

# Submission on the National Infrastructure Plan Discussion Document 2009

**Sharp Transport Solutions**

**Transport Choice *Waikato***

Note: The slogan names are intellectual property and cannot be used without authorisation.

Thank you the opportunity to present this submission. Further detail can be obtained by contacting the writer.

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## Clarity of Terms

**3. The discussion document does not differentiate between whether it will be a high-level strategy, or a plan, and has no clarity of what localised implementation mechanisms it intends to be developed to apply it.**

- Also, the submission period is inappropriately short. The submission request prefers evidence based submissions, but with respect to transport the document contains open-ended subjective assumptions.

### **5. Accurate comparisons required:**

- Much of the material in the transport section of the Sectoral Analysis policy discussions is open-ended and subjective, and frequently is inaccurate, misleading and incomplete.

**5/2 Throughout the document inadequate, open-ended, and unexplained free-market economic language is used describing public money put into the rail system is described as 'subsidies'.**

- Road freight transport services are indirectly subsidised by about \$2.5b (Ministry of Transport, 2009) of non-freight sector money over and above service provider RUC's. This benefits all road users, however road transport gains significant free benefits in terms of transit times, network development, capacity, network maintenance, route availability, and service provider access opportunities.

### **7. Investment and pricing decisions responding to market signals.**

- The document indicates that road transport sector prices are not market driven.

## **Strategic Direction: Ingredients for success of a National Infrastructure Plan**

**12. The discussion document fails to address the critical issue of the critical necessity for NZ high-level infrastructure and transport strategies to move well beyond being 'feel-good' lists of organisational aspirations and projects in order to make transport strategies relevant:**

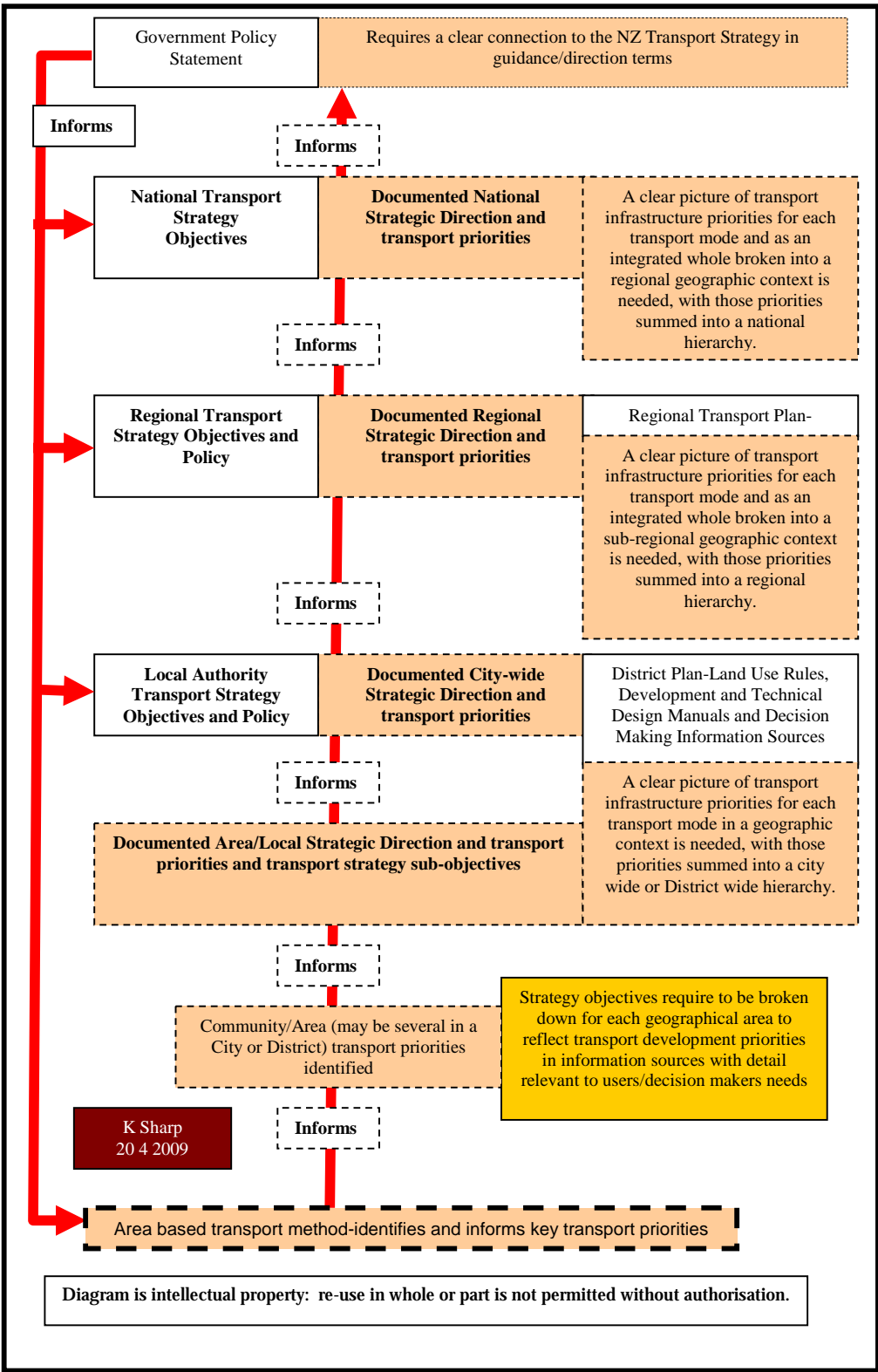
- The *Next Steps update* July 2007 and the *Final Report of the Review of Value for Money in the Land Transport sector* (released by the Office for the Minister for Transport in late 2007) indicated a necessity to address a lack of strategic direction in the transport sector resulting in duplicated legislation, paperwork churn, and an unnecessary level of inter and intra-sector competing political self-interest both within transport infrastructure provider agencies at all levels, and from service provider sectors.
- Central, Regional, Local Government and Transport agencies requires to make all transport strategies relevant to inform the applied needs of strategy end-users in a documented form in geographically based information contexts to inform how best to achieve the strategy objectives.
- Integrated transport planning and land use planning needs to be much more than just a token of interactive coordination and communication: NZ transport strategies require much improved clarity of documented strategic direction broken into a context of central, regional, District/City and Community level applied mechanisms. The approach requires to identify, document, and coordinate a strategic direction and includes integrating transport and land use planning, investment and development decisions, including assisting policy

development that stimulates the integration of transport modes within the physical functions of the transport infrastructure sector.

