

In Confidence

Office of the Minister of Transport

Chair, Cabinet Economic Development Committee

Government Policy Statement on land transport 2018 – release for public engagement

Proposal

1. This paper seeks Cabinet agreement to undertake engagement with stakeholders about the proposed content of the Government Policy Statement on land transport (GPS) 2018.

Executive summary

The purpose of the GPS

2. The GPS is the government's main statutory lever to ensure investment in land transport by the New Zealand Transport Agency (NZ Transport Agency) and local government reflects government priorities over ten years.
3. The GPS provides guidance on how around \$4 billion is spent through the National Land Transport Fund (NLTF) each year. It also provides signals for the spending of a further \$1 billion each year on land transport through local government investment and approximately \$0.5 billion each year of Crown investment.

The priorities for GPS 2018

4. This draft GPS transforms the focus of investment for land transport. There are new strategic priorities, and amended objectives and themes – demonstrating our commitment to safety, mode neutrality¹, liveable cities, regional economic development, protecting the environment, and to delivering the best possible value for money. This GPS is one step towards this Government's vision for the land transport system.
5. I propose that the GPS 2018 have four strategic priorities:

Key strategic priorities

- 5.1. safety (to reduce deaths and serious injuries)

¹ Defined as considering all modal options, appraising them in a neutral way, increasing funding for some modes to reflect past imbalances, and making costs more transparent to users to influence their decision making.

- 5.2. access (to economic and social opportunities, including facilitating liveable cities and housing supply)

Supporting strategic priorities

- 5.3. environment (including reducing carbon emissions)
- 5.4. value for money (to maximise the impact of money spent to achieve the Government's outcomes).

6. The draft GPS 2018 also:

- 6.1. confirms six objectives that deliver the four strategic priorities
- 6.2. sets out the longer term results (and associated short to medium term results) expected to be delivered from the allocation of funding from the NLTF
- 6.3. incorporates themes across GPS 2018 to guide the effective delivery of the four strategic priorities
- 6.4. sets expectations that reinforce the NZ Transport Agency's role in advancing priorities in the transport sector.

A shift in funding priorities

7. Delivering on the proposed priorities will require a shift in our portfolio of transport investment. I am proposing increases to most activity classes, with a specific focus on increased investment in public transport, walking and cycling, regional improvements and state highway maintenance, along with new investment in mass transit and rail.
8. Delivering this programme of investment requires a decrease in state highway funding. Transport investment over the last nine years has featured a heavy emphasis on building large state highway projects including four lane dual carriageways. State highway expenditure was nearly 40 percent of NLTF expenditure in GPS 2015.
9. Reducing this expenditure is a key mechanism to help correct the structural imbalance of funding, while enabling funding to support this Government's focus across all modes of the transport system.

Proposed revenue changes

10. To deliver on our priorities, I have rebalanced expenditure in the programme by reducing state highway improvements while ensuring current state highway projects are completed. I have also considered the timing of the delivery of transport projects, the possibility of seeking Crown and Provincial Growth Fund funding and I am actively considering financing options.
11. Despite this, I believe a modest increase in fuel excise duty and road user charges (FED and RUC) is required. These would be the first increases in FED/RUC since 2015.

However, the level of petrol taxes in New Zealand is low compared to most of our international counterparts. The current level of FED in New Zealand is 59.5 cents per litre, with the total premium petrol price at around \$2.00. Data published by the OECD in 2015 shows that New Zealand's rate of FED is lower than the OECD average.

12. I consider a modest increase equivalent to 9-12 cents per litre over three years (a 3-4 cent increase each year) may be required to achieve better transport outcomes for New Zealanders. This level of increase is comparable with previous increases in fuel excise duty and road user charges. I intend to prepare a paper for Cabinet proposing the increase, which I recommend takes effect from 1 September 2018 in line with the new National Land Transport Programme (NLTP), and to allow time for the legislative change.

