

# Restructuring the Road Sector in New Zealand

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# Outline of Presentation

- Brief history of Transport Pre 1989
- Transport Reform 1989 to 1996
- Reasons for Commercialisation
- Funding 1954 to 1995
- Funding 1996 to 2008
- Further Reforms Pre 2004
- Ministry of Transport
- Transport Strategy
- Reforms 2004 to 2009



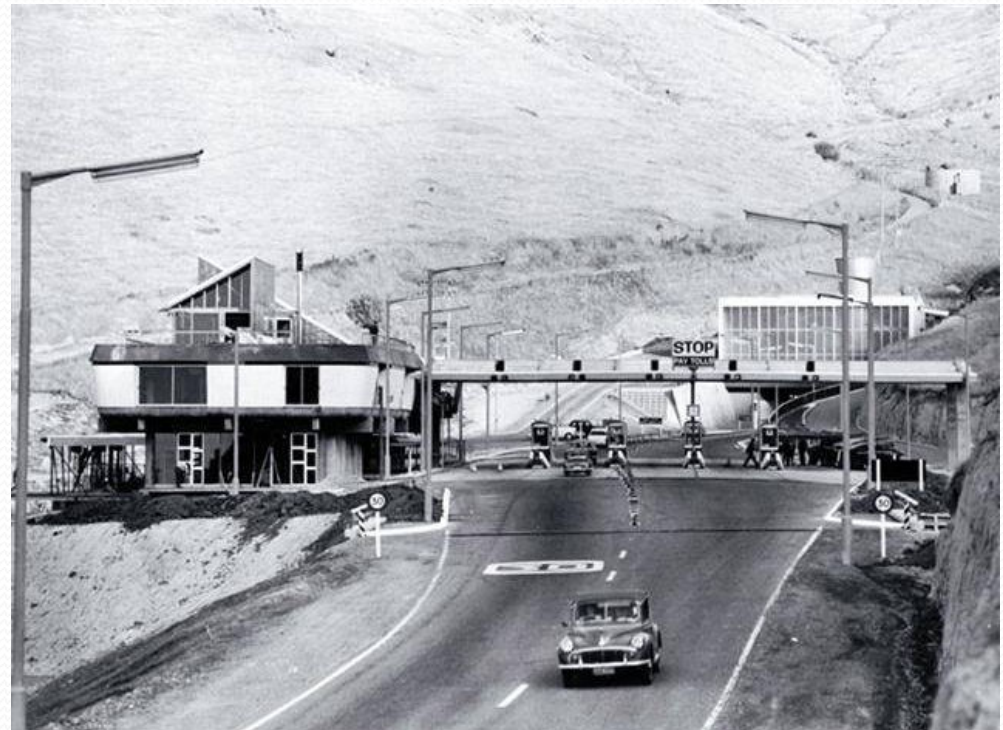
# Presentation Outline Continued

- Lessons Learnt
- Financing in Land Transport
- Description of the cost allocation model
- Road Network Operator
- Road agency structure
- The change process
- Conclusions



# Brief History of Land Transport Pre 1989

- Pre 1954
- Main Road Boards mainly focussed on local roads.  
New Zealand has only Central and Local Government
- Rail owned by Govt.



# Brief History continued

- 1954 to 1989
  - Formation of National Roads Board
  - User groups represented on Board
  - Initially dedicated funding
  - Funded local roads and State highways
  - Rail continued to be owned by Govt. but formed into a corporation
  - State highways managed by a public works department



# Aviation and Maritime

- Civil Aviation Authority formed in 1991 as a crown entity with own board to over see the regulation and safety in the aviation sector
- Maritime has the same role as Civil Aviation Authority but with an environmental role as well eg oil spillage

# Transport Reform 1989 to 1996

- 1989 reforms set down the following principles;
  - Transport systems and services are best carried out by the private sector
  - Establish intermodal neutrality and competition between modes
  - Govt. interest confined to strategic policy development
  - Safety regulations developed jointly by Govt. and operators
  - Operators pay for safety and enforcement

# Transport Reform (continued)

- Rail excluding land was sold in 1993
- Transit New Zealand formed as a crown entity in 1989 to allocate funding to local roads, public transport and State highways and manage the State highways
- In 1991 all State highway consultancy and physical works including maintenance tendered out
- Public works department commercialised



# Reasons for Commercialisation

- The Following were the Reasons for Change;
  - To improve accountability
  - To place as much work as possible into a competitive environment
  - To separate legislation and regulation development from service delivery
  - To require the client (road owner) to write proper project briefs and manage the consultants and contractors against contracts
  - To better delineate the liability for errors and mistakes
  - To improve the environment for innovation
  - To reduce the risk to Govt. of owning a large work force and under utilised plant