- Transport Strategies require to be relevant to the spectrum of end users, not just senior managers within infrastructure provider agencies: High-level strategies are often irrelevant at decision making and operational levels within the transport infrastructure and service provider organisations as they have no context of applied implementation that informs with clarity how best to progress toward achievement through the actions of the potential spectrum of end-users of the strategy. There simply isn't a clear picture of what progress or success looks like in a given context to create the necessary organisational, sector-wide and end-user applied understanding and clarity of approach how best to achieve strategy goals. (*A New Era in Transport Strategy*, K Sharp, May 2009, *Not published*).

## Making a National Infrastructure Plan Successful:

Dotted boxes indicate missing elements



## **48 Principles for decision making are ineffective unless there is a clear vision of what is to be achieved before the decisions relating to individual projects are made.**

- Land use and transport development continues to occur that undermines optimal transport infrastructure delivery, provision, connectivity, management and use of the transport network, and results in less than optimal land use activity and community well-being.
- District Plans, Asset Management, Technical Design Manuals, Policy Guides, and information sources require context of applied clarity. This requires documentation giving geographically based information to the applied needs of the spectrum of strategy users, land use developers, and people within infrastructure provider organisations (outside of a few key management staff) how best, when, where, why infrastructure planning, protection, and provision actions that needs to occur. This continuing oversight is seen in District Plans where there is little sense of transport infrastructure sector direction or how best to plan, protect, provide key transport infrastructure, or how, when, where that should best apply in a given development context. This has led to a plethora of effects-based open-ended transport legislation.

## **Priorities**

### **13. It is recommended the most urgent sub-priorities for transport are:**

- **An appropriate balance of Transport policy and infrastructure funding arrangements**
- **Clarity of best achievement of Transport Strategy objectives is required**

There is a lack of clarity in the transport sector how each project achieves strategy objectives and *what the sum of transport projects will achieve*. The non integrated, open-ended, project-level approach does not result in the adequate relative development of alternative modes to private motor vehicles. Nor does it actively promote managing negative effects of congestion, pollution, lack of accessibility, safety concerns, physical community segregation, improved economic resilience, reduced dependency on foreign fossil fuels, nor does it best harness improved technical and strategy innovation.

- **Accountability of infrastructure sector providers for achieving mode share targets of the NZ Transport Strategy 2008.**

There is an inappropriate focus on individual project accountability. There is no strategic direction accountability of in the transport infrastructure and service provider sectors. There is no accountability the sum of projects undertaken will achieve or improve balanced mode share targets. The transport planning approach continues to be based upon a simplistic 1950s demand-supply assumption and the planning and engineering sectors are unresponsive and resistant to necessary planning change. Funding justification models project over-stated discount rates and encourages symptom-based cost-benefit analysis that fails to identify the cause of issues. Utilising negatives as positives, such as time savings from congestion, reduction in levels of deaths/accidents as 'savings' that were are the direct result of previous non-optimal planning and investment decisions and models is a flawed approach.

- **Moving policy terminology and service provider actions toward integration:** Also: 'Roads of National Significance should be changed to 'Transport Corridors of National Significance' to be mode-inclusive, and consistent with the integration components of the NZ Transport Strategy 2008, and Land Transport Management Amendment Act 2008.

Also, there is no need in such a small nation to have a 'Road Transport Forum' that creates and drives polarising attitudes to other forms of transport within the transport sector. There is no reason why it cannot promote fairly the interests of the sector as a whole.

**15. The document fails to recognise and address the cause of the transport symptoms/issues outlined within the document: Auckland's planning/urban form and the way we pay for roads are symptoms of a bigger nation-wide problem** which are inappropriate funding and policy arrangements for transport systems and services that are too favourable to private motor-vehicle usage comparative to other modes of transport.

## **Transport corridors of national significance?**

**19. The funding reprioritisation strips money out of public transport (growing at over 20% per annum in Hamilton), walking and cycling and rail upgrade programmes.**

- Corridors of national significance are not exclusively road corridors if an integrated approach to transport funding, planning and functional use coordination is taken.

- The latest GPS adjustment sees stripping of funds previously allocated public transport, walking and cycling, and demand management/travel planning funds ploughed into new roads which worsens the comparative viability of alternative modes to capture a greater share of future transport growth.
- It is noted elsewhere in the document that we cannot afford to build ourselves out of congestion; while not understating the importance of road capacity upgrades Newman and Kenworthy note in 'Sustainable Cities', 2003, supported by research from various sources that '*Cities that have the best balance of transport infrastructure spending spread across the modes spend less of their total wealth on transport, increasing the living and business quality for its citizens*'.

## **Improving Effectiveness of Government Infrastructure Spend**

### **37. The comment referring to public-sector contract cost over-runs is at best a subjective and misleading open-ended statement.**

As a project manager my experience is private contractors and consultants incur cost-overruns through inaccurate cost assessments and a lack of attention to quality outcomes.

