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21 January 2020

Transport and Infrastructure Committee  
Parliament Buildings  
Wellington

Infrastructure New Zealand is the peak industry body for the infrastructure sector and promotes best practice in national infrastructure development through research, advocacy and public and private sector collaboration. Infrastructure New Zealand members come from diverse sectors across New Zealand and include infrastructure service providers, investors and operators.

This submission represents the views of Infrastructure New Zealand as a collective whole and may not necessarily represent the views of individual member organisations.

## **Infrastructure New Zealand feedback on the Land Transport (Rail) Legislation Bill**

### **Summary**

Infrastructure New Zealand supports the Land Transport (Rail) Legislation Bill's efforts to ensure long-term and reliable funding for KiwiRail, and to promote integrated and mode-neutral transportation planning.

We support an approach to New Zealand's land transport network which considers the network as a single system.

However, we are concerned that moving rail network funding into the National Land Transport Programme will further strain a funding programme that is already incapable of supporting the transportation infrastructure it is currently meant to accommodate.

New Zealand's transportation infrastructure, across all modes, is and has been underfunded and needs a step change in resourcing to bring it up to acceptable levels. This requires major investment, particularly capital expenditure, which the National Land Transport Programme is insufficient to handle.

The addition of track user charges, as proposed by this bill, may be an improvement in that it acts as a source of reliable revenue to cover operating costs on the transport network.

However, the current NLTP, which uses user charges to pay for both operating and capital expenditure on the transport network, is inequitable and unnecessarily burdens current and past transport users in favour of future users and non-user beneficiaries. For track user charges, and any transport user charges, to be fair they need to be strictly ringfenced to operating expenditure. And, as the wider



benefits of transportation infrastructure capital investments are felt across society, these capital expenditures ought to be funded out of general taxes, through clear long-term, and reliable funding.

## **Long-term funding and integrated planning are essential for transportation infrastructure**

A common problem with long-lived infrastructure, such as transportation infrastructure, is the requirement for long-term, predictable, and reliable funding. This has often conflicted with investment decisions influenced by political cycles and processes.

A Rail Network Investment Programme (RNIP) that will provide long-term funding is a crucial improvement that will ensure KiwiRail can plan long-term for its infrastructure, much of which will last for decades into the future. Long-term funding and planning also allows KiwiRail to plan its renewals and new investments more effectively and efficiently, knowing with certainty what funding will exist. This would hopefully even out the peaks and valleys that KiwiRail has often seen with regards to its funding.<sup>1</sup>

We support this long-term funding horizon through a RNIP.

The bill would also give the New Zealand Transport Agency (NZTA) the responsibility to advise the Minister of Transport (who will sign off on the RNIP) on how the RNIP will fit with the other land transport modes currently funded in the National Land Transport Programme (NLTP). The bill digest makes the case that this will integrate the rail network investments with the other modes' investments.

Integrating transportation planning is vitally important, since all modes connect as a system and impacts to one will have significant and immediate impacts on the others. Investment decisions, given real-world budget constraints, ought also to be integrated to optimise and appropriately sequence spending to achieve the best outcomes given limited budgets.

The changes proposed may promote better integrated investment planning, but this process will rely on the competency of NZTA to provide balanced advice on what an integrated network would like (which may be challenging, given both NZTA's historical lack of oversight for rail and its existing mandate for all other modes of land transport excluding rail), and on the sound judgment of the Minister to interpret the advice in a fair and integrated manner.

For all these reasons, there is a risk that all these stakeholders (NZTA, KiwiRail, and the Minister) may not agree and that investments outcomes may remain as disintegrated and politically charged as they have historically.

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<sup>1</sup> Budget 2019's multi-year capital allowance is a similarly crucial step that allows schools to do better long-term planning and allocation of their resources.



An appropriate way to integrate all these transportation modes (including sea and air transport), as well as the homes, businesses, and other land uses that they will all impact, is to have a collaborative spatial planning process in which NZTA and KiwiRail are just two of many interested stakeholders that would develop a truly integrated spatial plan for a given region. This shared vision would need to be supported by the stakeholders who make it and tied directly to the funding needed to make it a reality.

We support integrated transport system and land use planning and investment.

### **The overstretched NLTP is inadequate to fund its existing transport needs, let alone KiwiRail's additional needs**

The Bill also brings funding for the rail network into the National Land Transport Programme (NLTP). This is meant to level the playing field for rail compared with other modes of transport currently funded through the NLTP (roads, public transport, cycleways, footpaths).

We agree that KiwiRail has received inadequate funding to maximise the opportunity and outcomes from a competitive, sustainable rail network. Certainty of future funding has been a particular issue, undermining KiwiRail's ability to think, plan and invest in the long-term interests of the New Zealand transport system.

However, the NLTP in its current state is insufficient to meet the needs of transport users.

Under the NLTP, investment in land transport has been insufficient, leading to chronic congestion in New Zealand's leading cities<sup>2</sup> and poor investment in the critical road, public transport, and active transport solutions needed across the country.<sup>3</sup>

KiwiRail is currently undertaking a very significant investment of its rail infrastructure, which is important and well overdue. Fortunately, the bulk of this investment is coming out of general government revenue. If it were to come out of the NLTP instead, the added costs of rail infrastructure investments to the NLTP would divert resources from an already underfunded road and public transport network.

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<sup>2</sup> See, for example: Ripu Bhatia (2019) *Auckland traffic congestion second worst in Oceania*, Stuff.co.nz, 19 June. Available at: <https://www.stuff.co.nz/motoring/motoring-top-stories/113569912/auckland-traffic-congestion-second-worst-in-oceania>

<sup>3</sup> See, for example: World Economic Forum (2019) *The Global Competitiveness Report 2019*, or Ministry of Transport (2017) *Briefing to the Incoming Minister of Transport*, or Ministry of Business, Innovation & Employment (2016) *Tourism Infrastructure (Tourism Insight Series)*, or National Infrastructure Unit (2015) *Infrastructure Evidence Base 2015 Refresh: Transport Sector*.

## **Our preferred approach**

Infrastructure New Zealand supports user charges. User charges create a link between the demand for a service and its supply, helping to achieve an economically efficient level of investment.

The inclusion of rail transport revenue and investment in the predominantly road user-funded NLTP is appropriate given Government aspirations to treat the land transport network as a single system.

However, in many cases, and particularly so in transport, users are not the only beneficiaries of investment.

Land values are known to increase in proportion to new levels of access.<sup>4</sup> Property owners are in many cases beneficiaries of transport investment, even if they are not users.

The current NLTP funding approach under-values and under-charges beneficiaries from transport investment, contributing to New Zealand's high land prices and underfunding transport in proportion to demand.

The same issue exists in rail, where KiwiRail's current user-funded revenue stream is inadequate to maintain operations and the network.

The inclusion of rail in the NLTP without either a shift to greater beneficiary pays or public subsidy will heighten New Zealand's transport funding deficit and risks worsening already poor transport outcomes.

Even with a shift to comprehensive road pricing, which we strongly support, the absence of greater beneficiary or public contributions to the NLTP will result in land value changes undermining the wider societal benefits of an integrated user-funded transport system.

The issue of property owners "capturing" land value improvement from transport user-funded rail investments is particularly severe in urban areas.

Thus, while we support the inclusion of rail into the wider road, public and active transport system, we consider that this addition can only be progressed with new funding tools, either in the form of property-related taxes which capture land value improvement or clear long-term and reliable Government funding contributions from the consolidated account. Any funding from the consolidated account should not, however, enable ad-hoc investment decisions made for political motivations – a strongly committed programme of funding, as laid out in a Rail Network Investment Programme (or similar) is needed to give agencies, communities, and businesses assurance about transportation investments.

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<sup>4</sup> See, for example, Motu (2010) Anticipatory Effects of Rail Upgrades: Auckland's Western Line



We thank the Committee for the opportunity to comment.

Yours sincerely,

Paul Blair

CEO, Infrastructure New Zealand