

Chair
Cabinet Economic Growth and Infrastructure Committee

THE GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT 2015/16 – 2024/25: FINAL VERSION

Proposal

1. This paper seeks Cabinet's agreement to the final Government Policy Statement on land transport 2015/16 – 2024/25 (the GPS 2015) that I intend to release in December 2014.

Executive summary

2. On 28 May 2014, Cabinet approved the release of the draft GPS 2015 for engagement, and invited the Minister of Transport to report back by 30 September 2014 [Cab Min (14) 19/7 refers] on the final version of the GPS 2015. The report-back was delayed pending the formation of a new Government following the General Election in September 2014.
3. The final GPS 2015 that I propose to release in December 2014 is attached as Appendix One.

Context

4. The GPS is the main way the Government signals what it wants land transport investment to achieve. GPS 2015 will guide around \$38 billion of land transport expenditure from the National Land Transport Fund (the Fund) over a 10-year period. It also influences over \$1 billion per year in local authority funding.
5. The context within which GPS 2015 has been developed includes: uncertainty about the scale and timing of transport demand growth; significant increases to fuel excise duty (FED) and road user charges (RUC) to fund land transport expenditure from the Fund¹; ongoing work to improve the productivity of major freight routes; and critical congestion 'hotspots' in our growing urban areas.
6. GPS 2015 must come into effect by 1 July 2015. The GPS sets the framework that guides local government, Auckland Transport (for Auckland) and the New Zealand Transport Agency's (the Agency) planning and investment processes for the 2015/16 to 2017/18 period. Because it guides so many investment decisions it is desirable that GPS 2015 is issued as early as possible. I therefore propose to issue GPS 2015 in December 2014.

Stakeholder engagement

7. A draft GPS 2015 was released for formal engagement with stakeholders in June 2014. Engagement concluded in August, with 3,599 submissions received. Most of these were pro-forma submissions seeking additional funding for cycling. Submissions from local government and stakeholder groups were generally supportive of the direction established in the draft GPS 2015, while seeking more funding for particular areas, in particular public transport, local roading and cycling.

¹ Revenue from fuel excise duty, road user charges and motor vehicle registration are dedicated (hypothecated) to the Fund to pay for land transport investment.

Strategic direction

8. I propose that GPS 2015 continues the overall strategic direction set in GPS 2012 focussing on the priorities of economic growth and productivity, road safety, and value for money.
9. Overall, good progress is being made towards these priorities. In particular, the proportion of the network available to heavier freight vehicles has increased, the Roads of National Significance (the RoNS) are progressing, public transport patronage has increased (particularly in Auckland), congestion growth has been contained, and safety outcomes are improving. At the same time there are opportunities to further improve the value delivered across all classes of investment.

Key decisions

10. In finalising GPS 2015, the key decisions I considered were the setting of FED and RUC, and the allocation of funding across activity classes, in particular road maintenance, improvements, public transport and walking and cycling.

FED and RUC settings

11. I propose that the final GPS 2015 carries forward the FED and RUC settings signalled in GPS 2012 and the draft GPS 2015. These settings include a three cent per litre increase in FED and an equivalent increase per litre for RUC in July 2015. These are projected to be followed by further increases in FED and RUC in line with anticipated movement in the Consumers Price Index from July 2016.
12. In combination with revenue from anticipated demand growth, these adjustments are expected to lift the total funding available for allocation from about \$3.4 billion per annum in 2015/16 to \$4.4 billion per annum by 2024/25 or a total of \$38 billion over 10 years. This will enable the completion of priority investments already underway or signalled by the Government, as well as allow other improvement activities to be undertaken. These priority investments include the RoNS, the Auckland Transport package and regional initiatives.

Activity class configuration and allocation of funding to activities

13. As set out in the draft GPS 2015, I am proposing that the final GPS 2015 has ten activity classes instead of the current 14.
14. I also propose that, with the exception of State highway improvements, the maximum levels of funding available for all activity classes are increased.
15. Figure 1 overleaf summarises my proposals. Figure 1 shows the maximum available funding for each activity class in the first year of GPS 2015, and the average rate of increase in this maximum from 2015/16 to 2024/25. For comparison, Figure 1 also shows the same information had GPS 2012 been continued. The arrows show what impact these changes have on the total maximum funding available for each activity class.
16. Compared to the draft GPS 2015, I am proposing that maximum available funding for public transport investment increase from an average of 3.0 percent growth to 3.5 percent growth per annum.
17. The Agency will need to make some prioritisation decisions within the ranges as they will not be able to go to the maximums in each activity class and keep within the GPS expenditure targets.