### **37 an 51, and Principle 2a: The comment in 37 that performance will be improved by accessing the skills and expertise available in the private sector, - is a false assumption unsupported by fact.**

- Many services are already contracted out which indicates the writer of the statement is philosophically deluded.
- Experience from the 1980s and early 1990s proved it is unsustainable economically for Local Government as standard practice and that overall contract sector performance, accountability and quality outcomes and cost management *is not always improved* by contracting out to the private sector.
- The Principle 2a statement that 'the Government will explore opportunities for contracting out more services' coupled with item 358: 'the NZ accounting treatment of PPP arrangements means that "off-balance sheet" considerations are not a factor in the Government's choice of procurement option' explains the unacceptable current Local Government level *carte blanche* redundancies of qualified, loyal and committed employees replaced by out-sourced work to consultants as costs do not show up on organisational wage accounts, instead leading to future project expense blow-outs.

### **39. A risk with PPP's is that if the private company folds, increased debt leverage will inevitably be picked up by the ratepayer.**

- There should be a concern by Local Government if Central Government is using this as a tool to leverage increasing debt risk to Local Government.
- As free-market philosophy sees Government intervention as a hindrance to the market, there is concern about the real motivation for increasing debt levels associated with road based transport infrastructure provision, beyond what the economy can immediately sustain.

## **Longer term issues and priority context:**

### **41. Traffic congestion in Auckland**

- Traffic congestion is the direct result of long periods of imbalanced levels of investment in private motor vehicle infrastructure comparative to other modes and services of transport.

### **42 Key projects influencing Auckland urban form:**

**There is concern that membership of lobby groups and key engineering sector persons in Local Government charged with making project implementation, infrastructure and service decisions in Regional and Local Government and Transport Agency positions compromises the integrity of the sector by membership of lobby groups such as the AA and RTA.**

- Also, inappropriate Funding Assistance Rates for State highways compared to other transport corridors and modes have arguably distorted Aucklands and NZ's growth patterns.

### **44, 47 The prioritisation of key projects and their applicable scale (ie national, regional, local) also needs to be included in Resource Management infrastructure legislation**

to provide the required balance between effects, delivery and effects considerations.

- Overlapping legislation applicable to transport infrastructure, funding and service delivery requires to be trimmed. This includes the Historic Places Act, Local Government Act 1974 and 2002, Land Transport ACT 1998, Land Transport Management Amendment Act 2008, Resource Management Act 1991, The Reserves Act, The Energy and Conservation Act.

- Also, there are often too many open-ended overlapping and complex planning strategies within major urban Councils that impact on transport infrastructure development that also need consolidation. These documents, like transport strategies, also require to have applied implementation mechanisms in geographical contexts to ensure on-going effective application to avoid wasteful use of resources.

## Road funding and Pricing

**45 and 46; The comments that increased transport investment will have significant impact on traffic congestion/ building our way out of congestion is unlikely to be an affordable or efficient strategy/ An efficient level of use is most likely to be achieved when users pay for the full costs they generate.**

- It is recommended an equilibrium is sought where mode use charges fairly place costs where incurred but a balance is required so that charges do not impact low income earners as the majority of NZ households earn much less than the average wage and free market theories do not readily create compensation for loss of essential living costs.
- It is also unlikely that full costs can be laid where they are induced as to do so it would likely put the road freight sector out of business.
- Road freight transport lobby groups seek to continually off-load costs indirectly onto other sectors. An example is evidenced by a 2009 Road User Charges review authored by Infometrics, sponsored by the Road Transport Forum, essentially a series of complex arguments claiming heavy trucks cross-subsidise other road users.

## Central versus Local Government Spending

**60 The comment that a land based property tax is more efficient than GST and income tax implies a poll tax.**

The concept is unethical and immoral as it is a transfer tax from rich to poor.

### 64/Principle 3 Funding Assistance Rate (FAR):

- FAR's percentages should be equal for all types of transport projects and the same for each mode, regardless of road hierarchy.

### Annual funding for each transport mode should be guaranteed and certain

- A guaranteed percentage of all annual transport funding (recommend 10% for the next 25 years to catch-up on deferred maintenance and asset renewal and 7% thereafter).

## Project Evaluation, Prioritisation and Decision-Making

### 68 Contains a contradiction:

**It states: 'that because of the complexity of the analysis and the large numbers that are usually involved, bias can result from analysis being led astray by 'intuition', 'common sense' or 'judgement'. Therefore, if the result of a CBA does not seem intuitively right, further inquiry or an independent review may be appropriate'.**

- While recognizing the need for modeling accuracy, the philosophy underpinning the inputs and analysis structure of the model are not passive. A clear example is 'Alternatives to roading funding' applications- which are rarely approved based on modeling scenarios. It is necessary that all funding applications should be treated on the same basis.
- Also, third parties such as the Road Transport Forum should not be able to obstruct any ATR application through Court intervention as they have in the past. To block vexatious tactics such as that used by the RTF would be consistent with the Resource Management Act Simplifying and Streamlining proposal to reduce 'Supermarket wars' that incur delays to opposing competitors based on vested interest.

### All roading costs need to be weighed when making infrastructure investment decisions.

In the interests of equity the road freight transport network should in accounting terms be described as a *virtual entity* distinct from the rest of the road network, (despite being integrated with it). The benefits of this approach are:

- Mitigation of investment that encourages inappropriate mode role duplication where rail is better placed to haul bulk freight volumes over the long term can be identified.
- Balances the balance sheets: between one rail operator accountable on its balance sheet for non-rail earned government inputs to track maintenance of 4000km of network maintenance and 1000 road operators accountable on their balance sheet for none of the sunk non-road freight sector non-earned inputs.

## Asset management

### Principle 5: The recent GPS update signified stripping of essential maintenance money from some geographical areas

eg Southland, to create funding for more new highways in other areas, contradicts Principle 5.

## Sectoral analysis-roads

### 79 Sectoral Analysis Transport: Roads/ Full hypothecation states: In 1999/2000, New Zealand was investing around \$1.1 billion on roads (including public transport), which amounted to 1 per cent of GDP.

