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BUS & COACH ASSOCIATION NEW ZEALAND

2 April 2024

Ministry of Transport (via GPS@transport.govt.nz)

Draft Government Policy Statement on land transport 2024

Thank you for the opportunity to provide feedback on the Draft GPS on land transport 2024 (Draft GPS). On 15 September 2023 we provided feedback on a previous draft and are pleased to see some of the concerns we had with that version have been addressed.

About the BCA

The Bus and Coach Association (BCA) New Zealand has been the authoritative voice of New Zealand's bus and coach industry since 1931. Our members deliver all Public Transport bus services in New Zealand, 98% of Ministry of Education school bus services and most tourism and charter coach services.

Our industry plays an increasingly vital and influential role as an enabler of economic growth as well as contributing to improving social and environmental outcomes. In doing this, our members employ over 13,000 staff and contribute more than $1.8 billion annually to New Zealand's GDP.

Summary of Feedback

The Draft GPS contains a strong focus on value for money, and we applaud your intentions regarding roading infrastructure and maintenance. This should be extended to the purchasing decisions regarding public transport services. The taxpayer and ratepayer are paying too much for public transport services because of poor procurement decisions by individual councils and ill-informed spending on low-value projects, a situation that could be improved with better oversight by the New Zealand Transport Agency (NZTA). NZTA should be encouraged to do more to ensure value for money from the Public Transport Services activity class that they administer, given the amounts involved and the opportunity to generate better value via well informed outcomes-based procurement.

Mode shift needs to be encouraged to support the outcome of increased patronage on public transport. The Bus and Coach Association supports use of tools like congestion charging to change behaviours. For these schemes to deliver the desired results, there must be an effective public transport network in place that provides a genuine alternative option for those who would otherwise choose to drive their own vehicle. Our biggest concern is that the GPS activity class funding ranges specific to the Public Transport Services do not allow for the improvements to public transport that must be made in conjunction with the introduction of tools like congestion charging.

We acknowledge the Government's commitment to additional Roads of National Significance as a contributor to economic productivity; and recognise this will contribute to the Government's broader objectives of economic stimulus in the face of potential recession.

But we consistently see a strong optimism bias on delivery plans, and do not have confidence that this level of construction activity can be delivered within the timeframes indicated, due to constraints around design, land acquisition, consenting, procurement and industry capability and capacity. We consider the delivery ambitions unrealistic and ask you to phase these activities over a longer period, so you deliver on your plans while freeing up the funding required to improve the public transport system so that it offers viable journey alternatives for most New Zealanders for most of their journeys.

We note the need to increase fare revenue. Price elasticity in the New Zealand context shows that fare increases always result in a drop in patronage, and fare pricing is therefore a fine balancing act. We agree that there are some current fare discount products that are priced too low, but we caution against any wholesale increase of fares.

The best way to increase fare revenue is to increase patronage. That requires frequent, reliable and fast services that go where people need to go. The previous reliability issue associated with driver shortages has been addressed, however, having buses stuck in traffic makes services inefficient. More dedicated bus infrastructure is required in our major cities to enable a fast, reliable service that is a true alternative to self-drive.

Further, we suggest that rather than farebox recovery being increased, a long-term focus on re-introducing a Farebox Recovery Ratio would be appropriate, increasing expectations on councils to deliver services that represent value for money, hand in hand with teaching them how to do that. Key to achieving this will be improved central procurement controls that promote value for money rather than enabling novel (expensive) contracting practices, regionally unique bus types, and unrealistic KPIs that are priced accordingly into tenders.

Our key request in this submission is that you revisit levels of funding for the Public Transport Services activity class. We consider not doing this will undermine several of the GPS outcomes you are seeking.

Our aspiration for a long-term Land Transport Strategy.

In our September 2023 feedback we noted the absence of a long-term Land Transport Strategy for New Zealand. We understand the GPS cannot fully substitute for the lack of such a strategy. However, in the absence of a long-term strategy, we might reasonably look to the GPS for elements of it.

This version of GPS 2024 does better at signalling strategic themes, but New Zealand still needs to wrestle with what emerging technologies could mean for land transport and where New Zealand wants to be positioned on the technology adoption spectrum. This is critically important given the time it takes to complete major horizontal construction projects like Road of National Significance and the life of these assets once commissioned.