Figure 1: Maximum available funding by activity class

Activity Class	Maximum available funding 2015/16 (\$m)	Average increase per annum 2015/16 to 2024/25	Change	Reason
State highway improvements	GPS 2015: 1,400 GPS 2012: 1,400	4.0% 4.6%	⇒	Allows funding of the RoNS, the Auckland package, and continuation of high productivity motor vehicle initiatives
State highway maintenance	GPS 2015: 585 GPS 2012: 580	3.0% 1.3%	↗	Recognises likely maintenance cost pressures associated with maintaining new infrastructure to higher standards
Local road improvements	GPS 2015: 230 GPS 2012: 210	4.3% 2.8%	↑	Reflects good returns and sustained vehicle travel on local roads
Local road maintenance	GPS 2015: 565 GPS 2012: 560	2.4% 2.0%	⇒	Encourage further efficiencies consistent with sector capabilities, including less variation in costs
Public transport	GPS 2015: 390 GPS 2012: 390	3.5% 3.0%	⇒	Reflects current and projected patronage growth and anticipated productivity gains
Walking and cycling improvements	GPS 2015: 33 GPS 2012: 32	3.5% 1.9%	↑	Provides more options for active modes of transport
Regional improvements	GPS 2015: 90	0.6%		Although this is a new activity class, it continues a proportion of regional funding due to lapse in 2015
Road safety promotion	GPS 2015: 37 GPS 2012: 36	1.4% 0.6%	↗	Research shows good returns from road safety promotion
Investment management	GPS 2015: 59 GPS 2012: 58	1.4% 0.0%	↗	Enables delivery of the enhanced evaluation requirements sought in GPS 2015
Road policing	GPS 2015: 320 GPS 2012: 315	1.9% 0.2%	↗	Allows value of police spending to be maintained in an area that has been providing solid returns

Change in maximum funding available, GPS 2012 to GPS 2015

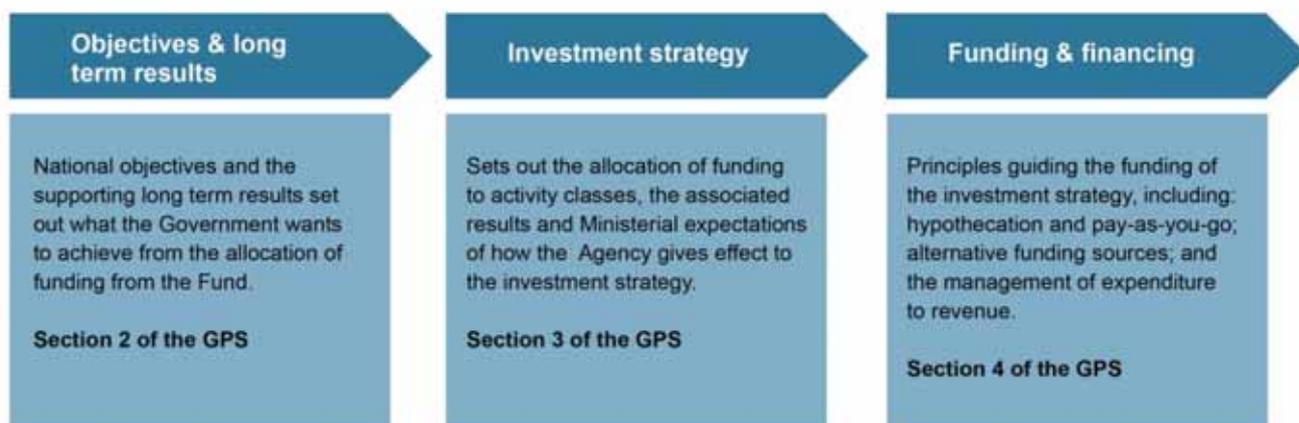
Key: ⇒ Less than 5% ↗ 5% to 10% ↑ Greater than 10%

Purpose and framework for GPS 2015

18. The GPS is a statutory document issued by the Minister of Transport under the Land Transport Management Act 2003 (the Act). The Government's investment strategy set out in the GPS must be reviewed every three years.
19. The GPS is the main way the Government signals what it wants land transport investment to achieve. The GPS provides direction for planning and investment in land transport by the Agency, local authorities and Auckland Transport. The GPS sets out:
 - how much revenue will be raised from road users through FED, RUC and Motor Vehicle Registration for the Fund
 - what the Government wants the funding to achieve over a ten-year period (objectives and results)
 - how funding will be allocated between activity classes, for example between roading and public transport.
20. While the GPS sets funding ranges, allocation within those ranges is a matter for the Agency. The GPS also cannot specify that particular projects be funded from the Fund. Allocation of funding to particular projects is a statutorily independent function of the Agency.
21. Following changes to the Act in 2013, GPS 2015 uses a new framework. Under this framework, the GPS more clearly sets out the links between a set of land transport objectives, the results

transport users should see from investment and the level of investment to support those results. The new structure is summarised in Figure 2 overleaf.

