



# **ROAD TRANSPORT FORUM NEW ZEALAND INC**

## **ROAD TRANSPORT FORUM NEW ZEALAND'S SUBMISSION ON THE DRAFT GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT 2018/19 – 2027/28**

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## **Representation**

Road Transport Forum New Zealand (RTF) is made up of several trucking associations for which the Forum provides unified national representation. The Forum members include Road Transport Association New Zealand, National Road Carriers, and New Zealand Trucking Association. The affiliated membership of the Forum is some 3,000 individual road transport companies which operate 16-18,000 trucks involved in road freight transport as well as companies that provide services allied to road freight transport.

The Forum is the peak body and authoritative voice of New Zealand's road freight transport industry which employs 22,600 people (3.0% of the workforce), has a gross annual turnover of \$6 billion and transports about 70% of New Zealand's land-based freight on a tonne/kilometre basis.

## **Introduction**

RTF's submission is focussed on our three key concerns from the draft GPS 2018/19 – 2027/28:

1. The draft GPS is not mode-neutral as it espouses to be. Instead it proposes that road user taxes be used to cross-subsidise other transport modes, which RTF strongly opposes.
2. The increased investment and focus on road safety is supported by RTF.
3. RTF questions the 11 percent drop in state highway investment, which is actually a decrease of over \$2 billion over the next ten years.

## **The draft GPS is NOT mode neutral**

The GPS directly influences decisions on how money from the National Land Transport Fund (NLTF) will be invested. The NLTF is made up of fuel excise, road user charges (RUC) and vehicle licensing fees, which are taken directly from road users.

The reason why motorists and transport operators accept the high level of fuel excise and RUC is due to the direct relationship the fund has to the roading network. It is accepted that road users derive some benefit where passenger transport on rail and ferry services eases road congestion.

The new draft GPS on land transport has as one of its key themes *a mode-neutral approach to transport planning and investment decisions*.

The problem with the theme is that true modal neutrality should reflect both the incomings and outgoings from the NLTF. In this case, however, the Government has obviously decided to neglect its own theme by generating a situation where road users will in essence be cross-subsidising other transport modes. This creates serious pricing and investment distortions to the detriment of economic efficiency. The economy works best with a transport system based, not on artificial cross-subsidisation, but true comparative advantage across the modes.

RTF is also concerned that the cross-subsidisation at the heart of the GPS will lead to a detrimental politicisation of the NLTF. The NLTF was set up to be administered by an NZTA board independent of politicians and for the last 10 years it has operated relatively free of political interference.

Unfortunately, the cross-subsidisation of road user taxes to fund modes that make no contribution to the NLTF and projects that have dubious economic benefits risks destroying the integrity of the NLTF. This cross-subsidisation makes a mockery of the theme of 'mode neutrality'.

### **The importance of true comparative advantage to freight**

In RTF's view there are two key planks to a successful transport policy:

1. Investment in any transport mode should be based on true comparative advantage with rigorous benefit/cost analyses (including the consideration of externalities).
2. Transparent pricing is of critical importance to all transport modes and cross-subsidisation, such as what the Government is proposing, is the antithesis of transparent pricing and will create distortions across the economy.

The inherent comparative advantage of road transport is its responsiveness to the 'just in time' requirements of customers. Road transport is not constrained by railway or shipping timetables and is able to quickly and easily respond to unforeseen changes in the freight task, e.g. volume, type, origin and destination, as well as specialist and unusual consignments. Time consuming and costly transshipping between road and rail is also minimised making the transportation of goods quicker and cheaper.

The 2014 Freight Demand Study predicted that as New Zealand's economy grows there will be a 58 percent increase in overall freight volumes, from 236 million tonnes to 373 million tonnes, by 2042. It is expected that the majority of this increase will continue to be transported by road freight

services. It is also estimated that only a 3-7 percent share of the current road freight task is currently contestable by rail.

Europe, which has extensive rail systems, many of which are heavily subsidised and incentivised by governments, as well as large inland waterways, has a modal split that is actually weighted more towards road freight than ours is. Road transport is responsible for around 70 percent of New Zealand's freight task on a tonne-kilometres basis, while in Europe the figure is around 75 percent, and in some countries, such as the UK, France and Italy, the proportion is over 85 percent.

Where practicable and economic the road freight sector works closely with KiwiRail to maximise productivity efficiencies where they are available and it is hoped that this cooperation can be further expanded especially around ports and inland freight hubs.