Engagement

13. A GPS 2018 needs to be issued before 1 July 2018. The GPS has been developed under tight timeframes, given new policy direction. Engagement with stakeholders, particularly local government, is occurring later in the process than would normally be the case. I propose to engage with stakeholders from 27 March to 24 April 2018 on the attached draft GPS 2018. I will also report back to Cabinet on the final form of the GPS 2018 in June 2018, prior to its release.
14. I intend to publish a second stage GPS in 2019/20. Although we are yet to discuss the timing and details of this, there are a number of issues that timing did not permit us to include in GPS 2018. This is because they rely on other work such as a review of KiwiRail, development of a new road safety strategy, and any future recommendations and any targets produced by the independent climate change commission. As such, a second stage GPS is proposed as the mechanism for further achieving policy direction in land transport. I expect officials will discuss this idea with stakeholders during the engagement phase for GPS 2018.

The purpose of the GPS

15. The GPS is the main statutory lever the Government uses to guide land transport investment. It ensures that land transport expenditure undertaken by the NZ Transport Agency and local authorities reflects Government priorities over the next three to ten years, as required by the Land Transport Management Act 2003.
16. The relationship between the GPS and the planning and investment cycle is as follows:



17. The GPS indicates publically how the government prioritises transport investments using the revenue collected from FED, RUC and motor vehicle registration. It provides guidance on how around \$4 billion of public money is spent through the NLTF each year. It currently provides signals for spending of a further \$1 billion each year on land transport through local government investment and over \$0.5 billion each year of Crown investment.
18. The GPS guides NZ Transport Agency and local authority investment in land transport by signalling:
 - 18.1. what the government wants the land transport system to achieve (by setting strategic priorities, objectives and results)
 - 18.2. how much revenue will be raised for the NLTF from FED, RUC, and motor vehicle registration
 - 18.3. how the government wants the funding to be allocated across different types of land transport system activities (for example, roads, public transport, active transport, or road policing).
19. The Land Transport Management Act 2003 sets out the statutory elements of the GPS. These elements move from describing the high-level policy, through to the more detailed investment strategy, and the machinery provisions about funding flows. Through the GPS, the government ensures that the revenue raised delivers the best possible land transport system (infrastructure and services) to support the needs of New Zealanders.
20. Figure 1 sets out the key elements of the GPS document.