Figure 2: GPS 2015 structure

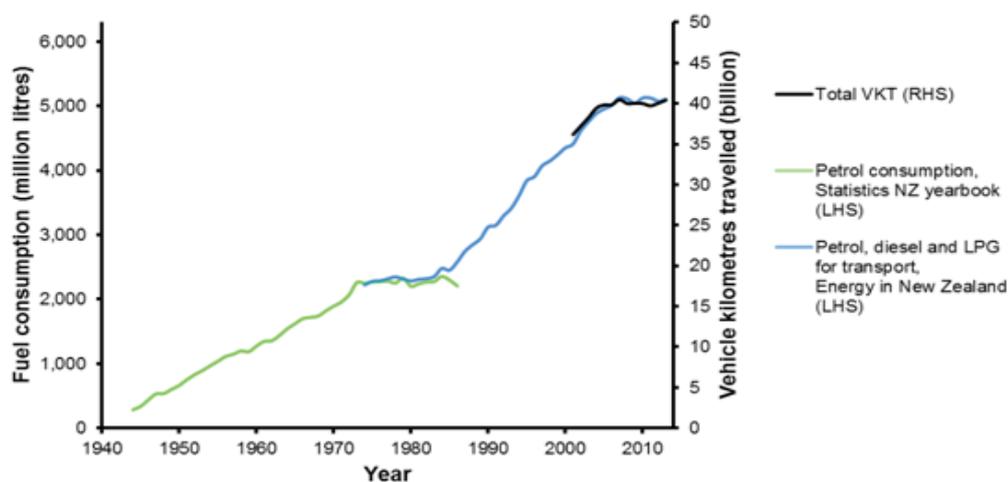


Context for the development of GPS 2015

22. The context within which GPS 2015 has been developed includes:

- flat demand and uncertainty about the future growth rate of vehicles kilometres travelled (VKT) (Figure 3 below)
- significant increases to FED and RUC to fund land transport expenditure
- emergent choke points for freight traffic across the network, and for general traffic in New Zealand's growing urban areas, including housing and business developments.

Figure 3: Fuel consumption and vehicle kilometres travelled, 1944 to 2013



Sources: Ministry of Transport's total VKT data (TV001)
Ministry of Business, Innovation and Employment's Energy in New Zealand data

23. This context affects the revenue available for investment, and when and where investment needs to be made.

GPS 2015 release

24. The GPS 2015 ideally needs to be released by the end of 2014 to allow it to be incorporated into planning by local government, the Agency and Auckland Transport. I propose to release the final GPS 2015 in December 2014.

Stakeholder feedback

25. Under the Act, I must have regard to the views of Local Government New Zealand (LGNZ) and representative groups of land transport users and providers in preparing the GPS. The Minister of Transport must also consult with the Board of the Agency (the Board) before issuing the GPS.
26. Over the past year, meetings have been held with a number of stakeholders, including LGNZ, the Automobile Association, and the Road Transport Forum. The project team also held two series of regional engagement meetings with local authorities around New Zealand and commissioned some focus group research of land transport users.²
27. In June 2014, the previous Minister of Transport consulted with the Board on the draft GPS 2015. The Board indicated its overall support for the draft GPS 2015 and did not raise any significant issues.
28. The formal engagement period for GPS 2015 ran from 15 June 2014 to 11 August 2014. A total of 3,599 submissions were received:
 - 42 from Crown entities and agencies and non-government organisations
 - 43 from regional, district and city councils and regional transport committees
 - 3,490 from individuals via the website onyerbike.kiwi seeking increased funding for cycling
 - 24 from individuals.
29. LGNZ wished to record the concern of its members that the local road network faced considerable tension, with approximately 60 percent of export freight kilometres occurring on local roads. LGNZ felt that the pressure local authorities faced should be more explicitly recognised and funded through GPS 2015. I consider that the new regional improvements activity class, the increase in the maximum available funding for local road improvements, coupled with the separately announced Accelerated Regional Roads Package of State highway improvements represent a significant investment in addressing regional transport needs.
30. I have considered the feedback from stakeholders summarised above and, where appropriate, I have incorporated it in the final GPS 2015. A number of changes have been made to the content of the GPS 2015, including amendments to objectives, definitions, results, and reporting requirements. Feedback on specific issues is summarised in the relevant key issues sections of this paper.
31. A summary of submissions is attached to this paper as Appendix Two.

² The results of the focus groups with system users suggest users are primarily interested in being able to move around quickly and reliably at reasonable cost.