Technologies, like networked automated vehicles, are likely in the Ministry of Transport's words to, "trigger significant transformation of the transport system."[1]

The Crown is still too focused on the 1, 4 and 10-year time horizon. A long-term Land Transport Strategy[2] would set the context for a 10-year focused GPS.

This may be achieved in what is envisaged with 30-year plan for transport infrastructure if this plan also sets the broader system context. However, our concern would remain if the 30-year plan only addresses the infrastructure layer.

[1] Automated Vehicles Work Programme | Ministry of Transport

[2] This could be like the Treasury's Statements on the Long-term Fiscal Position and in fact be produced earlier to partially inform such projections.

While a long-term strategy is outside of the scope of the GPS, we applaud the move signalled in this Draft GPS to amend the LTMA to shift to 10-year NLTP, which will provide a greater clarity around transport investment and lessen churn. We encourage timeframes for this to be set to avoid potential election year conflicts, to avoid the current procedural and timing challenges for councils and NZTA.

Sections 2 and 3: System Reform and Strategic Priorities

This Draft GPS provides clear priorities and goals. We support the top priority of improving productivity and economic growth in the New Zealand economy. We also support the emphasis on safety, resilience, and value for money.

We acknowledge the infrastructure deficit New Zealand faces and this Draft GPS signals strong commitment to address both the capital investment and maintenance of the roading network. However, we caution that roading is only one system input and that investment needs to be balanced across all inputs to optimise the whole system. This is the true test of Value for Money.

We support restoring the credibility of the ETS.

When it comes to decarbonising the public transport fleet, we want to see an evidence-based approach taken. We support the previous Government's requirement for only zero-emission public transport buses to be purchased by 2025. However, our analysis shows the 2035 target date for total decarbonisation of the fleet (at tailpipe) is neither environmentally nor economically sound. We would like to see this target date adjusted based on a cost/benefit analysis covering whole of life costs, inclusive of emissions generated.

We like the logical flow from the strategic priorities and planned reforms to the outcomes the Government expects will be achieved by this Draft GPS. The key point we want to make in this submission is that the investment decisions in section 4 of the Draft GPS risk undermining some of these outcomes.

Section 4: Investment in Land Transport

We have focussed on the Public Transport Services activity class as this is the area of greatest misalignment between the reforms and priorities outlined in this Draft GPS and achieving the outcomes the Government expects.

The level of funding allocated to the Public Transport activity class will undermine the following outcomes expected by the Government:

- reduced journey times and increased travel time reliability
- less congestion and increased patronage on public transport
- better use of existing capacity

The Draft GPS does not set out for each activity class whether baseline funding is being maintained, increased or reduced because there is no current state comparator[3]. We consider this unhelpful and note that it appears to be an intentional tactic to avoid scrutiny on changes in investment levels. The 2024/25 funding levels for Public Transport Services represents a 10% reduction compared with those planned for 24/25 in the previous GPS on land transport 2021, but the actual baseline is unclear.

[3] The NLTP is not an 'apple with apples' comparison, due to changes in which activities are funded from each activity class.

Regardless of baseline and the variation between the upper and lower levels, funding of the Public Transport Services activity class grows at around 2% per annum (nominal) in Table 4 of the Draft GPS. Assuming inflationary pressures will continue to exceed 2% (at least in the short-term), that means forecast investment is reducing every year in real terms. This Draft GPS also provides no funding increase for growing patronage, one of the outcomes sought in the Draft GPS.

Most councils are predicting significant increases to public transport demand over the next ten years, with some scenarios showing demand doubling in that period.

Those growth projections, if realised, are consistent with several outcomes this Draft GPS seeks. However, that would require ongoing investment in emerging technologies, adequate roading infrastructure investment and the right mix of policy and funding to incentivise the desired behavioural changes.