# Funding 1954 to 1995

- Dedicated funding established in 1954
- In the seventies Govt. rescinded the dedicated fund
- In 1989 with the establishment of Transit NZ funding approval by Govt. on output basis namely;
  - State highways
  - Local roads
  - Public transport
  - Safety
  - Administration



# Funding 1996 to 2008

- Dedicated fund reinstated in 1996
- A weight distance charge for all diesel powered vehicle exist
- Petrol powered vehicles are charged a petrol tax
- All powered vehicles also pay a registration and licence fee
- Govt. also contributes funding from its own operating crown account
- Local government separately partially funds local roads and public transport

# Further Reforms Pre 2004

- Established Land Transport Safety Authority in 1993
- Established Transfund in 1996 by separating the funding allocating and audit functions from Transit NZ
- Transit NZ remained as the State highway manager charged with “operating a safe and efficient State highway system”.
- Transit NZ vision



# Ministry of Transport

- Pre 1989 large department
- Between 1989 and 1992 separate crown entities formed
- Residual ministry 50 staff just advising the Minister
- 2004 increased staff and restructured on activity eg safety, environment, infrastructure
- Alternative normally used is to structure on modal lines; air, maritime, land
- Role is to advise Government and monitor crown entities in transport sector

# Transport Strategy

- Vision “by 2010 NZ will have an affordable, integrated, safe, responsive and sustainable transport system”
- Principles
  - Integration
  - Safety
  - Responsive
  - Sustainability



# Transport Strategy (continued)

- Objectives
  - Assisting economic development
  - Assisting safety and personal security
  - Improving access and mobility
  - Protecting and promoting public health
  - Ensuring environmental sustainability

