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**TRANSPORT STRATEGY – THE SHIFTING BASECOURSE**

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**Introduction**

We live in interesting times!

Rarely has the pace of change in national transport strategy been as fast as in the last few years. The NZ Transport Strategy, new sources of funding, revamped funding criteria, organisational change and other government initiatives have significantly changed the foundations on which roading activity takes place.

And since being asked to present this paper, the prospect of a change of government is now very real – so it is a good idea to look at what further changes we may expect regardless of what happens in the Beehive.

How can we build when the basecourse seems to have shifted? This is what I hope to explore – and conclude with thoughts that the pace of change may not be as unstable as it seems.

I'll look first at the longer-term changes – over the past couple of decades – then at change under the current government, then at what we might expect in the future.

**Longer-Term Trends**

In the late 1980s, there was a drive to deregulate government. This transcended the political spectrum such that both major parties supported moves in this direction.

It meant that big government organisations were to be broken up, as much as possible was to be in stand-alone agencies, either under government but running themselves by rules already set, or put into the private sector. We can all think of examples – like the once-massive Ministry of Works now devolved into bodies like Opus International Consultants and Works Infrastructure (both in the private sector).

The National Roads Board (along with the Urban Transport Council) became Transit New Zealand, which both managed the State highway system and

distributed funding both for this purpose and to assist local Councils (which were much reduced in number) with their roading. Many of the Ministry of Transport's regulatory functions formed the Land Transport Safety Authority. As a later refinement, Transfund NZ was split off from Transit NZ in 1996 to oversee budget allocation.

The ideal at this time was “user pays” – road users paying for the roading system, rail users for the rail system, and anything not directly contributing to “movement of people and goods” (like, for example, street planting) being funded by non-road-user sources (generally, local body rates). This is where the idea came from of linking road-user-related taxation (like petrol taxes, and road user charges) to the roading budget.

It was a nice ideal, but the calculations needed to devise a transparently equitable system were never completed. Transfund's *Project Evaluation Manual*, which guided the allocation of funds, only covered some of the costs imposed by, and benefits reaped by, users of the system.

To try to finish the job, a *Land Transport Pricing Study* continued through much of the 1990s. It was drawn together (although still not complete) toward the end of the 1990s by the National Government, who hoped to set up stand-alone, self-regulating, roading operations – and there didn't seem any reason why these operations need to stay in the public sector. Road users would pay for what they received, and get what they paid for, governed by the operation of a free market.

However, the more the National Government tried to wrap this up, the more other people tried to unwrap it. Local government were strong in their opposition, as they saw a large chunk of their functions hived off from them. In their last year – indeed, last months – the National Government published a policy document *Better Transport Better Roads*, and a very short *Transport Policy Statement*. They had run out of time to introduce legislation.

The latter was the first time New Zealand had had any official policy document on transport. It effectively lasted about 3 months, as a Labour-led government came into being in late 1999.

The self-running roading operation ideal, however, did not die with the change of government. Labour floated a largely similar idea in late 2000, stressing that change would be by consensus, that “one size” would not “fit all” situations, and that the roading bodies would stay in the public sector. This idea still faced strong local opposition, local Councils being worried that (since State highways would be merged in with local roads) central government nominees (local equivalents of the Transit NZ Board) would dominate the new bodies at the expense of all-but-lost local control. Having tested the waters, the government put these proposals “on the back burner”, and they have not surfaced again since.

Before I outline the changes undertaken by the post-1999 Labour-led governments, we mustn't forget the latest, and not-widely-publicised addition

to the exercise started with the *Land Transport Pricing Study*. This year, the *Surface Transport Costs and Charges Study* was published, looking at who pays for the different costs imposed by different forms of transport.

This found that no one, except long-distance rail passengers, paid the full costs which their transport choices impose. It found that, for 2001 – 02 (the year studied):

- private motorists paid 64% of the costs they imposed
- trucks paid 56% of the costs they imposed
- bus users paid 68% of the costs they imposed
- rail freight recovered 82% of their costs
- Tranz Scenic (long distance rail passengers) recovered 96% of their costs
- Tranz Metro (urban rail passenger) recovered 37% of their costs

The study did not cover walking or cycling.