- The 1.1 billion amount may be understated and not include all expenditure-it is not referenced.
- If correct it evidences a weak link between expenditure on roads and economic growth: as sustained economic growth averaging 2.1% occurred 1995-2005 (*NZ Treasury Website 2 Oct 2009*).

### 84: NZTA has statutory independence:

- It is a misleading statement that NZTA could ever be de-political as the absence of strategic transport sector direction makes each decision a political 'bunfight' in a transport sector is characterized by a plethora of competing political interests at the various organizational levels of NZTA, Central, Regional and Local Government.
- Project funding applications should be split between entities within NZTA for each transport mode, being rail and PT, road transport, air, coastal shipping/ports. These bodies should have a goal of achieving provider, policy, and funding integration and fully functional freight and service provider road-rail integration with coastal shipping hub links that minimises supply chain revenue transfer. This may require leasing and charter availability of rail rolling stock and motive power-as occurs in Australia (CFCLC).
- Corridor pricing can be introduced that provides incentives for greater integration of freight to meet the projected 70% freight volume growth to 2031 set out in the *National Freight Demand Study* (Paling, 2008).

### 87: Planning: Funding arrangements diagram

(Very difficult to read) page 21 that State highways will receive about \$4.6 billion in the 2009-2012 period from the NLTF, for 12% of the road network, and about 1.8b for the other 88% of the road network for new infrastructure, renewals and upgrades.

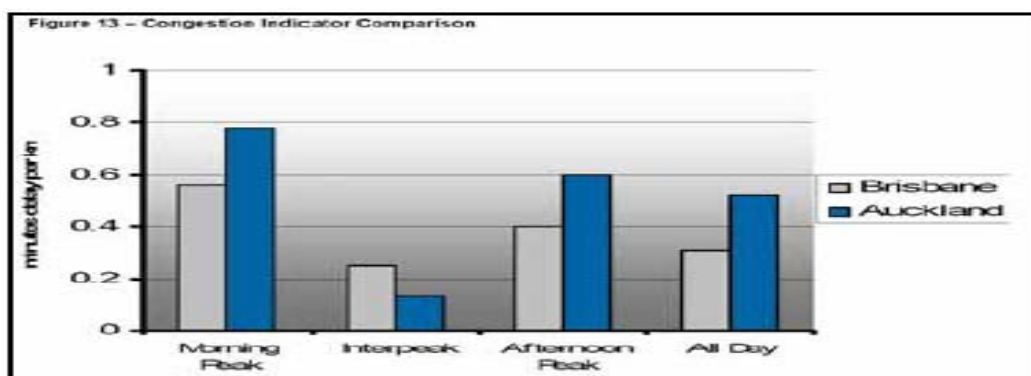
- This represents a bias ratio of 19 dollars to 1 for every km of state highway compared to local roads. The NLTF does include all local authority funding.

## Congestion

### 88: The Ernst and Young report figure of \$755m per annum for Auckland traffic congestion is a very conservative figure

which has been touted by the Business Roundtable, other Ministry of Transport, ARTA and Ports of Auckland/Axis and NZ Herald documents quote the figure at about \$1b during that time.

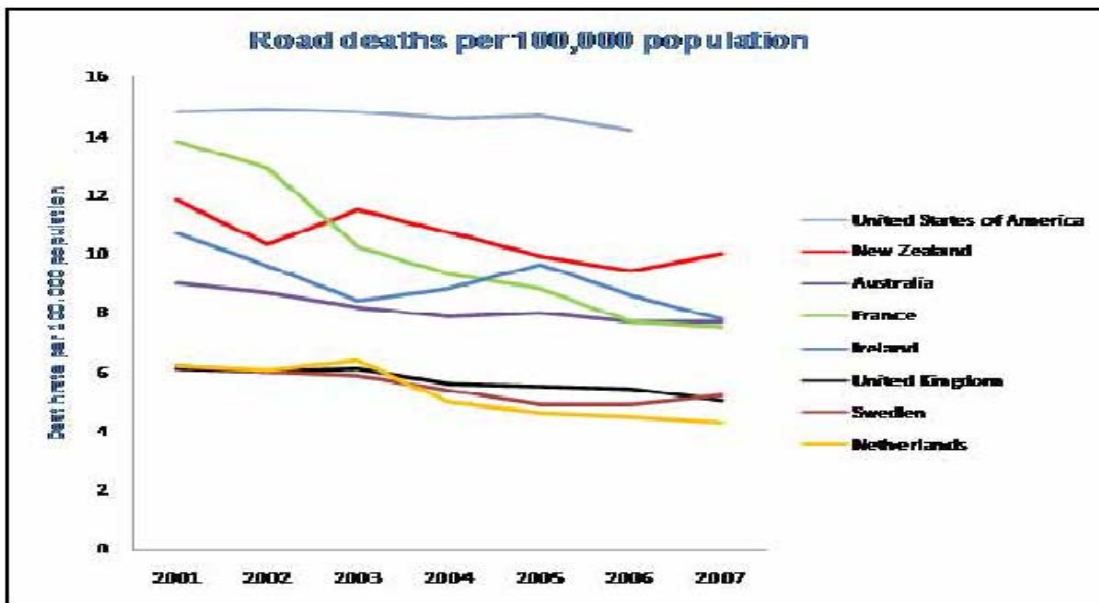
- NIWA (*Vehicle Health Effects Report, 2002*) stating that in NZ, with most in Auckland, 399 people die prematurely from dirty fuels and air poisoning from motor vehicles at a predicted cost of \$1b which is in addition to the congestion costs. Christchurch, Wellington, Hamilton, Tauranga also suffer chronic traffic congestion relative to their population size which the report fails to mention.