Figure 1: GPS structure



A change in direction for transport investment

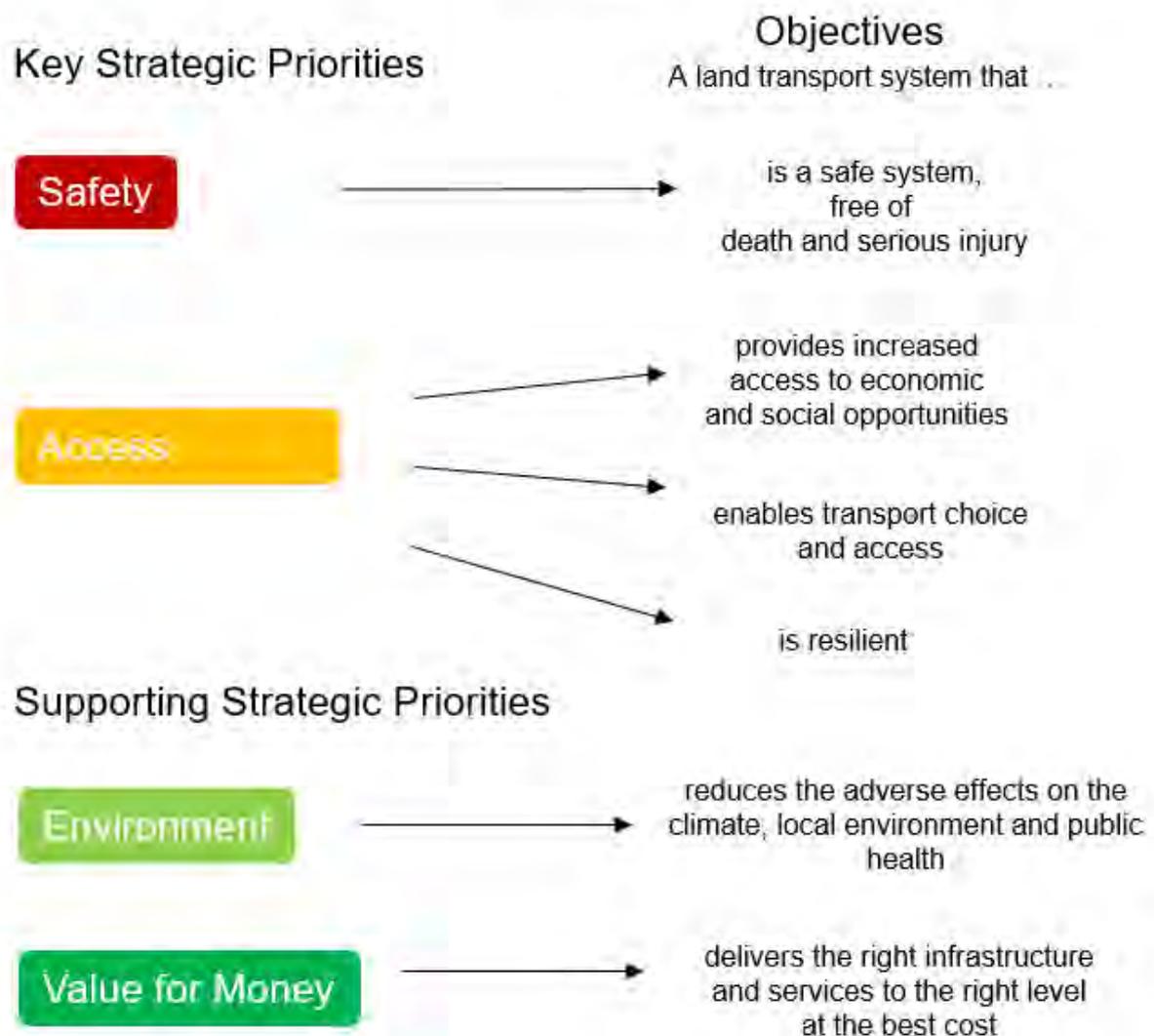
21. Our commitments have made it clear that this Government wants to transform the land transport system. This GPS presents a number of changes in direction, and provides a platform for further changes. Investment changes proposed through the GPS include increased investment in public transport, walking and cycling, regional improvements, road policing and state highway and local road maintenance. New activity classes are also proposed to support investment in mass transit, and a transitional activity class is under development to support rail. A decrease in state highway improvements is proposed.
22. This rebalancing of the transport investment portfolio aims to support a resilient, efficient, effective, safe and responsible transport system. This investment will support:
 - 22.1. a system where transport helps enable well functioning cities and regional growth
 - 22.2. a mode neutral approach where the different transport modes complement each other to achieve desired outcomes
 - 22.3. a system where the impacts on individuals, communities, businesses and the natural environment are taken into account

- 22.4. a system where there is collaboration between transport sector entities at all levels of government.

Strategic direction

23. GPS 2015 had three priorities: supporting economic growth and productivity, improved road safety, and improved value for money. I am proposing that GPS 2018 retains, and further increases the focus on safety and on value for money; and puts an impetus on access, and the environment. The proposed priorities and associated objectives are as follows:

GPS 2018 – Strategic Direction



24. As such, this GPS proposes investment to achieve a land transport system that promotes the following.

Safety in GPS 2018:

- reflects a significant increase in the level of ambition for delivering a land transport free of death and serious injury
- outlines a commitment to deliver a new road safety strategy for New Zealand
- signals a greater focus on investing in safety improvements on high risk state highways and local roads across the network, including speed management and primary safe system treatments
- drives improvements in safety outcomes for all road users, including increased investment in footpaths and cycleways to support access to and uptake of active travel modes.

Access in GPS 2018:

- has a new focus that prioritises improving New Zealanders' access to opportunities and markets. The increased focus includes:
 - urban centres that are liveable
 - regional development that supports thriving regions, for example through the Provincial Growth Fund
 - a continued focus on resilience of the land transport system, but places greater focus on resilience to climate change impacts
- the increased focus on urban centres is to ensure that transport and land use planning reduces the need to travel by private motor vehicle by:
 - transport and land use planning that improves access by reducing the need to travel long distances to access opportunities like employment, education and recreation
 - supporting a mode shift for trips in urban centres from single occupant private vehicles to more efficient, low cost modes like walking, cycling and public transport
 - recognises the importance of urban form to create liveable cities that value public space and improve access

Environment in GPS 2018:

- supports a mode shift to lower emission forms of transport, including walking, cycling, public transport and lower emission vehicles (such as electric vehicles)

- links to the wider environmental commitments of the Government, such as achieving the Paris Agreement target of reducing greenhouse gas emissions to 30 percent below 2005 levels by 2030, and setting a more ambitious emissions reduction target for 2050
- recognises the public health benefits of reducing harmful transport emissions and increasing uptake of walking and cycling.