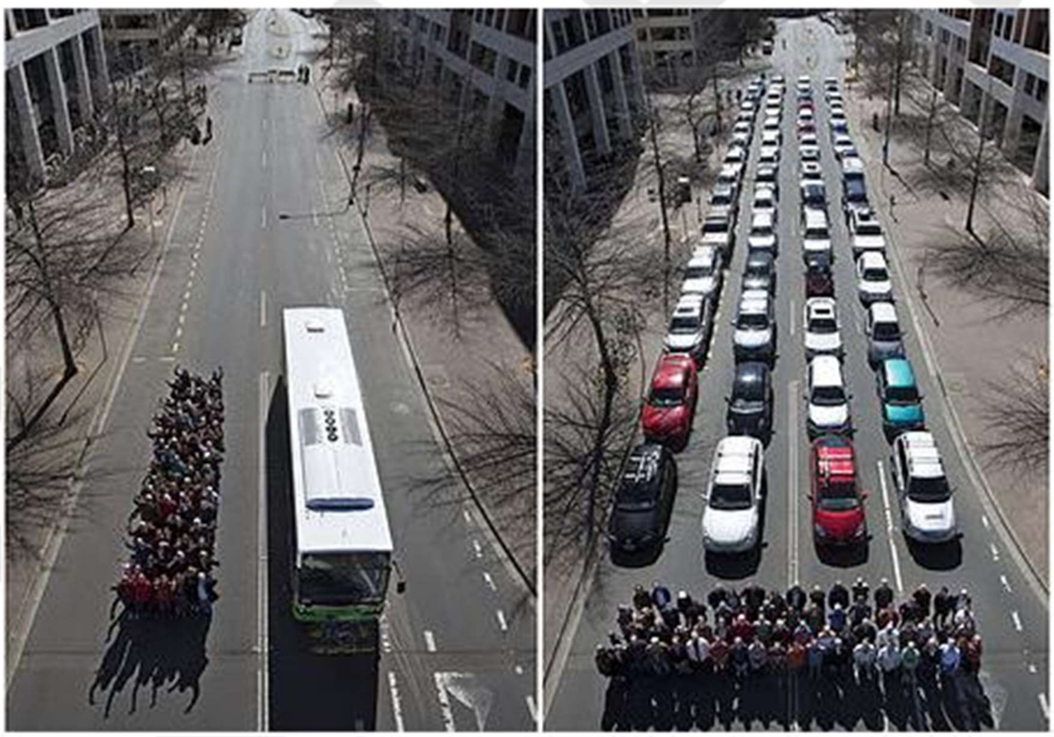

Figure 1: The impact increased public transport can have on parking and congestion pressures.

Current procurement of public transport services does not represent good value for money for taxpayers and ratepayers. We would like to work with government to address this for future procurement activities, however, the costs associated with the procurement decisions already made have been baked into long term contracts meaning improved value for money in the short-term is unlikely.

Therefore, Councils will need to either reduce services, charge rate payers and users more or a mix of these two responses. Central government would thus be taking its hands off one of the levers that controls the outcomes sought.

Councils will likely blame central government for the resulting service level reductions, rate and/or fare hikes. Price elasticity will mean patronage drops as fares are increased. Where services are cut, existing capacity will be underutilised. Pushing patrons back into cars[4] will increase CO^2 emissions and further contribute to road congestion. Interest groups will see this as an attack on those reliant on public transport including the elderly and low-income New Zealanders.

Ultimately, some Draft GPS outcomes will not be realised. This is why we consider funding of this activity class needs to be revisited before GPS 2024 is finalised.

Section 5: Ministerial Expectations

We strongly support the focus on core business, delivery, and value for money in the statement of Ministerial expectations. We support the increased focus on performance and efficiency in infrastructure delivery, and we would like to see this extended to public transport services.

We welcome the Minister's expectation that a wider range of delivery models and funding approaches are considered for infrastructure delivery. These could enable delivery of large infrastructure projects more quickly than a 'pay as you go' approach, spreading the cost over the future generations who will benefit from the investment, while enabling sustainable investment in road maintenance and public transport services. However, it is crucial that the risk adjusted benefits in each business case appropriately outweigh the risk adjusted costs.

Yours sincerely

Delaney Myers
Chief Executive

[4] Over 97% of cars are powered by internal combustion engines whereas the public transport bus fleet is already 15% electric with all new vehicles entering the fleet being zero emission.