This is an interesting response to the idea that half of what motorists pay through petrol taxes is “siphoned off into the consolidated fund”. The difference is that the money argued to be “spent on roading” does not cover a range of costs imposed, such as air pollution, climate change, noise and water quality. Taking these into account, it could be argued that motorists aren’t paying enough (and neither, come to that, are public transport users)! That is, if we want to link transport revenue to transport budget in the first place – not many countries in the world do this.

This ideal model falls down as the complexity of the benefit/ cost equations become more apparent, and factors come to the fore which are not covered in traditional project evaluation. For example, what about the health effects (positive and negative) of different forms of transport, so far only covered in the tiny walking and cycling fund? What about the government finding, in 2003, that more people are killed by transport-related air pollution than in crashes? What about the tendency for journey distances to be increased through the spreading out of settlements, induced by a system which highly values journey time savings, with all the wasted energy and land resource use that implies? The list of wider implications of transport choices could go on.

Another attempt to put transport taxation on, arguably, a fairer basis – one which is out of the public eye just now, but which could enjoy cross-party support – is ‘road pricing’. This concept has a number of variants, but basically motorists pay in proportion to the pressure on road space, either in time of day, or location, or both, or in response to direct measures of congestion.

To illustrate possible cross-party support, one of the most talk-about examples of this idea was central London’s cordon charge, introduced by Mayor Ken Livingstone, ‘Red Ken’, firebrand of the left (at least in popular perception). In New Zealand, a similar idea was mooted by John Banks when Mayor of Auckland – and no one would call Banksie a left-winger!

Such an idea would require an Act of Parliament, and a Ministry study was set up (which has yet to report) a year or two back to look at the possibilities. Although we can't pre-judge the outcomes, the idea fits 'green' philosophy because it relates to costs imposed by the private car, yet also fits free-marketeters by translating congestion costs into a market mechanism (analogous, for example, to off-price public transport fares). We may see more of this. Maurice Williamson did not seem averse to the idea when last he was Minister, and although National have said they will build certain roads, they haven't said much on how they would be managed. The idea may even find support from the AA if at least some of the road pricing charges substitutes for petrol taxes.

### **Labour-led Governments 1999 – 2005 (+?)**

Initially, the 1999 Labour-led government had bigger fish to fry than transport. There was an early announcement that the approach would change, but it was 2002 before any major announcement of substance.

I had just started a grant-assisted professional study on what could form part of a National Cycling Strategy, when the 1999 change of government happened. The change in the level of government interest in my study was dramatic. Informal soundings just before my grant was confirmed showed no interest from government at all – but within months of the change I was being courted by Ministry of Transport officials, who were openly keen to listen to parts of the transport sector – like cycling specialists – who had never really been listened to in this way before.

A lot of behind-the-scenes discussions took place between early 2000 and early 2002. In February 2002 the government announced its *Moving Forward* package, heralding a public transport funding boost (some of which, in fact, had already been implemented), an intended National Cycling Strategy (since broadened to cover walking as well) and new funding categories to match. These included the first-ever central government dedicated walking and cycling fund (these modes had never been considered “nationally significant” before).

In July 2002 Transfund NZ announced its *Funding Allocation Framework*. This tried to get away from the previous idealised benefit/ cost comparison, and take government strategy objectives more explicitly into account. Gone (in theory) was the benefit/ cost “funding cut-off”, by which individual projects received funding according to whether the benefit/ cost score was above or below a pre-nominated ratio. The *Moving Forward* package objectives would also now be taken into account, in a system which whilst more flexible, was also less demonstrably transparent.

In December 2002 came the *New Zealand Transport Strategy (NZTS)*, somewhat longer than the National Government's *Transport Policy Statement*, but still at 55 pages very generalised and broad-brush. However, under the system set up about 1990, Ministries were very small and the bulk of the work was to be done by bodies such as 'Crown entities' – so it is not surprising the

*NZTS* isn't any more detailed. The outworking of the *NZTS* (so far as land transport was concerned) largely fell to Transfund NZ, governed by its own contractual arrangements with the Minister.

The *NZTS* had five objectives:

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

and its overall vision was "an affordable, integrated, safe, responsive and sustainable transport system".

The influence of the Green Party was very clear in some of this wording (and the government openly acknowledged this). This vision and objectives were in due course incorporated in the Land Transport Management Act (the Act) a year later – along with something else the Greens definitely did not want in!

That was private funding for roads. Between the *NZTS* and the Act an election had taken place, and the Greens now had to vie with Peter Dunne's suddenly-expanded United Future presence – and, to boot, had fallen out with Labour over "corngate". Thus, the Act has the Greens' transport strategy objectives, together with United Future's own favoured idea, private public partnerships to build certain roads additional to the usual programme.

While the Act was going through its Parliamentary process, Transfund NZ was working on how the *NZTS* vision and objectives could be translated into funding allocation. This was to happen in two stages. During the 2003/ 04 financial year a preliminary version (December 2003) of *Transfund's Allocation Process* was to apply to major projects only. A later version (September 2004) applied to all projects from the 2004/ 05 year onwards.

The government was hearing calls for extra money from several directions at once. Some wanted more into roading, some more into alternative modes. In a period of relative prosperity, the government put it into both.

Since then, Labour has implemented the first of ten intended annual 5c /litre petrol tax increases, dedicated entirely to transport (i.e. none going into the consolidated fund). This was to be distributed on a regional population basis. As I'll show next, this is strikingly similar in some respects to what the National Party is also proposing.

In a partial move back to more closely integrated governance, Land Transport Safety Authority and Transfund NZ were merged (under the Land Transport Management Amendment Act 2004), and at the same time lost much of their policy staff to an expanded, more hands-on, Ministry of Transport. Apart from name changes, the most significant impact of this is that the Safety Administration Programme, which LTSA used to administer by separate processes and criteria, will be integrated with the rest of the National Land Transport Programme (from 2006 /07, with this year being a transitional year).

The government's concern driving this change was that safety programmes were not adequately integrated with the rest of transport strategy.

The National Walking and Cycling Strategy, heralded in 2002, was launched in final form in February 2005 (after a previous draft and consultation), and a National Rail Strategy in May 2005. Also early in 2005, Land Transport NZ issued internal guidelines (although freely available) on preparation of Regional Land Transport Strategies, which were all being reviewed (with significant Land Transport NZ involvement) to reflect their greater weight under the Act. In March the Ministry for the Environment launched its *Urban Design Protocol*, a voluntary initiative to which transport agencies have signed up, with the intention of promoting better designed cities.

In conclusion, by now – mid-2005 – the post-2002 overhaul of transport strategy and funding is just starting to bed in! So what comes next . . . ?

## **The Future**

Whilst the election result is too close to call, there isn't as much of a difference between the parties on transport as the rhetoric would suggest.

Labour say they will double the money going into transport over the next ten years. Bearing in mind that about half of petrol tax revenue goes into the consolidated fund now, then National, with its promise to transfer full petrol tax revenues to roading over a ten year period, is similarly promising to double the amount of funding going into transport over ten years.

The differences between the two main parties is over where the revenue will come from – extra petrol tax Labour, existing petrol tax National – although road pricing could narrow even this political gap. Also, Labour talk of “transport” while National talk of “roading”.

The first difference is really to do with overall tax policy, rather than what the money is spent on. The second is not so significant considering that about 90% of the NLTP goes into roading anyway – and of this half goes into maintenance.

Whilst National's rhetoric is about roading, they significantly have not said anything about – notably, anything against – funding for walking, cycling and public transport. That famous poster might talk about hip hop tours, NCEA audits and other things, but it doesn't accuse Labour of diverting 'roading' money into 'alternative modes' (as some lobby groups, such as the AA have sometimes said).

I suspect that's because National wouldn't change very much in the money going to these modes. They'd probably incur significant opposition if they tried to cut back on the boosts given since 2001 to urban public transport, which would put yet more cars onto gridlocked urban roads. Labour's extra public transport money has resulted in significant patronage increases, and everyone, National politicians included, is probably rather pleased at that.

The walking and cycling fund is actually extremely small (about one-third of 1% of the NLTP), even compared to the public transport fund, although it could be a symbolic target (thinking of the misleading rhetoric about money being “poured into cycleways and walkways”).

The minor parties, except for the Greens, don't dissent much from the position of the two main parties. The Greens want a moratorium on major new roading projects while alternative mode based solutions are more fully explored, and no doubt there'd be room for some of this in any coalition they may be part of, but it seems that the forecast is a gradual step-up in transport funding over ten years, whoever gains power.

Would National “gut” the Act, as some of its leaders have said? Well, whilst words like “integrated, safe, responsive and sustainable” do sound very green, they are actually what businesses want as well – once the political rhetoric has abated. I doubt, therefore, whether National would scrap the NZTS vision in the (incorporated in the Act as its “purpose”), or the NZTS's five objectives which appear in several places in the Act.

What I think they will do is significantly prune the Act's consultation requirements (which the Greens probably pressed for in order to empower local communities in relation to major roading projects) and the various restrictions on private funding for roads.

Perhaps significantly, Maurice Williamson in his transport speech to the 2005 National Party conference not once mentioned the self-running roading agencies of the 1999 *Better Transport Better Roads* report – even though he had been Transport Minister back then. It may be that National are less keen on this now, since it received a very rough ride last time, and also because private public partnerships have now come to the fore as a mechanism for tackling one of National's underlying concerns – to get more money into roading. Private public partnerships, we should also note, are based on the same idea of a buyer's/ seller's free market – the basic idea behind the *Better Transport Better Roads* report – so may be seen as an alternative.

Other aspects of legislation may also not be changed as radically as the rhetoric may suggest. Some National leaders have said they will “gut” the Resource Management Act, but Labour are already pushing through some significant changes to streamline processes with a view to easing the building of “projects of national importance” – and, again, this is mostly what National want! I suspect National would let what Labour calls its “improvements” to the Resource Management Act (currently before Parliament) run their course, and perhaps strengthen them a bit, rather than any kind of slash-and-burn, hatchet-job.

Even the *Urban Design Protocol*, for all that it comes under a very Labour-sounding *Sustainable Cities Programme of Action*, may come through mostly unscathed. Whilst it does talk very positively about walkable, cyclable, people-friendly cities, it has also developed a *Value of Urban Design* document, which categorises how well-designed cities are good for business

– the bottom line, not just good for green idealism. If you take mass traffic out of city centres, business prosperity rises because the city has become a nicer place to do business – and this has been shown in countless examples where it has been done. There may be a lot of interest to the roadmarking industry in the recent government interest in urban design, since it implies a more comprehensive approach to design of the streetscape – including the ground pavement.

The National Walking and Cycling Strategy (*Getting There – On Foot, By Cycle*) and *National Rail Strategy to 2015* are also providing a basis for pumping money – although not unaffordable amounts – into modes of transport which politicians across the whole political spectrum would probably agree have been neglected over the years and could do with a catch-up – so again, not a lot of change here, unless as I said walking and cycling become a symbolic ‘politically correct’ target for cutbacks.

And if a Labour-led government is returned? Well as I said the post 2002 changes are just starting to bed in. I don’t foresee any radical change such as we have seen since 2002. Certainly the former Safety Administration Programme needs to be brought fully into the NLTP fold, but that is already in process. Rather than more major legislative changes (except possibly to introduce road pricing), I think we will see government agencies – notably Land Transport NZ – focus on making sure government legislation is working as well as it can, and that others are following it – the internal Regional Land Transport Strategy Guidelines may be the kind of thing we may expect more of in the future. And again, this sort of approach may also happen if we have a National-led government.

## **Conclusion – Steady as She Goes**

In conclusion, although there has been very significant change since 2002, I think we will see a settling down period, and that this will be the case whether we see a Labour or a National led government returned in the forthcoming elections.

There’ll be more money going into the system, most of it will go into roading, some will go into public transport, and the rail network, walking, cycling and urban design will not be neglected, but continue to be pursued in line with the recent government strategies launched covering these areas.

So, steady as she goes – whether “she’ll be right” or “she’ll be left”.