Value for Money in GPS 2018:

- increases the emphasis on value for money to maximise the impact of money spent to achieve the Government's outcomes
- indicates that decision makers should take into account the full range of benefits and costs over the whole life of investments, and to be cognisant of possible future changes and uncertainty of the future, so that investment can be made in options that perform best across a wide range of different scenarios
- places greater emphasis on transparent investment decision-making and on enhanced reporting on the outcomes achieved by investment.

Themes

25. The draft GPS 2018 also includes themes to underpin how to effectively deliver on the priorities. The themes underpin how the results should be delivered to ensure the best transport solutions for New Zealand are achieved. The following themes are included in the draft GPS:

- 25.1. a mode neutral approach to transport planning and investment decisions
- 25.2. integrating land use and transport planning and delivery
- 25.3. incorporating technology and innovation into the design and delivery of land transport investment.

Results

26. The draft GPS 2018 contains longer term and short to medium term results that are expected from the allocation of funding from the NLTF. The proposed longer term results, and their relationship to the proposed national land transport objectives for GPS 2018, are shown in table 1 below.

Table 1: National land transport results and reporting measures

National land transport objectives	Long term results Planning direction 10+ years
A land transport system that is a safe system, free of death and serious injury	Significant reduction in deaths and serious injuries
A land transport system that provides increased access for economic and social opportunities	<p>Better access to markets, business areas, and supporting tourism</p> <p>Metropolitan and high growth urban areas are better connected and accessible</p> <p>Sustainable economic development of regional New Zealand is supported by safer and better transport connections</p>
A land transport system that enables transport choice and access	<p>Increased mode shift from private vehicle trips to walking, cycling and public transport in our towns and cities</p> <p>More transport choice (including for people with less or limited access to transport)</p>
A land transport system that is resilient	Improved network resilience for the most critical connections
A land transport system that reduces the adverse effects on the climate, local environment and public health	<p>Reduce transport's negative effects on the global climate</p> <p>Reduce transport's negative effects on the local environment and public health</p>
A land transport system that delivers the right infrastructure and services to the right level at the best cost	<p>Better informed investment decision-making</p> <p>Improved returns</p>

27. It is important that we can measure progress on achieving the direction set by the GPS. The short term results and reporting measures included in the attached draft GPS 2018 are indicative only. The Ministry of Transport is working with the NZ Transport Agency to develop a final set of short term results and reporting measures that link to the priorities, objectives and long term results.

Funding ranges

28. Delivering the proposed priorities will require a shift in our portfolio of transport investment. I am proposing increases to most activity classes, with specific focus on increased investment in public transport, walking and cycling, regional improvements and state highway maintenance, along with new investment in mass transit and rail.

29. Delivering this programme of investment requires a decrease in state highway funding. This represents a change in direction from transport investment over the last nine years, which has featured a heavy emphasis on building large state highway projects including four lane dual carriageways.

30. Table 2 below shows the state highway funding levels across GPS 2015 and the draft GPS 2018, both in terms of funding class amounts, and as a percentage of the total NLTF spend. State highway expenditure was nearly 40 percent of NLTF expenditure in GPS 2015.

Table 2 – Estimated state highway expenditure in GPS 2015 and GPS 2018

\$ million	GPS 2015	GPS 2018
State highway expenditure over first 3 years	4,350	3,850
Percentage of State highway expenditure as percentage of total expenditure over first 3 years	37.9%	25.4%

31. Over ten years my objective is to shift the NLTF funding profile so it is making more balanced investments across all modes of transport. This will increase investments in most modes as described above, giving greater emphasis to these than to new large-scale state highway projects. The upper range for the state highway improvements activity class will change from \$1,550m in 2018/19 (this amount includes a commitment to finish several large projects) to \$500m in 2027/28.
32. Table 3 below sets out the proposed activity class funding ranges for 2018/19 – 2027/28. The activity class funding ranges take into account the expected forecasted expenditure to deliver the Government’s priorities.

