

**Hon Annette King**

25/10/2007

## **Land Transport Management Amendment Bill 2007**

Madam Speaker, I move that the Land Transport Management Amendment Bill 2007 now be read a first time.

Madam Speaker, it is my intention to move, at the appropriate time, that the Land Transport Management Amendment Bill be referred to the Transport and Industrial Relations Committee for consideration, and that the Committee report by 25 March 2008, and that the Committee have the authority to meet at any time while the House is sitting, except during oral questions, and during any evening on a day on which there has been a sitting of the House, and on a Friday of a week in which there has been a sitting of the House, and outside the Wellington area during a sitting of the House, despite Standing Orders 192, 194 (a) and 195 (1) (b) and (c).

The Land Transport Management Act 2003 fundamentally shifted the way land transport in New Zealand is funded and managed.

Madam Speaker, I am now pleased to be introducing this amendment to the Land Transport Management Act and associated legislation.

The Bill arises primarily from a number of reviews into the land transport sector aimed at improving value for the massive financial investment the Government is making into land transport.

In particular, the Next Steps review of the New Zealand land transport sector identified a number of issues that needed to be addressed.

The Bill addresses the issues raised in those reviews, and provides a mechanism for regions to accelerate capital works through a regional fuel tax, if they wish to.

### Government policy statement

The Bill provides for a government policy statement or GPS to provide additional strategic guidance to the land transport sector.

The New Zealand Transport Agency, replacing the existing Crown entities Land Transport New Zealand and Transit New Zealand, will give effect to the GPS when it develops and manages each new three yearly National Land Transport Programme. Other land transport stakeholders will need to incorporate the GPS into their decision making.

For many years, our land transport planning and funding system has been based on an annual cycle. Because the proposed the National Land Transport Programme will only need to be produced every three years, compliance costs will be reduced, and certainty will be increased.

### Regional planning

The government also proposes to change how territorial authorities, regional councils and others plan their land transport projects and services.

This Bill means that land transport projects and services will be consulted on at the regional level by all the agencies responsible for funding and delivering land transport activities. This will facilitate the development of integrated transport packages.

The new Regional Land Transport Programmes will be put together by Regional Land Transport Committees. The committees will need to prioritise land transport activities for their regions, including State highways, with some exceptions.

The GPS will ensure that national priorities such as preserving the State highway network and enhancing public transport services are maintained.

Local road maintenance and minor capital activities, as well as existing public transport services, will be included in Regional Land Transport Programmes but not prioritised by the region. This reflects the need to recognise local government autonomy and accountability.

I propose giving greater legislative guidance to the membership of the Regional Land Transport Committees. Some committees have become large and unwieldy. Each committee will have two representatives from the relevant

regional council, one from each territorial authority, and one from the New Zealand Transport Agency.

Reflecting current arrangements, there will also be one member to represent each of the five New Zealand Transport Strategy objectives and one to represent cultural interests.

These six members will participate in discussions on Regional Land Transport Programmes and will vote on Regional Land Transport Strategies.

In regions where there are unitary authorities (Gisborne, Tasman, Nelson and Marlborough), the membership arrangements need to be different but will reflect the general scheme for other regions.

Transport structures in Auckland will be reflected by the different arrangements for Regional Land Transport Programmes there. This means the Auckland Regional Transport Authority will be responsible for developing Auckland's Regional Land Transport Programme.

We are also leaving the Regional Land Transport Committee membership requirements in Auckland unchanged while the Auckland governance proposals develop.

#### National Land Transport Strategy and Regional Land Transport Strategies

This Bill will consolidate all land transport planning provisions into one Act. We are also extending the planning horizon of land transport strategies to 30 years to reflect the long term nature of transport planning. The strategies will be reviewed every six years rather than every three years.

#### Establishment of the New Zealand Transport Agency

The creation of the New Zealand Transport Agency will integrate decision making and improve accountability. The new entity will be a Crown Agent as defined under the Crown Entities Act 2004. It will have all the functions that Land Transport New Zealand and Transit New Zealand currently have, except for the power to declare and revoke State highways, which will become the responsibility of the Chief Executive of the Ministry of Transport.

The functions of the Director of Land Transport, which cover a number of regulatory licensing and law enforcement roles, will also be transferred to the Board of the new Agency.

Because the new Agency will both deliver its own projects and services and fund the activities of others, the government has been mindful in the Bill of the need for robust accountability arrangements.