Key issues for the final GPS 2015

32. In finalising GPS 2015, the key issues I considered were:
- the overall level of funding, including the levels of FED and RUC to collect from road users
 - the strategic direction for GPS 2015
 - the inclusion of national land transport objectives
 - the configuration of activity classes for GPS 2015
 - the allocation of funding to activity classes.
33. The following sections of this paper examine each of these key issues in turn. The revised form of GPS 2015 is attached as Appendix One.

Overall level of funding and FED and RUC levels

34. A key aspect of the GPS is the appropriate level and rate of growth in Fund revenue. The period since 2009 has been seen as an opportunity to invest in improved transport infrastructure to reduce bottlenecks and drive economic growth. Commitments have been made to a series of priority investments, in particular, the RoNS, infrastructure improvements for heavier freight vehicles, increased safety levels, and improved public transport services.
35. To ensure other improvement activities can be undertaken, in addition to the Government's priority investments, the draft GPS 2015 carried forward the FED and RUC settings in GPS 2012. These settings include a three cent per litre increase in FED and an equivalent increase per litre for RUC in July 2015. These are projected to be followed by further increases in FED and RUC in line with anticipated movement in the Consumers Price Index from July 2016. Any changes to FED and RUC will need to be considered and agreed by Cabinet each year.
36. In combination with revenue from anticipated demand growth, these anticipated adjustments are expected to lift the total funding available from about \$3.4 billion per annum in 2015/16 to \$4.4 billion per annum by 2024/25, or a total of \$38 billion over 10 years. This expenditure commitment has been balanced by clearer signals in the draft GPS 2015 about the importance of securing value for money, including through enhanced reporting expectations of the Agency.
37. There was very little comment by stakeholders on this proposed level of revenue and expenditure. They tended to seek additional expenditure in their area of interest, with some suggesting this could be funded by reducing the level of spend on State highway improvements. Some stakeholders (eg Business NZ and the New Zealand Council for Infrastructure Development) flagged the risk of diminishing marginal returns on investment or questioned the sustainability of revenue, given flat demand for travel and improved vehicle efficiency.
38. The Ministry is focussing on further improving the analysis in future GPSs of the total level of transport funding and the returns from specific forms of investment.

Strategic direction for GPS 2015

39. I propose that the Government continues the overall strategic direction established by GPS 2012 to focus on the priorities of economic growth and productivity, road safety, and value for money. The proposed strategic direction is consistent with the Government's focus on driving down costs to businesses established in the Business Growth Agenda, and the National Infrastructure Plan's focus on increasing the productivity of existing assets ahead of investment in new assets.
40. Keeping the strategic direction the same as in previous GPSs will also provide consistency and continuity. Significant progress is being made towards addressing the three priorities.

- Considerable investment has been made to enable improved freight productivity, with investments made in main freight routes to permit movement of more freight on fewer trucks (eg bridge strengthening) and to reduce travel times (eg the RoNS)
- The movement of people is also being supported, with relatively stable travel times in our main metropolitan areas, increasing public transport patronage (particularly in Auckland), and improving safety outcomes.

41. There is general support from stakeholders for the strategic direction in the draft GPS 2015.

National land transport objectives for GPS 2015

42. For the first time, the draft GPS 2015 included a set of national land transport objectives. These objectives fill a gap between the Government's specific priorities for land transport and the broad set of results that the Government wants to achieve from investment from the Fund.
43. Generally, stakeholders supported the proposed objectives in the draft GPS 2015. Local government has been pressing for a fully-integrated national land transport strategy and sees the inclusion of transport objectives as a positive development.
44. Having considered the submissions made, I propose to add an objective around value for money and refine some of the other objectives. The final proposed set of objectives is set out in Figure 4 below.

Figure 4: National land transport objectives draft and final

Draft GPS 2015 objectives	Final proposed objectives	Reason for change
A land transport system that addresses current and future demand	A land transport system that addresses current and future demand for access to economic and social opportunities	Makes it clear that this objective is not seeking to respond to all demand but rather specific opportunities, like access to employment or education.
A land transport system that provides appropriate transport choices	A land transport system that provides appropriate transport choices	No change
A land transport system that is reliable and resilient	A land transport system that is resilient	Resilience can include reliability so a reference to reliability is not necessary
A land transport system that is a safe system, increasingly free of death and serious injury	A land transport system that is a safe system, increasingly free of death and serious injury	No change
A land transport system that appropriately mitigates the effects of land transport on the environment	A land transport system that mitigates the effects of land transport on the environment	Removing the reference to 'appropriate' recognises stakeholder comments that all investment needs to be efficient, not just environmental mitigation.
No objective	A land transport system that delivers the right infrastructure and services to the right level at the best cost	This objective provides a link between the Government's value for money priority and its results aimed at improving the returns on investment