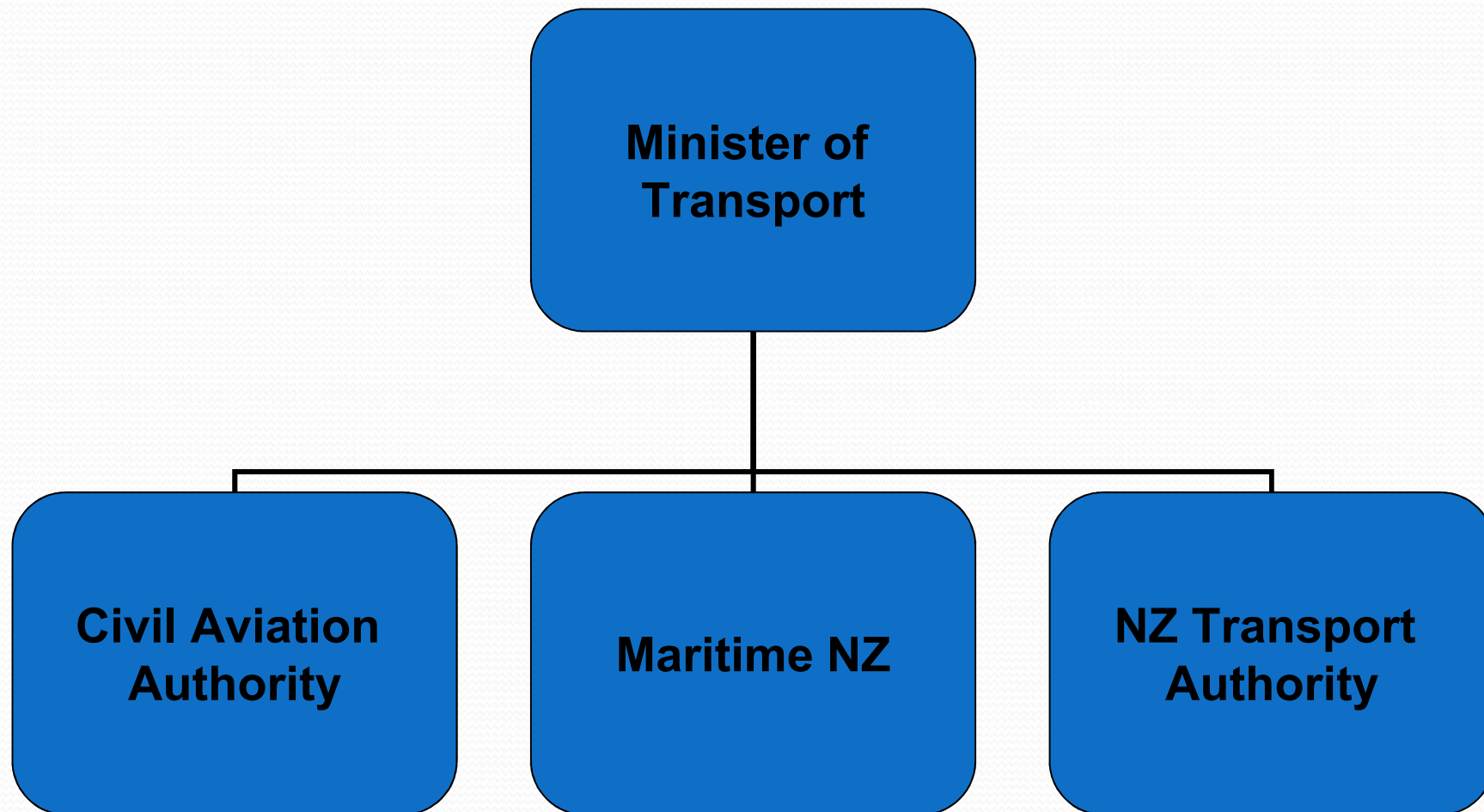


# Reforms 2004 to 2009

- In 2004 Transfund and Land Transport Safety Authority combined to form Land Transport NZ
- In 2008 Transit NZ and Land Transport NZ combined to form NZ Transport Agency
- In both reforms more policy and funding responsibility moved to the Ministry of Transport
- Govt. repurchased the rail system



# Transport Structure in New Zealand



# Lessons Learnt

- Govt. needs to decide what it must control
- Govt. needs to decide the vision and strategy for transport direction and then develop structure
- Govt. needs to be careful about selling a strategic asset
- Decisions on final structure and direction often depends on the government of the day and the particular minister
- Decide what activities can be decentralised
- Clear accountability is essential for any entity allocated transport responsibilities
- Competition where it is feasible is a very good tool for improving efficient use of funds and refining clear objectives to be achieved

# Financing in Land Transport

- Revenue is raised from many sources to feed into a National Land Transport Fund
- Main revenue sources are;
  - Road user charges
  - Motor vehicle registration and licensing
  - Fuel excise (petrol tax)
  - Crown appropriations
  - Property rental and sales

# Financing (continued)

- Road user charges are a weight distance charge for all diesel powered vehicles
- Road user charge introduced 1 April 1978
- Weight distance and petrol tax rates determined using a cost allocation model



# Description of the Cost Allocation Model

- Fourth power relationship
- Costs divided between light and heavy vehicles
- Heavy vehicles do more pavement damage and hence pay more
- Other costs such as road signs assigned on the basis of benefit to the particular vehicle
- Allocates on the current years costs
- Once all expenditure apportioned, charges are allocated

# Incentives Created by the RUC System

- Scale of rates intended to recover costs and influence types of vehicles using the network
- RUC scale of rates tends to influence truck axle configurations
- Purchase blocks of 1000 km for a particular number and axle configuration
- Trailers pay based on the weight carried and axle configuration



# Funding Distribution

- Aviation and Maritime funded predominately by users
- Rail raise most of their own revenue from users but public transport is partly funded by the Land Transport Fund
- State Highways and Motorways funded by the Land transport Fund with some tolling
- Local roads are funded by property owners via property charges and the Land Transport Fund

# Land Network Operators

- In New Zealand for State Highways a crown entity called NZ Transport Agency plans, programmes and develops the maintenance and construction projects
- Local Government does the same for local roads but submits bids to the NZ Transport Agency for approximately 50% funding of their roads
- Regional Government which is at the same level as local government has specific tasks such as environmental monitoring, high level transport planning and partially funding passenger transport
- Rail manage all aspects of a network operator



# Environmental Approvals

- Local Government receive consent applications from network operators for permission to undertake work. These applications are first reviewed by Local Government and they release their decisions usually with conditions.
- These findings are then able to be challenged by referring to a Central Government run Environment Court
- In rare cases the Environment Court decisions can also be challenged by higher legal courts

# Asset Preservation

- The road sector in New Zealand has led the network operators in asset management
- If you do not understand the state of your infrastructure and the rate at which it is deteriorating then it is impossible to accurately budget for maintenance and rehabilitation



# Road Agency Structure

- Using the key drivers described in this presentation the following are key elements needed in developing a road agency structure;
  - Establish a vision for the organisation
  - Develop a strategic plan based on shareholder direction
  - Decide how maintenance and construction will be delivered
  - Establish financial management and auditing
  - Establish a process for bringing about change
  - Monitor progress and refine if necessary

# The Change Process

- Communications
- Determine the new structure
- Branding
- Determine technology requirements
- Decide on accommodation
- Establish how you are going to manage the human resources
- Carry out an internal audit of the process
- Carry out risk assessments of key elements like the loss of critical staff while restructuring
- Keep the business going meantime
- Get regular feed back from staff and key stakeholders

# Conclusions

- Don't sell off key strategic networks such as Rail network
- Get clear direction from government on what they want to achieve
- Put as much contestability into the system as possible to test efficient use of resources
- Develop transparent funding allocation processes
- Engage with road users
- Set goals that can be achieved and report progress annually
- Establish an organisation that has the skills to deliver



**Thank you  
Obrigado  
for your  
attention**

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