The new GPS and regional prioritisation will also play a role in ensuring accountability. The GPS will establish the amount of funding available to be allocated to all activity classes including State highways.

The Agency will not be able to fund projects and services that are not contained in a Regional Land Transport Programme with the exception of some nationally led programmes such as road policing and research, education and training.

#### Reserving fuel excise for land transport

The government proposes that all fuel excise duty obtained from motorists will be reserved for land transport purposes. This will ensure the public see what they are getting from the petrol excise duty and road user charges they pay.

The bill also allows the Minister of Transport and the Minister of Finance to allocate fuel excise revenue received from pleasure boat users to activities such as maritime search and rescue, boating safety education, and maritime safety services.

#### Regional fuel tax

The Bill will allow regions to levy regional fuel taxes in order to allow regions to bring forward capital projects, should they wish to. Limiting the use of regional fuel taxes to capital assets will ensure that the public understands the purpose of the tax and provides an end date for the tax. The tax will be limited to up to ten cents per litre of petrol or diesel, with a limit of five cents per litre to be spent on roading.

The Auckland region would be able to identify up to five cents per litre worth of projects, and the Ministers of Finance and Transport could identify an additional five cents worth of regional land transport projects, within the ten cent regional limit.

Regional Land Transport Committees will be required to prepare and consult on proposed regional fuel tax schemes. Once the regional council is satisfied with the proposed scheme, it must be lodged with the Minister of Transport and the Minister of Finance. The Ministers may then decide to recommend to the Governor-General the making of an Order in Council to approve the scheme.

Once a regional fuel tax has been introduced in a region, wholesale distributors would make payments to the New Zealand Transport Agency.

The Agency would be responsible for refunding commercial non-road fuel users, and for distributing the net revenue to the agencies responsible for projects under the relevant scheme.

#### State highway and revenue guarantees

The revenue guarantee for the National Land Transport Programme and the funding guarantee for the State highway construction programme announced in 2006 will no longer be required in the new planning system.

This is because a high level of certainty on overall funding levels and activity class levels will be provided through the GPS, a new system for adjusting fuel excise duties and road user charges, and the ability for the National Land Transport Programme to go into deficit.

#### Conclusion

The measures set out in this Bill will allow New Zealand's land transport system to move forward in a fully integrated manner. I urge members to support the Bill.

I commend the Bill to the House.

Printed from <http://www.beehive.govt.nz>

***Hon Annette King***

18/10/2007

## **Land Transport Management Amendment Bill 2007**

Transport Minister Annette King has tabled legislation designed to maximise the performance of the government land transport sector and its impact on the New Zealand economy and environment.

The Land Transport Management Amendment Bill 2007 will implement the recommendations from the Next Steps Review of the Land Transport Sector. The review, conducted by the State Services Commission, was released in May.

Transport Minister Annette King said today the Bill will create a new funding and planning system for land transport, introduce full hypothecation, or dedication, of fuel excise duties to the National Land Transport Fund from 1 July next year, and create the framework for a new Crown entity.

The legislation will also enable the levying of a regional fuel tax, a tool available to regions for priority projects that would not otherwise get adequate funding within the desired timeframe, she said. The tax can only be used to provide new public transport infrastructure and new roading projects. The maximum tax will be ten cents per litre, with a limit of five cents per litre available for roading projects. In Auckland, a ten cent per litre fuel tax could raise \$120 million a year.

"In accordance with the Next Steps recommendations, land transport projects and services, including State highways, will now be included in a single regional programme which will only need to be prepared, and consulted on, once every three years. These changes will allow New Zealand to develop integrated solutions to our increasingly complex land transport challenges, while reducing the number of plans and simplifying consultation. The changes will also enable greater input to land transport programming by local government," Ms King said.

"The regional plans will be prepared within the context of clearer national priorities. This will be achieved through a Government Policy Statement to be issued every three years, which will help achieve greater alignment between national and regional priorities.

"Combining the functions of Land Transport New Zealand and Transit New Zealand will create one organisation accountable to one board, ensuring improved focus on value for money for land transport activities and an appropriate balance of land transport activities. The new entity will be called the New Zealand Transport Agency," she said.

Contact: John Harvey (04) 471 9305, or John Saunders (04) 470 6851.