Activity class configuration

45. Activity classes and their funding ranges provide a level of certainty to the transport sector that there will be funding available for particular activities. At the same time, activity classes and ranges create some restriction on shifting money to the best projects.
46. The draft GPS 2015 reduced the number of activity classes from 14 to 10 to make it easier for the Agency to shift resources to the most efficient form of investment. This was balanced with more reporting requirements.
47. Most stakeholders, including most local authorities, LGNZ and the Agency supported the proposed changes to the activity class configuration. These stakeholders see it as providing more

flexibility, particularly in areas like road maintenance and public transport investment. Some local authorities expressed concern that capital and operating expenditure would be combined in activity classes. Officials advise that this is manageable and can be dealt with through normal accounting practice.

48. I propose to retain the new activity class configuration in the final GPS 2015 as set out in Figure 5 overleaf. I consider the changes strike the right balance between flexibility for the Agency and certainty for other organisations with access to the Fund.

Figure 5: Activity class configuration

GPS 2012 activity classes	GPS 2015 activity classes	Reason for change
New and improved infrastructure for State highways	State highway improvements	Improves transparency by combining improvements previously funded as maintenance with improvements funded as new infrastructure
Renewal of State highways	State highway maintenance	Consolidates all operational investment to enable funds to be allocated to the most efficient intervention, whether that is to fix a pothole or renew the surface
Maintenance and operation of State highways		
New and improved infrastructure for local roads	Local road improvements	Improves transparency by combining improvements previously funded as maintenance with improvements funded as new infrastructure
Renewal of local roads	Local road maintenance	Consolidates all operational investment to enable funds to be allocated to the most efficient intervention, whether that is to fix a pothole or renew the surface
Maintenance of local roads		
Public transport services	Public transport	Consolidates all investment to enable funds to be allocated to the most efficient way of improving patronage, whether that is to add a new bus service or additional park and ride infrastructure
Public transport infrastructure		
Walking and cycling	Walking and cycling improvements	No change
N/A	Regional improvements	New activity class
Road policing	Road policing	No change
Road safety promotion	Road safety promotion	No change
Sector research	Investment management	Combines these activity classes as they are individually small and all relate to the investment planning process.
Transport planning		
Management of the funding allocation system		

Allocation of funding to activity classes

49. The draft GPS 2015 kept overall spending relatively unchanged, but proposed changes to the funding ranges of all activity classes. Apart from State highway improvements which had a slight decrease, the maximum levels of funding available for all other activity classes have increased. The increases, in part, reflect the relative performance of the activity classes.
50. These revised funding ranges will involve more prioritisation of investment by the Agency than required under the GPS 2012 as total available funding is unlikely to support funding to the upper end of the range in every activity class, and because of the level of pre-committed investment in the first years of GPS 2015.

Quality of investment

51. GPS 2015 signals a greater focus on value for money and getting better value from investment, particularly through the quality of investment decision-making. The ongoing commitment to the investment management activity class is designed to secure high quality investment assessment and reporting across the entire investment portfolio.

State highway and local road improvements

52. Compared to GPS 2012, the draft GPS 2015 proposed a somewhat slower rate of increase over 10 years in State highway improvements (4.0 percent rather than 4.6 percent), and a significantly higher rate of increase in local road improvements (4.3 percent rather than 2.8 percent).
53. Many stakeholders commented on the allocations for State highways and local roading, with a number of local authorities and other submitters calling for less funding to be allocated to State highways and more to other activities, including local roads and public transport. Some submitters also commented adversely on the size, timing or benefits of the RoNS programme.
54. I propose to retain the proposed allocations for State highway and local road improvements for the following reasons.
 - The maximum available funding for local road improvements reflects good value for money. It gives local authorities the option of seeking more funding than would have been possible under GPS 2012, although I note that recent spending has tended to be at the middle or lower end of the funding range for this activity.
 - The maximum available funding for State highway improvements is sufficient for the Government's priority investments and the data on measurable results suggests returns from a larger investment would be weaker than other forms of investment.
 - The combined effect of the new regional improvements activity class and the Crown appropriation for the Accelerated Regional Roads Package will also help to ensure significant levels of funding are available for improvement of regional State highways and local roads.
55. These decisions can be revisited as part of the next review of the GPS's investment strategy, which must be completed by July 2018. The annual review of FED and RUC increases will also provide Cabinet with an opportunity to review the case for continuing the current scale of investment in improvements to State highways.