Table 3: GPS 2018 Activity Class Funding Ranges

Activity Class		GPS 2018 funding ranges						Forecast funding ranges			
		2018/19 \$m	2019/20 \$m	2020/21 \$m	2021/22 \$m	2022/23 \$m	2023/24 \$m	2024/25 \$m	2025/26 \$m	2026/27 \$m	2027/28 \$m
Public transport	Upper	530	600	650	670	680	690	720	880	740	830
	Lower	380	430	470	480	490	500	520	640	540	610
Mass transit	Upper	340	720	1,040	1,090	990	300	80	110	80	20
	Lower	130	290	430	450	400	120	20	40	20	0
Walking and cycling improvements	Upper	95	120	145	125	115	115	115	115	115	120
	Lower	40	50	60	55	50	50	50	50	50	50
Local road improvements	Upper	230	350	450	490	520	470	480	420	430	420
	Lower	90	150	190	200	220	200	200	180	180	180
Regional improvements	Upper	140	180	210	210	210	210	180	190	190	200
	Lower	50	70	80	80	80	90	70	70	80	80
State highway improvements	Upper	1,550	1,150	1,150	1,300	1,000	900	650	600	650	500
	Lower	1,200	900	900	1,050	800	700	500	450	500	350
Road policing	Upper	360	370	380	380	390	400	410	420	420	430
	Lower	320	330	330	340	350	350	360	370	370	380
Road safety promotion and demand management	Upper	55	65	85	100	100	100	105	105	110	110
	Lower	45	55	70	85	85	90	90	90	95	95
State highway maintenance	Upper	700	710	720	740	750	770	790	810	830	850
	Lower	600	600	610	630	640	660	670	690	710	730
Local road maintenance	Upper	720	690	710	720	740	760	780	800	820	840
	Lower	610	590	600	620	630	650	660	680	690	710
Investment management	Upper	80	75	80	80	80	80	85	85	85	85
	Lower	65	65	65	65	65	70	70	70	70	75
Transitional rail	Upper	55	175	205	185	120	40	30	5	0	0
	Lower	20	80	95	85	55	15	10	0	0	0

33. The activity class funding ranges are set to enable progress towards the strategic direction in GPS 2018 as stated above. This includes sufficient funding to cover the Government share (based on indicative timing and current financial assistance rates²) for the Auckland Transport Alignment (ATAP) Project.
34. I am proposing these activity class funding ranges are included in the draft GPS for engagement, but I will also continue to look for opportunities to adjust these funding ranges to ensure they reflect our priorities. I am specifically continuing to look at the following activity classes: state highway maintenance, road policing, investment management and regional improvements.
35. I am also looking to develop a transitional rail class which would see NLTF used to accelerate priority rail projects. These projects will support transport options for users and delivers benefits from reduced congestion. Rail investment could include a level crossings programme, supporting the rail elements identified in the ATAP process and urban rail. Providing this interim arrangement, will allow the advancement of key rail projects until the future of the funding of rail is decided through the review of Rail.
36. In order to implement this interim arrangement, KiwiRail will need to become an approved public organisation under the Land Transport Management Act 2003 (the Act) to receive NLTF funding. This will require consulting with appropriate parties as required under the Act. Once I have met the consultation requirements and am satisfied that granting the approval would be consistent with the purpose of the LTMA, I will be instructing Parliamentary Counsel to prepare an Order in Council establishing KiwiRail as an approved public organisation.
37. Table 4 shows high-level information on the proposed activity class funding ranges. It compares the average funding level across 2015-2018 (from the current GPS 2015), compared to the proposed levels for 2018-2021 (in the proposed GPS 2018).

² Except for mass transit, which presumes 100 percent NLTF funding.