## Questions and Answers

### What was the Next Steps Review?

Finance Minister Dr Michael Cullen and Minister of Transport and State Services Annette King asked the State Services Commission in January this year to lead the Next Steps in the Land Transport Sector review. This was the last in a series of reviews designed to ensure value for money in the land transport sector. The review also involved the Ministry of Transport, Treasury and Department of the Prime Minister and Cabinet (DPMC). The review recommended a number of changes to the sector, including significant changes to the planning and funding systems for land transport and creating a new Crown entity to replace Land Transport New Zealand and Transit New Zealand.

### What were the main recommendations?

The main recommendations were to:

- introduce full hypothecation of land transport taxes (fuel excise duty, road user charges and vehicle licensing fees) for transport purposes and streamline the multiplicity of funding agreements
- fill the strategic gap between the broad strategic directions for transport outlined in the New Zealand Transport Strategy and the delivery of programmes of works and services
- enable a more consistent approach to integrated transport planning at a regional level and greater input to land transport programming by local government
- create a new Crown entity by merging Land Transport New Zealand and Transit New Zealand, and strengthen the accountabilities of the new entity to reinforce the importance of "value for money".

### What will the legislation achieve?

The legislation will implement the recommendations of Next Steps, and will:

- introduce a Government Policy Statement setting out government's high level priorities for land transport
  - introduce three-yearly Regional Land Transport Programmes that will identify all land transport activities in a region
  - change the constitution of Regional Land Transport Committees
  - make the National Land Transport Programme three-yearly
  - introduce an accountability framework for the new transport Crown entity which will be formed by combining the functions of Land Transport New Zealand and Transit New Zealand
  - introduce full hypothecation (dedication) of fuel excise duties to the National Land Transport Fund
  - introduce a mechanism for regional fuel tax (not part of Next Steps but included in this legislation).
- Amendments to the Land Transport Management Act 2003 will put in place a new system for the funding and planning of land transport, hypothecation, and establish the framework for the new Crown entity. Consequential amendments to the Customs and Excise Act 1996 and the Land Transport Act 1998 are also required.

### What will the Government Policy Statement include?

A Government Policy Statement (GPS) will be issued every three years. The GPS will include the government's overall priorities for the short-medium term, funding ranges by broad transport type (activity class) for the first six years, and forecast funding ranges for the following four years. It will also indicate any changes needed to fuel excise duty, road user charges and motor vehicle registration fees to fund the proposed levels of expenditure. The first GPS is likely to be released in the middle of 2008 to determine and guide preparation of the National Land Transport Programme, Regional Land Transport Programmes and local government Long Term Council Community Plans, which all begin in July 2009.

### What changes will occur to regional planning?

Planning for transport needs will become more integrated through the development of three-yearly Regional Land Transport Programmes and greater input by local government. Regional Land Transport Programmes will include State highway projects, local roads, public transport, walking and cycling projects, and travel demand initiatives.

Regional Land Transport Programmes will need to be consistent with the Government Policy Statement and the objectives of relevant Regional Land Transport Strategies. Activities must be included in a Regional Land Transport Programme to be eligible for inclusion in the National Land Transport Programme. Regional Land Transport Programmes will be compiled by reconstituted Regional Land Transport Committees with the guidance of the New Zealand Transport Agency. They will be approved by Regional Councils.

Regional Land Transport Committee membership will be changed to two representatives from regional councils, one from each territorial authority, one from the New Zealand Transport Agency, five to represent each of the five New Zealand Transport Strategy Objectives (assisting economic development, assisting safety and personal security, improving access and mobility, protecting and promoting public health, and ensuring environmental sustainability), and one person to represent cultural interests. Voting rights on the programmes will be restricted to funding agencies to ensure accountability for final decisions.

The New Zealand Transport Agency will then use the recommended Regional Land Transport Programmes as the main input to preparing the National Land Transport Programme.

#### What will happen to arrangements in Auckland?

Arrangements for Auckland are already different from the rest of the country due to the Auckland Regional Transport Authority (ARTA), emerging governance proposals for an Auckland Sustainable Development Forum and the recently announced Royal Commission of Inquiry into the Governance of Auckland.

For these reasons, there will be no changes to the current structures, but there will be some changes to current processes. State highways will be added to ARTA's Land Transport Programme and the Regional Land Transport Strategy prepared by the Regional Land Transport Committee will be able to name regionally significant activities, such as rail electrification. This arrangement will also allow the Auckland Regional Council to ensure consistency between the Regional Land Transport Strategy and One Plan (the proposed strategy for Auckland to promote social, economic, cultural and environmental well-being over the next 50-plus years).

#### How will the New Zealand Transport Agency work?

The New Zealand Transport Agency will be a new Crown Agency under the Crown Entities Act 2004. It will have all the functions that Land Transport New Zealand and Transit New Zealand currently have, except for the power to declare and revoke State highways, which will become the responsibility of the Chief Executive of the Ministry of Transport. The current functions of the Director of Land Transport, which cover a number of regulatory licensing and law enforcement roles, will be transferred to the new Board. A framework to ensure accountability will be put in place, to make sure the entity does not favour the activities it has responsibility for, namely State highways, ahead of other transport activities. That framework will also ensure that all revenue is used solely for the purposes it is collected, and that the entity provides value for money. One organisation accountable to one Board will improve the focus on value for money, and ensure an appropriate balance of land transport activities.

#### What is regional fuel tax, and what will the tax be used for?

Regional fuel tax will be a tool available to regions for priority projects that would not otherwise get national funding within the time desired by the region. The tax can only be used to provide new public transport infrastructure and new roading projects. It is important that motorists who do pay the extra tax are able to see a clear benefit from doing so in the form of additional roads or public transport that the region might not otherwise get. As such, the tax cannot be used to meet the cost of existing services.

#### What projects might get funded from the tax?

If a region decides to implement the tax, the projects generally will be up to the region to determine. The tax will be for capital projects only. In the case of Auckland, where there has been considerable work on priorities, a regional fuel tax will most likely fund the electrification of the Auckland rail network as well as fund a number of other projects that benefit the entire Auckland region. For Wellington, the tax could be used to contribute to the cost of the Transmission Gully Motorway, if that is considered to be a regional priority.

#### How big will the tax be?

The maximum tax will be ten cents per litre. The actual level of the tax within that maximum will generally be up to each region to determine, if the region chooses to implement the tax. In all regions, a maximum of five cents per litre will be available for roading projects.

#### What will the changes mean to Regionally Distributed ("R") funding?

There will be no changes to "R" funding.

#### What will happen to JOG money?

JOG money is funding that was agreed through a Joint Officials Group (JOG) process with the Auckland, Waikato, Bay of Plenty and Wellington regions. This funding was over and above what each region expected to receive from the National Land Transport Programme and the funding was being provided through Crown appropriations. In many ways this could be considered to be the Crown re-investing the money it was retaining in the Crown accounts from Fuel Excise Duty back into land transport to meet the funding pressures in the system. Under full hypothecation of fuel excise duty this funding will come from the revenue raised from land transport users. The Bill contains provisions to ensure that the JOG money is allocated as agreed with each region.

#### What will the changes mean to the State highway and revenue guarantees?

Next Steps suggested that the revenue guarantee for the National Land Transport Programme and the funding guarantee for the State highway construction programme announced in mid-2006 would no longer be required in the new planning and funding system. Cabinet has subsequently agreed that these "guarantees" will be removed

once the new funding and planning system is fully in place (from 1 July 2009). The Government Policy Statement, the new system for adjusting Fuel Excise Duties and Road User Charges, and the ability for the National Land Transport Programme to go into deficit are designed to provide certainty on overall funding levels and activity class levels for the next three years, with a strong indication provided for the following three years.

The National Land Transport Programme and Regional Land Transport Programmes will outline those activities that will be eligible for funding over the next three years providing certainty on those activities likely to start within this period. The National Land Transport Programme and Regional Land Transport Programmes will be required to indicate any nationally and regionally significant activities that are likely to be considered for funding in the following three year period which will also provide an indication to the road construction industry of likely work coming forward.

How might the government's interest in moving more freight by coastal shipping be provided for?

The new planning and funding model is designed so that coastal shipping and rail initiatives can be included. Initiatives for the carrying of domestic sea freight, such as the barging of aggregate from Waikato to Auckland will continue to be able to be considered for funding. The government will be releasing a sea freight strategy later this year. It will outline the strategic direction for coastal shipping.

How does this relate to the work on the New Zealand Transport Strategy?

The New Zealand Transport Strategy is currently being updated. It will describe how transport strategy in New Zealand will be implemented including medium-long term objectives, and sets targets with a 25-year view. The update of the Strategy, to be released in 2008, will influence the Government Policy Statement, and guide the National Land Transport Programme.