State highway and local roads maintenance

56. Addressing growth and variability in maintenance expenditure was a particular focus of GPS 2012. The draft GPS 2015 relaxed this focus to a degree, with higher average annual increases for State highway maintenance (3.0 percent rather than 1.3 percent) and local road maintenance (2.4 percent rather than 2 percent).
57. During formal engagement, the Agency highlighted escalation of maintenance input costs, including the increased cost of technologies incorporated in new State highways.
58. Many local authorities highlighted the need for appropriate investment in road maintenance to maintain access standards, whilst acknowledging that efficiencies in maintenance expenditure may be achievable (although there will be limits). A number of local authorities suggested that more investment in maintenance is warranted. Sector interest groups (eg the Road Transport Forum) noted that initiatives like the Road Maintenance Task Force had identified the potential for productivity gains³ and that there appears to be scope for further improvements.
59. The rate of growth in and variability of expenditure per lane kilometre remains of concern. While the Road Maintenance Task Force has identified potential productivity gains, it will take time for these to be realised.

³ The Road Maintenance Task Force established under GPS 2012 led to initiatives such as the One Network Classification System and regional centres of asset management best practice.

60. I propose to retain the allocations for maintenance as set out in the draft GPS 2015. Again, these decisions can be revisited as part of the next review of the GPS's investment strategy. In the interim, I am satisfied that the proposed allocations are appropriate for the next three years.

Road safety

- 61. The GPS determines the resources available to implement important aspects of the Government's policy response to road safety - the *Safer Journeys* strategy - through road policing, road safety promotion, and the safety gains from investment in roading infrastructure.
- 62. The social cost of road crashes is still high (estimated at \$3.29 billion in 2012). The draft GPS 2015 provided increases in the maximum available funding for road safety promotion (growing at 1.4 percent per annum rather than 0.6 percent) and road policing (growing at 1.9 percent rather than 0.2 percent) and established clearer reporting of expenditure on road safety-related infrastructure.
- 63. Substantial sums are also invested in road safety in the road improvements and maintenance activity classes, although improved reporting is needed to enable this safety funding to be properly quantified and the returns on investment properly assessed.
- 64. There is widespread support among stakeholders for the increase in these funding allocations in the draft GPS 2015. Some of these stakeholders sought a further increase in available funding to reflect the status of road safety as one of the three priorities in GPS 2015, and to ensure that adequate funding is provided for initiatives to improve safety. Stakeholders generally supported better reporting of expenditure on road safety-related infrastructure.
- 65. I propose to confirm the proposal in the draft GPS 2015 for road safety promotion funding. The final proposal for road policing funding is dealt with separately below.

Road policing

66. Analysis suggests that safety returns from investment in road policing are worthwhile, but as with other safety expenditure, there may be opportunities to further improve the safety results per dollar invested. The draft GPS 2015 proposed an increase in the upper funding range (growing at 1.9 percent rather than 0.2 percent per annum). This investment in road policing represents about a third of the total investment in safety from the Fund.

█ [REDACTED]

█ [REDACTED]

69. Police has initiated a piece of work called *Policing Excellence the Future*, a continuation of the *Policing Excellence* review. This work includes looking for opportunities to optimise the Road Policing Programme and how to address resourcing pressures against Police's operational delivery.

70. I consider that adjusting the road policing activity class funding ranges now is premature and will pre-empt the outcomes of *Policing Excellence the Future*. If it appears, following the outcomes of this work, that an adjustment to the road policing activity class may be required,

officials will explore this and report back to Cabinet separately. The Agency supports this approach.

Public transport

71. Public transport patronage has been improving, particularly in Auckland, although provision of services is and will remain heavily dependent upon subsidies from other road users. The draft GPS 2015 provided for a 3.0 percent increase per annum in the available funding to allow expected growth in patronage to be supported. This is the same level of increase as provided in GPS 2012. The draft GPS 2015 also suggested that once the current improvements are completed,⁴ a period of consolidation is warranted to improve uptake and secure improved returns on investment. Regulatory changes like the new Public Transport Operating Model are also intended to secure a productivity dividend.
72. Many local authorities highlighted the need for ongoing investment in view of the growth of public transport. Provincial councils were concerned that the focus of funding was on the major urban centres precluding the development of services in mid-sized and small towns. Sector interest groups (eg Bus and Coach Association) also argued for increases in public transport funding in view of patronage growth or because of its wider benefits.
73. In light of submissions, I propose that the final GPS 2015 increases the maximum available funding for public transport from an annual average increase of 3.0 percent to 3.5 percent. This change can be made without making adjustments to other activity classes as the expenditure targets will still fit comfortably within the activity class funding ranges. The Agency will nevertheless need to prioritise investment more carefully under the revised proposal.
74. I also propose that GPS 2015 makes it clear that, where there is sufficient demand, new or expanded services may be able to be supported in areas outside the major urban centres. This will enable further investment to be made in measures such as bus transfer facilities that would aid implementation of the new public transport operating model and open up the possibility of some new services in regional areas.

Walking and cycling

75. There has been increasing focus from stakeholders on cycling investment under the GPS. The maximum available funding for the walking and cycling activity class was increased in the draft GPS 2015 (growing at 3.5 percent rather than 1.9 percent per annum). The Government also announced in August 2014⁵ its Urban Cycleways Package. This package provides an additional \$100 million over four years from the Future Investment Fund to accelerate cycleways in urban centres.
76. The majority of submissions on the draft GPS 2015 sought additional funding for cycling, including many from cycling interest groups and individual members of the public. Local government submissions were generally supportive of additional funding.
77. Walking and cycling expenditure currently tends to occur in the lower half of the funding range. Local authorities advise that this is because of the rigour of Agency processes, while the Agency advises that local authorities do not follow through once funding has been approved.
78. I propose to retain the increases for walking and cycling as set out in the draft GPS 2015. These increases, together with the Urban Cycleways Package, will provide up to \$193 million for walking and cycling improvements between 2015/16 and 2017/18. Investment in other activity classes can also benefit walking and cycling, for example, when a footpath or cycleway is

⁴ Such as the metro rail upgrades; bus network improvements, including transfer facilities and integrated ticketing.

⁵ The Urban Cycleways package was announced after submissions on the draft GPS 2015 had closed.

incorporated in the design of a new road. An estimate by the Agency identified approximately \$80 million of walking and cycling investment in other activity classes for example.

79. These increases will support a progressive increase in sector capacity to deliver cycling investment and ensure there are sufficient funds available to make a material difference to urban cycling facilities over the next three years. Progress will be reviewed as part of the next review of the GPS's investment strategy.

Regional improvements

80. Since 2005 a proportion of revenue has been allocated to regions based on population. These 'R-Funds' are the equivalent of 5 cents per litre of FED and the RUC equivalent, being about \$200 million a year. R-Funds provide some assurance that regionally-important investments can be funded. R-Funds are due to expire in March 2015.⁶ Local authorities have been concerned that R-funds will expire without a replacement.
81. The draft GPS proposed a new regional improvements activity class to address these concerns. The average maximum available funding for regional improvements was set at \$93 million per annum. After release of the engagement draft GPS 2015 the Government announced a \$212 million Accelerated Regional Roads Package. Of this, \$97 million has been appropriated so far including \$57.5 million in the period covered by GPS 2015.
82. The creation of a regional improvements activity class provides certainty to local communities that high quality roading investments would have funding specifically earmarked. The proposed level of regional funding roughly equates to the proportion of R-Funding allocated to qualifying areas on a population basis. However the areas that would qualify for regional funding were not expressly defined in the engagement draft GPS.
83. Local authorities, and other stakeholders including the Automobile Association, have welcomed the regional improvements activity class, but wanted more clarity about what areas would be eligible for funding from it. This element of the GPS 2015 has been strengthened accordingly. I propose an approach that makes regional funding available anywhere outside 'major metropolitan areas', defined using the existing Statistics New Zealand urban area boundaries.
84. All areas outside the built-up parts of Auckland, Hamilton, Tauranga, Wellington, Christchurch and Dunedin would be eligible for regional funding. These eligible areas account for about 45 percent of our population. This approach provides both clarity and consistency with other planning frameworks.
85. The suggested definition of major metropolitan areas includes only the urbanised parts of a region. I believe this approach is transparent and equitable. Investment outside the built up areas in all regions will be eligible for regional funding.

Overall funding allocations: final proposals

86. The table at Appendix Three sets out the final proposed allocations for GPS 2015.

Improving GPS monitoring

87. When considering the draft GPS 2015, Cabinet decided that it would be looking for improved reporting by the Ministry of Transport on the delivery of the investment strategy within GPS 2015 [EGI Min (14) 11/4 refers].
88. The Ministry of Transport recognises the vital importance of monitoring how effectively the Government's transport investment strategy delivers on the desired results, including how the

⁶ R-Funds raised by March 2015 will continue to be allocated through to at least 2018 as part of the regional activities class.

Agency gives effect to the GPS. Consequently there has been significant consideration of the manner in which GPS 2015 will be measured going forward, reflecting a substantial change in approach to the development of GPS 2015 from previous GPSs. GPS 2015 sets out the Government's investment strategy for the land transport planning and funding and the returns (results) that the Government, as funder, expects to yield over its short, medium and long term horizons.