Table 4: Proposed activity class changes compared to 2015-2018

Activity class	Average percentage change over three years ³	Increase/ decrease / no change	Comment
<i>Public transport</i>	46	Increase	To support an expansion in public transport networks. This will support an increase in operating subsidies for public transport and some public transport capital improvements.
<i>Mass Transit</i>	-	-	<i>New activity class</i> – allowing \$4 billion over 10 years to establish mass transit investment with an initial focus on Auckland. Note: While funding ranges show a decrease in mass transit investment in later years the intention is to continue with more investment. However, the details of what and how it would be funded are not decided yet.
<i>Walking and cycling improvements</i>	248	Increase	To support an expansion in walking and cycling infrastructure.
<i>Local road improvements</i>	42	Increase	To support local road improvements and upgrades including those in ATAP.
<i>Regional improvements</i>	96	Increase	To support investment in regional projects that improve safety, rail level crossings, resilience and access for people and goods. How the NLTF interacts with the Provincial Growth Fund will be a key determinant of the activity class funding levels.
<i>State highway improvements</i>	-11	Decrease	This decrease rebalances investment across the transport portfolio. The proposed activity class level will allow for currently committed projects to be completed and will enable the delivery of more safety improvements.
<i>Road policing</i>	14	Increase	The intention is to set this activity class so the NZ Police can maintain an effective road policing service. Discussions are continuing with the Police, in the interim an increase has been signalled based on cost pressures, given that a large part of this funding is wages for road policing.
<i>Road safety and demand management</i>	81	Increase	To continue road safety promotion, alcohol interlocks, and to include demand management measures that promote public transport and walking and cycling.

³ In funding range upper boundary, across three financial years.

<i>State highway maintenance</i>	18	Increase	This activity class was capped over the last GPS period. It is now proposed to allow for an increase in the level of renewals of state highway pavement surfaces given additional heavy vehicle traffic and severe weather.
<i>Local road maintenance</i>	22	Increase	This activity class was capped over the last GPS period. It is proposed to allow an increase to cover the increased maintenance cost of additional heavy traffic and severe weather. However, it is also proposed to allow footpath maintenance to be funded from the NLTF. This is a scope change that will reflect the Government's desire to support the use of active modes.
<i>Investment management</i>	31	Increase	This increase will support additional transport planning of NZ Transport Agency and local government given the changes to transport priorities.
<i>Transitional rail</i>	-	-	New activity class – this activity class will support rail priorities (including consideration of rail in our urban centres (including ATAP). These projects will support transport options for users and benefit congestion in our urban centres.

Revenue change proposal

38. The total funding available for allocation from the NLTF is currently projected to increase from around \$3.7 billion in 2018/19 to \$4.2 billion in 2027/28 based on forecasted levels of FED and RUC rates.
39. To deliver on our priorities, I have rebalanced expenditure in the programme by reducing state highway improvements. Given the large quantum of the commitments I have also considered the timing of delivery of the transport priorities. I have also considered Crown and Provincial Growth Fund options and I am actively considering financing options.
40. Despite this, I believe an increase in fuel excise duty and road user charges (FED and RUC) is required. This would be the first increase in FED/RUC since 2015 (table 5 below shows the increases to FED since 2002). The level of petrol taxes in New Zealand are low compared to most of our international counterparts. The current level of FED in New Zealand is 59.5 cents per litre, with the total premium petrol price at around \$2.00. Data published by the OECD in 2015 shows that New Zealand's rate of FED is lower than the OECD average.
41. I am proposing to bring to Cabinet a proposal to increase FED and RUC by the equivalent of up to 9-12 cents per litre over three years (a 3-4 cent per litre increase each year). I am proposing that this modest change, which is in line with previous adjustments, is effective from 1 September 2018, thereby providing time to progress the legislative changes, and ensuring alignment with the new NLTP. I will make decisions each year if increases are required as if there is stronger revenue growth than expected, the level of increase could be lower.