The reality, however, is that road freight is the only means that provides universal and unhindered reach to production and processing sites as well as to New Zealand's hinterland where the country's wealth and export potential is primarily generated. Equally, product purchasing and consumption takes place where rail services are entirely absent and usually impracticable. Deliveries of products to these facilities is only possible by road.

These aspects of economic activity are why the Land Transport Management Act and related Government Policy Statements have historically been predicated on investment and management of the national roading infrastructure by way of the NLTF. Recalibrating GPS expenditure toward rail services will not significantly influence freight demands and will create an environment of modal cross-subsidisation that will be to the detriment of freight operators, producers, exporters, consumers and place a drag on the economy.

The Government has, separate to this process, proposed that KiwiRail become an approved public organisation for receiving NLTF funds. RTF is deeply concerned that this move would allow KiwiRail, which operates as a commercial transport service provider, to access the NLTF for the purpose of operating in the commercial market against alternative transport providers. Those transport providers would therefore end up subsidising their competition through the NLTF funding process. That is a perverse and unfair outcome and is an anathema to road freight operators who operate in a highly competitive commercial environment and compliantly pay road user charges into the NLTF.

If KiwiRail is to receive funding from the NLTF then surely a 'rail user charge', comparable to the mass/distance road user charge should be introduced to maintain the integrity of the NLTF and a semblance of mode neutrality based on true market-driven comparative advantages.

## **Safety**

The increased spending on safety and road policing in the GPS is strongly supported by the road transport industry.

327 people died on our roads in 2016, which is 6.9 per 100,000 people, up from New Zealand's historic low of 253 and 5.7 per 100,000 people in 2013. A range of reasons have been given for the increasing road toll. Unfortunately, inappropriate speed and alcohol are still a major issue. In 2015 speed was a contributing factor in 101 deaths and 496 serious injuries while 88 fatal crashes and 324 cases of serious injury included the presence of alcohol or drugs.

The percentage of the road toll from crashes involving trucks sits at around 18 percent, which has been consistent since the mid-1990s, however the number of deaths involving trucks has more than halved from 121 in 1994 to 58 in 2015. The number of fatal crashes that involve a truck for every 100 million kilometres driven by trucks has also decreased by over a third since the early 2000s.

Despite the long-term positive trend in truck-related incidents the road transport industry remains concerned at the recent increase in road deaths and is pleased that the draft GPS includes provision for extra road safety initiatives and road policing.

It has been proven in a number of overseas jurisdictions including Sweden and the UK, which have the lowest road tolls per capita in the world, that prioritising safety in new road building and improving safety infrastructure can have a very positive outcome. The road transport industry is particularly enthusiastic about greater employment of median barriers and the separation of transport modes, particularly cyclists from vehicle traffic, where appropriate.

It is important, however, that investment in safety is thoroughly evidence-based and pragmatic. For example, RTF notes in the GPS the intention of the Government to consider side underrun technology for heavy vehicles. It is critical that such intentions do not lead to a disregard for the realities faced by certain sectors within the industry. This is particularly relevant for log and

stock transport vehicles, which require high levels of ground clearance to access many skid sites and farms, for example.

## **State Highway Improvement Funding**

Unfortunately, the 11 percent or over \$2 billion decrease in funding for state highway improvements over the next ten years means that many of the planned Roads of National Significance (RONS) projects will have to be postponed indefinitely, despite the exemplary safety record of the existing RONS.

Highways such as Katikati to Tauranga and Te Hana to Whangarei are major safety concerns and have seen a number of fatalities in recent years. These regions are desperate for improvement to these state highways, not only from a safety perspective but also because they provide the key economic and social connectivity between communities.

A substantial proportion of the national freight task is performed on the state highway network. Previous political campaigns to dismiss state highway improvements such as Auckland to Whangarei as the 'Holiday Highway', have been exposed as empty rhetoric and grandstanding. A four-lane highway north of Auckland is desperately needed for the expansion and connectivity of the Northland economy and the employment and social benefits that will inevitably mean for Northland communities.

## **Conclusion**

The Government's signalled intention to divert a substantial proportion of hypothecated road user taxes from the NLTF to subsidise other transport modes (other than existing public transport operating subsidies) will result in significant distortions and economic inefficiencies.

If those other modes (e.g. rail freight and coastal shipping) are to receive funding from NLTF then they should be contributing to the Fund on a parallel 'user pays' basis. To do otherwise and present it as the promotion of mode neutrality is disingenuous.