- 89. The effectiveness of the investment strategy's delivery needs to be monitored within the context of long term goals. As long run investments, there can be substantial lag between investment and benefit realisation within the land transport sector. It is important therefore to ensure an appropriate mix of indicators is monitored; indicators that not only inform how effectively the current investment strategy is driving long term results, but will also inform future investment strategy, in particular the next GPS.
- 90. To do this, the Ministry will provide performance and investment oversight of the GPS function.

Risks in the release of GPS 2015

- 91. The main risk may be a perception from some that stakeholder views were not sufficiently reflected in the final GPS 2015. While few changes are proposed to the allocation of funding, a number of changes have been made to the content of the GPS 2015, including amendments to objectives, definitions, results, and reporting requirements following feedback from local authorities, Regional Transport Committees, major users such as the Road Transport Forum and the Automobile Association and other submitters.

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- 93. These concerns will be managed in the communications material produced at the time the final GPS 2015 is released.

Process for releasing GPS 2015

- 94. In preparing GPS 2015 I am satisfied that I have complied with all legal requirements under Section 67 of the Act. I intend to publicly release GPS 2015 in December 2014.
- 95. Although GPS 2015 must be released by 1 July 2015, an earlier release allows the Agency, local authorities and Auckland Transport time to incorporate GPS 2015 into their national and regional land transport planning.

Consultation

96. The following departments and agencies have been consulted on this paper and the final draft GPS 2015: Accident Compensation Corporation, Canterbury Earthquake Recovery Authority, Department of Conservation, Energy Efficiency and Conservation Authority, Department of Internal Affairs, Ministry for Primary Industries, Ministry of Business, Innovation and Employment, Ministry of Education, Ministry for the Environment, Ministry of Health, Ministry of Social Development, New Zealand Police, New Zealand Transport Agency, Office for Disability Issues and the Treasury.
97. The Department of the Prime Minister and Cabinet and the State Services Commission have been informed.

Financial implications

98. There are no direct financial implications arising from the publication of the final GPS 2015.
99. As noted earlier in this paper, the final GPS 2015 carries forward the FED and RUC settings of GPS 2012. These settings include a three cent per litre increase in FED and an equivalent increase per litre for RUC in July 2015. These are projected to be followed by further increases in FED and RUC in line with anticipated movement in the Consumers Price Index from July 2016. Approval for these or any changes to FED and RUC rates must be agreed by Cabinet at an annual review, and will require an amendment to be made to the Customs and Excise Act 1996.

Crown contributions

100. The GPS is required to outline any Crown contributions to land transport that are outside the Fund. Decisions on the Auckland transport package [CAB Min (14) 13/8 (33) refers], the Accelerated Regional Roads Package [CAB Min (14) 21/9 refers], and the Urban Cycleways Package [CAB Min (14) 28/4 refers] are reflected in the final GPS 2015, in addition to Crown contributions for the Christchurch earthquake, SuperGold Card, Wellington Metro Rail and other, small rail projects.

Human rights implications

101. There are no human rights issues arising from this paper.

Legislative implications

102. There are no legislative implications arising from this paper.

Regulatory Impact Analysis

103. A regulatory impact and business compliance cost statement is not required with this paper as the GPS is exempt from these requirements.

Gender implications

104. There are no gender implications arising from this paper.

Disability perspective

105. There are no specific proposals relating to people with disabilities. Activities funded under GPS 2015, such as public transport, will assist with improving accessibility for disabled people.

Disability perspectives will be considered as part of the normal decision-making processes carried out by local bodies when determining regional land transport plans.

Publicity

106. I anticipate releasing GPS 2015 in December 2014, and will issue an appropriate media statement at that time.
107. I also propose to proactively release this Cabinet paper and the summary of submissions to help inform stakeholders about the development of the final GPS 2015.

Recommendations

108. It is recommended that the Committee:
 - 1) **Note** the contents of the final Government Policy Statement on land transport 2015/16–2024/25, which commits land transport funding for the next three years, and beyond.
 - 2) **Agree** that the overall strategic direction of GPS 2015 continue to be on economic growth and productivity, road safety and value for money.
 - 3) **Agree** to the funding ranges provided for in GPS 2015.
 - 4) **Agree** that the national land transport objectives be modified to include an efficiency objective, and amend the demand objective to be clear it is focussed on access to work and educational opportunities, rather than all travel demand.
 - 5) **Agree** that the activity class configuration in the draft GPS 2015 be retained unchanged in the final GPS 2015.
 - 6) **Agree** that the maximum available funding for public transport increase from an annual average increase of 3.0 percent to 3.5 percent.
 - 7) **Agree** to finalisation of GPS 2015 with all necessary and consequential amendments.
 - 8) **Note** that I intend to issue the final GPS 2015 in December 2014.

Hon Simon Bridges
Minister of Transport

Dated: _____