Table 5 – Increases to fuel excise duty since 2002

	Date of change	Increase (c/L)	Percentage	Total Petrol Excise Duty (c/L)
Previous increases	1 January 2002	1.4	4.4%	33.4
	1 April 2002	2.8	8.4%	36.2
	1 April 2005	5	13.8%	41.2
	1 April 2006	0.71	1.7%	41.9
	1 April 2007	0.62	1.5%	42.5
	1 October 2009	3	7.1%	45.5
	1 October 2010	3	6.6%	48.5
	1 August 2012	2	4.1%	50.5
	1 July 2013	3	5.9%	53.5
	1 July 2014	3	5.6%	56.5
	1 July 2015	3	5.3%	59.5
Proposed increases	1 September 2018	3.5	5.9%	63
	1 July 2019	3.5	5.6%	66.5
	1 July 2020	3.5	5.3%	70

42. I am recommending that the GPS for engagement reflects that this increase is under consideration, thereby providing an opportunity for the public to comment on this proposal.

Ministerial expectations

43. Ministerial expectations of the NZ Transport Agency have been refreshed. These will be subject to ongoing discussions. As drafted, the NZ Transport Agency is expected to continue to:

- 43.1. take a lead role in securing integrated planning of the transport system
- 43.2. take a lead role in securing prudent activity management, particularly in road asset management and public transport
- 43.3. monitor and report on investment efficiency, productivity changes, and results under the GPS
- 43.4. take a lead role in advancing technology and innovation to deliver the best transport solution
- 43.5. take a lead role in advancing the Auckland Transport Alignment Project's strategic approach alongside Auckland Transport.

Engagement on the draft GPS 2018

44. Under the Land Transport Management Act 2003, before issuing a GPS, I am required to have regard to the views of Local Government New Zealand and representative groups of land transport users and providers. I am also required to consult with the Board of the NZ Transport Agency.
45. I propose to engage with stakeholders from 27 March – 24 April 2018 on the attached draft GPS 2018. To facilitate that process, I propose to release the attached draft GPS 2018 to these stakeholders, and make it available to the public on the Ministry of Transport's website. I will formally consult the Board of the NZ Transport Agency on the draft GPS 2018 in May 2018.
46. Based on previous engagement, I believe stakeholders views on the draft GPS 2018 could include:
 - 46.1. support from local government for investment that focuses: on supporting regional development, enabling footpath maintenance to be funded from the NLTF, the integration of housing and transport planning, and the role of transport in place-making
 - 46.2. private motorists and groups representing them are likely to welcome the increased allocations to improvements for road safety and the emphasis on transport choice
 - 46.3. the reference to consider mass transit in Auckland in this GPS, and in Wellington and Christchurch in the next version of the GPS, is likely to be well received in those metropolitan areas
 - 46.4. some communities may have concerns about previously proposed motorway projects not going ahead
 - 46.5. some freight firms may be concerned about NLTF funding being used for urban rail projects
 - 46.6. public transport users and cyclists are likely to support the increased focus on public transport and walking and cycling, and the possible inclusion of rail programmes in metro areas.

Finalising GPS 2018

47. The GPS 2018 should be issued by 1 July 2018. The practice has been to issue the document a year earlier. This is to inform the development of transport plans by local authorities and the NZ Transport Agency that must align with the GPS. This has not been possible for this GPS.
48. In November 2017, I wrote to local government to give them a list of priority areas that would be reflected in the GPS. In February 2018 I wrote again to provide further

information on these priority areas. I did this to support their planning processes. I do expect, however, that some concerns around the tight timeframes will be raised through the engagement process. Minister Genter also wrote to local government, in December 2017. Minister Genter's letter specifically outlined her direction to government officials to look across the road safety system and ensure that the appropriate funding, policy and regulatory settings are in place to implement changes to improve road safety as quickly as possible.

49. After the engagement process concludes in late April 2018, feedback will be considered and revisions made. I will bring the final GPS to Cabinet in June 2018, seeking agreement to its release.
50. A second stage GPS is likely to be required in order fully realise Government direction for transport investment. Inclusion of some things in this GPS has not been possible given the time constraints. This is because they rely on other work such as a rail review, development of a new road safety strategy, and any future recommendations and targets produced by the independent climate change commission. Although fuller details are yet to be developed, a second stage GPS would provide more signals to inform investment. These may include additional mass transit and certainty on future funding of rail projects, funding coastal shipping, an outcome based funding approach and considering whether a programme based approach (using some of the principles of ATAP) could be applied to other metropolitan areas. I expect officials to discuss this idea with stakeholders during the engagement phase for GPS 2018.