Source: NZCID, *Meeting New Zealand's Transport Infrastructure Needs to 2025*, 2006

- It is noted that Brisbane, which has the lowest public transport usage in Australia outside of Adelaide is more spread out than Auckland (less average population density and covers a greater land area). Both cities have higher rail and public transport usage and more advanced rail development, quality of services and infrastructure, integrated ticketing and public transport systems, and significantly less traffic congestion, less expenditure on transport as a percentage of GDP, and higher average income and discretionary spending than Auckland.
- Past road improvements have not improved road traffic congestion over the long term in the absence of viable comparative development of alternative modes of transport: the huge surge in rail usage and bus service usage in the past 7 years has eased road use growth pressure allowing some parts of the road network to function more effectively slowing the rate at which new road capacity is required.

## Road Safety Trends



Source: Ministry of Transport, 2009, based on data from the OECD

- Stated in the document is a road death rate 30% higher than in Australia, and 100% higher than some leading European nations. While education, enforcement and engineering in NZ have equal opportunity to be world-class with other nations, efforts since 2000 have not had any downward trend, even a reversal between 2002-07 is evident.
- Trucks account for a disproportionate road toll and accident rate, with most incidents occurring on the open-road, (whether the truck drivers fault or not) up to 25% of the road toll or about 100 deaths per year for just 4% of the road vehicle fleet (HCC Submission on Vehicle Mass Dimension rule, 2009). Rail is comparatively much safer in terms of movements and volumes moved and is a key gain to be made in reducing the road toll. Despite improvements by the truck industry, the figure has not decreased over the past 5-7 years like it did in the preceding 10 year period. The number of truck crashes and roll-overs involving no other vehicles is unacceptably high.
- Nations that spend more on non-private motor vehicle transport systems relative to the spend on roads than NZ evidently achieve safer transport systems. Several of those nations have rail development plans and modern rail systems and services, with public money invested and accepted and identified as producing positive externalities.
- In Queensland, on the same rail gauge as NZ, modern, smooth, quiet 160km/hr daily passenger train services operate using ultra-modern equipment. NZ'S level of rail system development, standard and services can only be described as internationally embarrassing.

## Infrastructure Sufficiency

93 The document states:

'the best indicator of infrastructure sufficiency (including safety features) is likely to be the benefit cost ratios of road projects for which there is insufficient funding. The existence of a significant number of projects with high expected benefit cost ratios that cannot be funded could indicate that there is, or will be, insufficient infrastructure'.

It also suggests congestion is not likely to be a good indicator due to its temporal nature as some parts of the road network may be under utilised.

- The statement in paragraph 96 contradicts the insufficient funding premise/sufficiency statement. I recommend more emphasis on paragraph 96 than 93.
- The outcome of any National Infrastructure Plan must be greater viability of transport choice for journeys for alternative modes. The simple reality of difference between Brisbane and Perth, and Auckland, is that the threshold of viability of use, certainty of development, adequacy of network, and the priority afforded to modes other than the private motor vehicle has been, and continues to be higher than in Auckland and NZ.

**94 Benefit/cost ratios do not reflect the actual need for projects, they only reflect user or a perceived organizational/sector demand. Demand for a given mode will always be higher when a person and/or organization has a vested interest in creating that demand.**

- Demand is not a good indicator of economic growth or links to prosperity if it drives costs faster than the wealth it produces. Road transport investment and use (NZ Transport Strategy 2008) is forecast to grow faster than predictions of economic growth and therefore wealth (also see Beca Report comments).
- B/C's assessment only addresses symptoms, not the cause of problem sought to be rectified, and does not consider prior actions that led to the situation in the modeling. Also it considers savings for the total use of the road when time savings were quantified in earlier funding applications so double or even triple-dipping occurs in this respect which over-states time savings. As negatives are assumed as positives, eg accidents/deaths (savings to accidents/deaths) it also contributes to exacerbating use of the mode that demonstrates the negatives.
- Where transport investment is not balanced, this directly contributes to decreasing potential of development and safe use of other modes of travel. The outcome of any National Infrastructure plan must be to ensure that identification of an appropriate geographical mode share threshold in an assigned information gathering area (eg community, citywide, region, national) is appropriate and benchmarked against international best practice.

## Local Roads

**95: The document states 'Proposed changes to the vehicle mass and dimension rules and preliminary analysis suggests that there will need to be increased investment of around \$85-100 million to strengthen or replace bridges on candidate routes for heavy vehicle permits'**

- This cost is likely to be seriously under-estimated as no sufficient survey has been undertaken to support those estimates. The costs have not been built into the 2009-12 NLTF requirements and if not recovered from RUC allocation via FAR's to Local Government, will represent an effective and inappropriate subsidy/cost leverage from heavy trucks to non-freight inputs to the transport sector
- Significant cost increases to Local Government are a concern for ratepayers, especially those on fixed incomes. This has real potential to disrupt necessary infrastructure additions in future from political resistance.
- Extensive and continued AASHTO pavement testing from the late 1950s in the USA established an internationally accepted 4<sup>th</sup> power rule that road damage is an exponential relationship, not a linear one. A 53 tonne truck utilizing 8 axles and equipment as a 44 tonne truck will increase axleloads by only 20.45% but will induce wear and tear 110.51% using the 4<sup>th</sup> power rule, which will reduce pavement longevity.

## Efficient Use of Existing Infrastructure

**96 There seems little point duplicating through non-optimum numbers of trucks what trains do best**

- Trains provide payload economies of scale, fuel, labour and capital economies of scale that trucks cannot. As previously noted, transfer to trains can be achieved through addressing policy, funding, sector pricing, access arrangements to create an equilibrium of cost charging where inducement occurs without reducing market and freight provider choice.

### 97 Climate change:

- Emission costs should fall where they are produced. Adding to the cost of fuel will lead to cross-subsidisation and political action by lobby groups to ensure cost leveraging occurs to reduce industry costs.

### 100 Addressing cyclical failure in the truck transport industry:

Ongoing and repeated claims for regime relaxations claimed as necessary to retain profitability represent an indicator that market failure of costs versus income occurs in the truck industry and requires to be

addressed by restricting truck service provider access, and freeing up rail service provider access and investment incentives instead.

- The Road Transport Forum website (2008) claims increases in truck activity precede economic activity. Over-competition of trucks results from relaxation of weight, speed and charging regimes sought during recessions and surge as economic activity begins to recover.
- Freight sector rates trend down over time with increased micro-economic unit activity sees reduced freight rates, particularly as the market slows and increased finance, running and labour costs increase while freight rates fall. The inability of the road sector to absorb costs is concerning given its extremely favourable treatment vis a vis rail. The truck strikes in 2008 were a reaction to a 10% increase in RUC'S. RUC's had only risen twice until that time in 19 years so remain well behind inflation.
- Economies of scale need to be sought by increasing payloads-and rail in most cases offers better value for money in term of payload to tare weights, and its network covers most heavy truck permit routes: as 53 tonne trucks will still have to unload/transfer at hubs on the outskirts of main centres.

## **Sectoral Analysis-Rail**

**101 The greatest constraint toward rail services are negative attitudes and a policy and funding regime designed to intentionally starve rail (comparatively to road) of funding, service provider access and investment opportunities.**

- 19<sup>th</sup> century rail alignments: Rail, with only the 1980s NIMT upgrade and some recent Auckland track duplication upgrades, comparatively battles on with mid to late 19<sup>th</sup> century alignments on most of the network. It should be noted that road transport, since the 1960s, has had massive sums poured into it on a per km basis while rail has had to struggle to survive on a starvation diet.
- Road alignments have been modernized to the point that some 1970s corridor alignments are barely recognizable now.
- Kiwirail notes it requires \$2b of critical upgrades in the next five years simply to survive for its whole 4000km network, add rolling stock and motive power, and to complete modest track and infrastructure upgrades. That is about the cost of one major road project for a small part of the road network.
- Rail represents long term value for money-if its use can be incentivised at the same time.
- Queensland, with a greater population spread and less dense population than NZ operates 160km/hr daily (in service, not maximum speeds!) electric tilt trains over 700km on the same 1067mm guage as NZ and freight trains up to 120km/hr. NZ road transport must also cope with the same difficult terrain as trains and is less fuel efficient.

**102 Road transport will always be the backbone of road freight transport. Comments about its greater network and greater physical flexibility are only the result of:**

- The truck sector receiving massive indirect subsidies by non-freight roads sector inputs that are not accounted for and considered to be sunk costs, tax relief, open access regime for service providers, favourable and certain funding regimes triggers investment opportunity comparative to rail which provides incentives to invest in truck based services. These incentives are not available to rail which has a restrictive service provider monopoly and restrictive funding arrangements with no certainty of inputs.

**Too many trucks between main centres inefficiently duplicates what trains do best.**

- An identified cost threshold is required where economies of scale for train service levels will kick in, complemented with balanced funding and policy regimes so that rail has adequate public and private investment and its use is incentivised. This threshold then needs to be broken down into corridor thresholds which trigger user charges, price signals and funding bias changes from the road to the rail corridor to improve integration levels between road and rail.
- The challenge for NZ is to find that threshold without being inappropriately bullied/sneered by the obsolete attitudes expressed by the Road transport Forum which harken back to the 1970s rail monopoly era and which smack of vested interests.

**103 The 6% market share figure quoted is an error from the National Freight Study conducted by Richard Paling Consultants.**

- This conflicts with other published material stating road transport has a stated market share of about 67%, Coastal shipping 17% and Rail 16%. If the 6% figure was correct, in 2005 Rail hauled an estimated 17mt, that

would mean the total freight market in NZ would be 283mt which is about 2.5 times Palings national estimates of about 110mt.

- Rail freight travels further than road freight on average, typically due to much freight hauled being low value bulk commodities. This type of freight would be uneconomic for road transport in most cases to haul without further subsidization if large parts of the rail system was shut down, and/or removed.

### **The longevity of rail assets is disfavoured by high discount rates that promote road transport infrastructure which over-states the benefits and life of assets.**

- Congestion demonstrates modeling assumptions are a misleading premise: past road capacity improvements have only induced greater congestion where viable relative development of alternative modes is insufficient.

### **104 The comment that inter-regional freight not being a natural market for rail is false and reflects the propaganda promoted by the Road Transport Forum:**

Some examples of intra-regional freight are:

- Ohai-Clandeboyne, (until coal mine closure), Bluff-Invercargill, Lyttleton-Christchurch, Murupara-Kawerau, Kawerau-Mt Maunganui, Waitoa and Morrinsville to Te Rapa, Te Awamutu-Te Rapa, Hautapu-Te Rapa, Rotowaro-Mission Bush, Kinleith-Mt Maunganui, Port of Auckland-Penrose and Westfield, Southdown-Westfield, Te Rapa-Port of Auckland, Longburn-Hawera, Port Chalmers-Dunedin, Various Auckland and Wellington rail freight shuttles.

### **105 Political and public concern about under-investment in the rail network-**

has been occurring since the Tranzrail debacle and even prior to that there was concerns over the explosion of truck numbers and a sharp decline in rail operations.

### **106. This section sounds like a privatisation statement.**

- While greater public and private investment in and operation of the rail network is to be encouraged, to actively consider 'balkanisation/forced break-up of the national rail network is as inappropriate and unacceptable as the wholesale closure of large parts of the road network if the user charges received from the corridors cannot pay for themselves.

### **It is necessary to introduce greater numbers of service provider investment and access to rail rather than break up the rail system.**

- Shutting down large parts of the rail system will make NZ marketing itself as clean and green an international laughing stock and will severely detriment economic investor confidence both within NZ and offshore. Decline and neglect by non-planning do not represent growth of confidence and wealth. Wrecking the rail system will destroy the potential contribution an effective (rail is not presently effective) rail system could make to the NZ freight and passenger transport sectors.
- It is important to understand that why we came to be in this 'all eggs in one basket' situation is not a result of any inherent inefficiency of rail, but a tragedy of freight and transport funding policy designed and promoted to promote unbridled truck growth at the expense of other freight modes.
- If the worst prevails and large parts of the rail system are shut down, then the Australian attitude of mothballing, rather than removing lines and infrastructure should be the approach taken.

## **So-called subsidies**

### **111. There continues to be a stated misconception that public money spent on rail is a subsidy as it goes direct to an entity over and above operating costs, while public money spent on roads is not as it goes indirectly to many entity's through gained benefits of non-provider inputs.**

- It is wrong to rail is subsidized where it is accounted and the road isn't if non-earned inputs are not accounted for. In reality, there is no difference between the two, as they both directly and indirectly subsidise and benefit transport entities.

## **Mode integration rather than mode competition**

### **115. The Rail Development Group continues the false assumption rail, and coastal shipping must be a stand-alone entity, rather than as a seamless integrated model working with, rather than against the road transport sector.**

- The NZ Transport Strategy and Land Transport Management Amendment Act legislation indicate an integration requirement. It is time to provide the incentives to achieve it.

- It is accepted rail is unlikely to make a profit, however it can assist road transport operators and businesses to maximise cost effectiveness with a threshold subsidy a trade –off based on performance.

## **116 The bleak outlook for rail in NZ today has nothing to do with the operational nature of the rail business.**

**The statement ‘there is little current evidence to support (the argument for ongoing public subsidisation of the network) tends to rest on the premise that rail offers positive externalities (e.g., reduced congestion, emissions and accidents) and that road transport does not pay for its full social costs, reducing the ability of rail to compete’**

- Rail has twice been owned by international transport operators with private investments in both road and rail entities with a track record of success, although Tranzrail capital stripped and Tollrail gouged its sale price their behaviour is no different to other unscrupulous but legal ethical practices widespread in NZ.
- That rail has failed under NZR, NZ Railways Corp, NZ Rail, Tranzrail, Tollrail and now Kiwirail is in trouble is a direct result of making one transport entity compete against 1000 or more on an uneven playing field of biased funding, access and funding stream policy set up to accelerate road transport growth in the late 1970’s and to slowly strangle rail out of existence.
- Rail has no continued funding or organizational support given to it, apart from key government periodic inputs. The unnecessary and inappropriate bias created is increasing the economic detriment to NZ over the long term.
- Rail losses that have been written-off have been due to massive layoffs due to corporatisation, private capital stripping, and losses incurred due to chronic under-investment, not as a result of rail operations being inefficient.

## **Rail requires certain funding streams and to be treated as an integrated component of the national road network:**

- Guaranteed funding streams represents a relative certainty of opportunity which triggers investment.
- The Surface Transportation Costs Study by the Ministry of Transport in 2002 found that heavy trucks only recover 44% of attributable costs through RUC’s, and other user charges. Rail recovered 86%.

## **The document should focus on mode-integration as set out in the NZ Transport Strategy 2008 and the Land Transport Management Amendment Act 2008.**

**Integration can be extended to include not just infrastructure planning, but also policy, funding arrangements and the functional actions of service providers through appropriate incentives and signals**

- This can occur through private entities owning rail rolling stock and motive power and co-ordinating to run trains where viable (which would include most of NZ’s rail corridors).
- Rail needs to be multiple service-provider access like road subject to safety and operational rules.
- If corridor pricing, and the level of public funding and identification of cost drivers were placed at market equilibrium evenly between modes, this would create greater incentive to use and invest in rail, (noting road transport will always remain the backbone of rail freight transport). This would allow rail to operate between hubs and inter and intra-regionally, to capture value-added freight, and to do what it does best: proven as by far the most cost-effective and efficient land based mover of volumes of freight under optimal loadings.

## **Level playing field required:**

- If the full cost of maintaining the road network, as a comparative rather than an actual exercise was set against the balance sheets of private operators, and then the roads were starved of certainty of funding for extended periods, their outlook would be even more bleak than rail.
- Funding, legislation and policy, as well as high rates of cost/benefit analyses of road infrastructure disfavour rail’s long term advantages.

## **The falsehood argument that rail and road must be engaged in mode competition, ignores the fact these modes can be integrated.**

- There is clear evidence that mode-competition with unequal policy and funding arrangements has a negative effect on the economy. Mode integration is an appropriate response.

- Road and rail are inherently different and have role characteristics that would better complement each other in a small nation such as NZ: rather than in competition, detriment the mode least favourably biased in funding, access, private investment and development.
- Rather than destroy the NZ rail network, we should as most other countries have done, is promote greater private access, investment and use of the rail system. Australia has done it since 1997.

**The premise that rail is subsidized and road is not, is a falsehood.**

- The road transport freight system infrastructure is indirectly supported by subsidization of about \$2.5 billion per annum into road corridors from non-freight users. While road transport operators do not enjoy all the fruits of this input, if road freight corridors were to be separated from other road corridors to provide an apples for apples comparison with rail, the road freight sector would be unable to sustain the current network without subsidization. Certainly one company accountable for 4000km could not compete with perhaps 1000 other companies.

**117 That rail is uneconomic compared to road is misleading. Rail still hauls more freight per km of its network than is hauled on road.**

- Based on 2005 figures rail hauls more per network km than does road (4400tonne per network km versus 818.9tonne per network km), so on that basis is up to 537% more efficient than road transport-and on a shoestring of the cost by comparison to sunk road investments.
- It also demonstrates statistics can be twisted to prove anything, as occurs in road transport lobby sponsored papers produced by so-called 'independent researchers'.
- If road and rail can be integrated, regional lines can come back to life and eliminate the need for most 53 tonne heavy truck routes.
- There is anecdotal evidence with Hamilton City trucks often do not obey designated route restrictions, and most heavy permit routes parallel an under-utilised regional rail route.

**119 The statement that the government has difficult but important policy decisions to make about what size rail network it wishes to support with taxpayer funds implies the 'ostrich assumption' that rail is subsidized and roads/freight transport are not.**

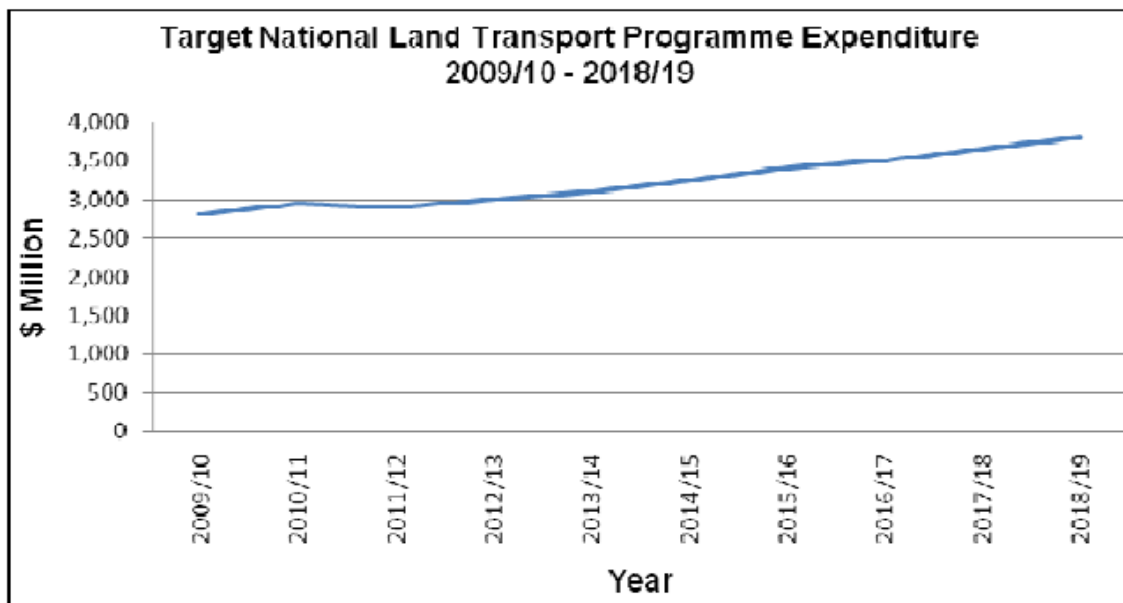
**131 Ports-The statement that 'No New Zealand port suffers the congestion problems faced by some ports in Australia, South-East Asia and elsewhere' is at best wishful thinking.**

- Road capacity improvements fill up fast and congestion will come home to roost again. This is evidenced by a contradictory statement in item 132 (see below).
- There is a rail line serving the port but this isn't mentioned in this paragraph, only trucks. Is the writer rail blind?

**132 A report released by Beca on 31 July 2009 showed that assuming 1.8 per cent traffic growth per annum over the next 12 years (which is considerably lower than the 2.7 per cent average growth per annum over the last 10 years), committed and planned road improvements will result in an overall deterioration in access times to and from the Port of Auckland.**

- The Beca report brings into question why such large sums are being thrown at roading when there appears that it will not be necessary, and there is from the 1999 statement of 'low' 1.1 billion of expenditure, that economic growth was curtailed by such 'low' expenditure.
- This questions the plausibility of the link between road spending and level of economic growth, while not diminishing the idea that road expenditure will induce some economic growth, it is the threshold level of that expenditure in relation to other modes, and how to identify and tie this accurately to economic sector overall performance that is the key.

297. The following graph sets out anticipated expenditure as per the Government Policy Statement on Transport 2009/10-2018/19 (GPS). The expenditure in the GPS excludes local government contributions:



- This graph, taken from item 297 indicates that NLTP expenditure will rise about 40% when Beca indicates 1.8% growth for 12 years coming out of a deep recession, which over 10 years represents about a 30% rise. This indicates the current funding refinements are over-stated.
- Also, the table of roads of national significance and key projects are deemed necessary for economic growth, yet the economy grew at the fastest rate between 1995 and 2007 for at least 40 years without any of these key projects and so called 'roads of national significance', which brings into question the scale of their necessity.

**Paragraph 137 describes the hub and spoke model utilised by shipping companies outlines the freight sector integration model I have suggested/outlined in this document.**

- It is wrong to think, given NZ small economic scale, that economies of scale within NZ relative to the small size of the NZ economy cannot be achieved now, or at any point in the future. This can be achieved through private road transport companies coordinating together to run train services, while retaining private individual competition between coordinating partners...it is done now in the road transport sector with co-operative supply chain arrangements.
- The freight service sector is essentially a mode-competition model- inappropriate and inefficient for a country the size of NZ. One rail freight service provider (monopoly) competing against possibly more than 1000 road freight service providers who enjoy open-access arrangements, certain funded streams, private investment, opportunity of investment, and according to the Ministry of Transport Surface Transport Costs Study of 2002, trucks only pay 44% of attributable roading costs.

#### 140 Freight demands:

- Any economic theory that suggests that identifying market cycles is too hard and should be left to the vagaries of the market to magically address is not an economic theory but a representation of the old and proven ethic:  
*Failing to plan is planning to fail*

**302: Demand:** This statement implies this differs from the Road Transport Sector demand is a perception of lobbying rather than reality, while demand for public transport and rail is driven by growth in actual usage, ie: *'Improvements to date on Auckland's metro rail system have already contributed to record patronage growth'*.

End.