our road surfaces, resolving this is primarily about renewals work – re-surfacing roads and replacing road foundations.
57. Road surface quality has been the top concern of our Members across all the transport concern surveys we have conducted over the past five years and our Members levels of dissatisfaction has continued to grow. The general public has become equally concerned about the state of our roads as the deterioration has become more visible over the past two years.
58. Current renewals work remains below that of a decade ago before maintenance funding was effectively frozen; and the backlog in core maintenance renewal work, which ballooned during the funding shortfall, remains largely unaddressed. Around 30% of road maintenance funding is currently allocated to renewals and this share appears unlikely to change under NLTP 2024-27¹².

Implications of lower range funding

59. The AA strongly supports a significant funding increase for the road maintenance activity classes.
60. Draft GPS 2024 increases the proposed lower range funding for the state highway and local road maintenance activity classes combined by \$1.1b (or 26%) to \$5.4b compared with \$4.3b in GPS 2021.

¹² Allocating a higher proportion of maintenance funding to renewals would obviously allow more renewals work to be done. However, investment in other maintenance activities is also important for other strategic priorities such as safety (e.g. lane markings) and resilience (e.g. drainage). Other big maintenance investments such as bridges are also overdue for investment. Consequently, we assume the current profile of investments under the maintenance activity classes is unlikely to substantially change for NLTP 2024-27.

61. Funding maintenance of state highway and local roads at the draft GPS 2024 lower range funding levels would mean around \$160m or 3% more investment than the \$5.2b expected investment in these activities across NLTP 2021-24¹³. Assuming renewals continues to account for 30% of maintenance funding, this would mean around \$50m more investment for renewals.
62. This level of funding would therefore be manifestly insufficient to address the problem and, taking into account inflation in key roading cost indices, would mean the condition of the road network would continue to go backwards.
63. Funding road maintenance at the lower range would also be inconsistent with the statement that ensuring the ongoing operation and maintenance of the system is the funding priority for GPS 2024¹⁴ and would clearly be insufficient to progress the strategic priorities and outcomes in draft GPS 2024¹⁵.

Minimal funding requirement

64. AA analysis indicates that expenditure on core road maintenance renewals needs to increase by at least \$1.2b¹⁶ over the next three years, just to catch-up on some of the core road maintenance renewal work that should have been done in previous years.
65. Given the pressing and growing need to arrest the deterioration in the quality of our roads, funding for the state highway and local road maintenance activity classes for NLTP 2024-27, needs to be \$6.4b at an absolute minimum.

The AA recommends that, assuming no additional revenue is included in the final GPS 2024, the combined lower-ranges of the state highways and local roads maintenance activity classes be increased from \$5.4b in draft GPS 2024 to \$6.4b in the final document to ensure sufficient funding is available to undertake critical renewals work.

State highway improvements

66. As noted, the draft GPS 2024 expenditure target means the funding allocations for most activity classes will be closer to the lower than the upper range in the document.
67. The proposed funding for state highway improvements at the lower range is \$3.4b. This is \$1b or 40% more than GPS 2021 lower range funding and \$700m or 26% more than the NLTP 2021-24 expected spend of \$2.7b¹⁷.
68. This is, at first glance, a significant and welcome increase. However, unlike GPS 2021, the draft GPS 2024 state highway improvements activity class also includes safety improvements. Draft GPS states that \$1.3b for these activities will be moved from the current Road to Zero activity class to the state highway and local roads improvements activity classes¹⁸.

¹³ Based on actual spending in 2021-22 and projected spending for 2022-23 and 2023-24 in [Waka Kotahi's most recently released annual report](#) p34

¹⁴ p42

¹⁵ p22

¹⁶ This could enable, for example, an extra 1,600 lane km of foundation work (i.e. just under 1% of the road network) and 7,500 lane km of resurfacing work (i.e. 4% of the network).

¹⁷ Based on actual spending in 2021-22 and projected spending for 2022-23 and 2023-24 in [Waka Kotahi's most recently released annual report](#) p34

¹⁸ p72

69. Taking into account the reallocation of safety improvements expenditure, it is not clear whether there will actually be more or less funding for state highway improvements than the NLTP 2021-24 expected spend.

Implications for Strategic Investment Programme

70. The Strategic Investment Programme includes eight large state highway projects and programmes.
71. It is difficult to reconcile the draft GPS 2024 statement that the Strategic Investment Programme has been used to inform the activity class ranges¹⁹ with the likely available funding for State Highway improvements.

The AA recommends that in the absence of additional revenue, the final GPS provide a realistic picture about the extent to which progress under the Strategic Investment Programme will be able to be advanced within available funding under the 2024-27 NLTP.

Safety

Safety improvements

72. GPS 2021 established the Road to Zero activity class to provide a single dedicated pool of funding for all road safety activities. In line with the change to the primary objective of the “safety” strategic priority, draft GPS 2024 replaces Road to Zero with a new “safety” activity class.
73. As noted, \$1.3b in funding for road safety improvements has been reallocated from the Road to Zero activity class to the state highway and local roads improvements activity classes²⁰ (i.e. reverting to the situation before GPS 2021).
74. The proposed GPS 2024 funding for state highway and local road improvements at the lower range (i.e. the level closest to the most likely funding they can expect to receive), is \$3.8 billion. This is \$1.1b or 41%²¹ more than the \$2.7b at the lower range for these activities (excluding safety improvements) in GPS 2021.
75. Therefore, if all this additional funding was allocated to safety improvements, it would be around \$200m less than the projected funding allocations for 2024-27 in GPS 2021.
76. However, draft GPS 2024 does not specify any requirements for allocating road improvements investment between safety and other road improvements. Previous NLTP experience suggests safety improvements may struggle to receive an appropriate share consistent with the draft GPS safety strategic priority.
77. Officials have also told us that the decision to cut back planned state highway speed reductions means a significant increase in safety upgrades will be needed to achieve the goal of a 40% reduction in deaths and serious injuries by 2030.

¹⁹ p29

²⁰ p72

²¹ p72

78. Taken together, it seems likely that there will be less funding available for safety improvements than the funding provided under GPS 2021 – and the amount of works this funding will enable will not be enough to make sufficient progress towards the 2030 goal.

Transparency

79. The proposed transfer of safety improvements funding from a dedicated safety activity class into road improvements is likely to reduce the transparency of safety spending and also risks underfunding of safety activities. The state highways and local roads improvements activity class definitions²² focus on optimising road use and levels of service for all modes but do not mention safety.

The AA recommends the final GPS amend the draft GPS 2024 road improvements activity class definitions to:

- include safety, and
- set out reporting arrangements on the proportion of road improvements funding allocated to safety improvements and the safety outcomes that investment is expected to achieve.

Hypothecation of traffic infringement fee revenue

80. Draft GPS 2024 proposes to hypothecate Crown revenue from traffic offences to the NLTF for safety investment. This has some conceptual appeal in that money from infringements for unsafe driving practices would be recycled into activities to improve safety on the roads.
81. The AA agrees that any additional funding is potentially helpful given the demands on the NLTF. However, the estimated \$300m of infringement revenue²³ accounts for just over 1% of projected NLTF revenue²⁴ or 5% of the total projected Crown investment²⁵ across NLTP 2024-27. As infringement revenue is currently Crown revenue, the proposal can therefore in some respects be seen as more gimmicky than substantial.
82. The AA's main concern with the proposal is that it could create the perception of an incentive to focus on the revenue potential of infringements rather than their core purpose of improving road safety. In our view, it would be much simpler and avoid these risks if the government simply increased the Crown grant by an equivalent amount. Doing so would also be revenue-neutral for the Crown.

The AA recommends the proposal to hypothecate traffic infringement fee revenue for safety investment under the NLTF:

- be removed from the final GPS to avoid the risk that traffic infringements could be seen as a revenue rather than a road safety tool, and
- the Crown grant increased by \$300m from \$2.9 billion to \$3.2 billion to offset the reduction in GPS revenue.

²² P62

²³ P42

²⁴ P43

²⁵ Pp 42-3

Final comment

83. The AA would like to express our thanks again to Te Manatū Waka Ministry of Transport for the opportunity to provide feedback on draft GPS 2024. We trust that the Ministry will carefully consider the points in this submission and would be pleased to provide any further comments if this would be helpful.

Yours sincerely

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