Departmental consultation

51. The following departments and agencies have been consulted on this Cabinet paper and the draft GPS 2018: Department of Conservation, Department of Internal Affairs, Energy Efficiency and Conservation Authority, Ministry of Business, Innovation and Employment, Ministry for the Environment, Ministry for Primary Industries, Office for Disability Issues, Ministry of Health, NZ Police, Te Puni Kokiri, NZ Transport Agency, and the Treasury.
52. The Department of the Prime Minister and Cabinet has been informed.

Financial implications

53. There are no direct financial implications arising from engagement on the content of draft GPS 2018. Separate advice on FED/RUC increases will be provided to Cabinet.

Crown Contributions

54. As noted earlier, the GPS is required to outline any Crown contributions that are outside of the NLTF. Any decisions made on Crown funding for transport activities will be part of wider Budget announcements and will need to be reflected in the final GPS.

Human rights, legislative and gender implications

55. No specific human rights, legislative or gender issues have been canvassed in this paper.

Regulatory Impact Analysis

56. A regulatory impact assessment is not required with this paper as it does not result in changes to legislation or regulations.

Disability perspective

57. There are no specific proposals relating to people with disabilities. Activities funded under the GPS, such as public transport and pavement maintenance, will continue to 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

58. Following Cabinet's consideration of this paper, engagement will occur with local government, key stakeholders, and the general public. Formal consultation on the GPS 2018 will take place with the NZ Transport Agency following engagement.

Recommendations

59. I recommend that the Committee:

- 1) **note** that the Government Policy Statement on land transport (the GPS) guides around \$5.5 billion of central and local government expenditure on land transport per year, and a new GPS should be issued by 1 July 2018
- 2) **note** that a second stage GPS is likely to be developed to ensure policy direction is fully realised
- 3) **note** that this GPS represents a shift in focus from the previous GPS, including a stronger focus on safety, access (key strategic priorities) the environment and value for money (supporting strategic priorities)
- 4) **note** that as a result in the shift in priorities, a rebalancing of investment in the transport portfolio is also recommended
- 5) **note** the contents of the attached draft GPS 2018 (which includes the following key features) will guide land transport investment over 2018/19 to 2028/29:

- a. *an overall strategic direction* that carries four priorities of safety, access, environment and value for money
 - b. *national land transport objectives* for a land transport system that: provides increased access to economic and social opportunities; enables transport choice and access; is resilient; is a safe system free of death and serious injury; increasingly minimises adverse effects on the climate, local environment and public health; delivers the right infrastructure and services to the right level at the best cost
 - c. *longer term results* that the Crown expects to achieve through investment from the National Land Transport Fund, as set out in table 1 of this paper
 - d. *total funding* currently available for allocation from the National Land Transport Fund (NLTF) (before any changes to fuel excise duty (FED) and road user charges (RUC) are considered) is projected to increase from around \$3.7 billion in 2018/19 to \$4.2 billion in 2027/28 based on forecasted levels of FED and RUC rates
 - e. *funding allocations* to activity classes, that will enable:
 - o delivery of priority projects including mass transit, improved public transport and increased focus on walking and cycling
 - o a renewed focus on road safety, regional improvements and local roads/maintenance
 - o a decreased focus on state highway improvements
 - f. *draft Ministerial expectations* as to how the New Zealand Transport Agency gives effect to the GPS
- 6) **note** that I am proposing FED and RUC increases in order to provide the level of revenue to support delivery of our priorities
 - 7) **agree** that I will bring advice to Cabinet proposing an increase in FED and RUC of equivalent to 3-4 cents per litre per year for three years (a total increase of equivalent to 9-12 cents per litre), from 1 September 2018
 - 8) **agree** that the proposed FED/RUC increases of 3-4 cents (or equivalent) per year for three years are reflected in the draft GPS for engagement
 - 9) **note** that in order for KiwiRail to receive NLTF funding, it will need to be made an approved public organisation under the Land Transport Management Act 2003
 - 10) **agree** that I release the attached draft GPS 2018 for formal engagement from 27 March - 24 April 2018

11) **invite** the Minister of Transport to report back, following stakeholder engagement, on the final form of GPS 2018 in June 2018.

Hon Phil Twyford

Minister of Transport

Dated: