

**COMMUNITY EMPOWERMENT IS THE NEXT
TRANSPORT REFORM IN NEW ZEALAND**

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ABSTRACT

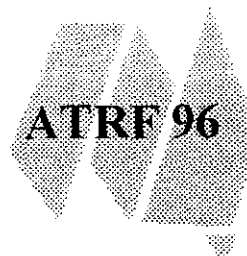
New Zealand has embraced the concepts of the funder and provider being split, that service delivering should be subject to open competition and that there should be minimal political interference in the decision making process. However, New Zealand continues to cling to a centralised system of funding using a limited benefit cost analysis approach to prioritise individual projects on a national basis.

This centralised system cannot deal with complex corridor or urban network problems as it does not allow for the adoption of a package of measures. The New Zealand Government has legislated for the introduction of a National Land Transport Strategy as a national guide to current regional strategies. However, the present funding system does not ensure the implementation of these strategies.

The next reform of land transport management in New Zealand needs to decentralise decision making to communities of interest. These communities would have a community agreed land transport strategy as their policy framework. They would bid for a position of national funding as a block sum to implement their strategies. Additional funding would come from the community of interest through transport related charges (parking, local petrol tax, local registration charges tolls) and residential rates. The communities of interest could be a combination of current regions, a single region or parts of a region. This would be a matter for determination based on criteria such as ability to sustain sufficient locally derived income.

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Introduction

Transport is a major element of any economy. New Zealand has already deregulated all forms of transport whilst maintaining a safety regime, often industry regulated. New Zealand has also moved to ensure open competition between modes by ensuring each pay their full costs with the current exception of road based transport. The Land Transport Pricing Study being undertaken by the Ministry of Transport is intended to address this difficult area.

This paper will examine where the reforms are now with respect to Land Transport planning and implementation. The paper will propose that the process of change has at least one more twist in this area. The rationale for this next step will be established.

The Principles of Reform

New Zealand's economic reforms have been based on the appreciation of a number of key principles. How these principles have been applied to Land Transport planning and implementation will be explained. First the principles are:

- Private Ownership Favoured
- Market Competition
- Funder/Provide Split

Private Ownership

The principle of private ownership in Land Transport planning and implementation has been pursued through various legislative changes. In particular changes to the Local Government Act in 1989 and 1992 allowed local authorities to establish LATES (local authority trading enterprises). In essence LATES were a form of corporatisation, something the Government itself had been applying to areas in its own jurisdiction. In land transport the best known example would be the change for New Zealand Railways from a government department to the New Zealand Railways Corporation with a private sector board appointed by the Minister of Transport. This took place in 1982. Local authorities were encouraged through legislation to form LATES where they owned a bus company and where they ran a road building and maintenance department. Rules limiting the number of Council politicians and staff that could be appointed to the boards of these LATES were imposed so that private sector people found themselves, without having to get elected to a local authority, being appointed to assist in the running of local authority business. The disciplines that this brought to these businesses have been demonstrated to have been effective.

The establishment of these new entities and the fact they operate at arms length from the parent local authority soon suggested that it was logical for them to move to the next step of full private ownership. This became more compelling as the government began to introduce competition into the activities undertaken by these organisations.

Competition

In 1991 the provision of public transport services was opened up to full competition. Prior to then public and private operators held exclusive rights to specific areas. Both groups of operation had been financially supported for some time via subsidies provided either by the government through the Urban Passenger Transport Council and subsequently the Urban Transport Council or from local or regional rate payers. This competition meant that local authority LATES providing public transport services were at risk because their cost structures, no longer underwritten by their parent body, were higher than the private organisations. This was primarily due to the higher level of staff costs in municipal bus companies driven by the Tramways Union. Most municipal companies, with the very large exceptions of the Yellow Bus Company in Auckland and the Christchurch Transport Operations in Christchurch were either sold to private operators very early in the new regime or were sold later once it became clear that they were unable to compete.

Progressive moves have also been made to make tendering of all local road construction and maintenance compulsory. Tenders of State Highway construction and maintenance was established some years previously. The resulting cost savings certainly encouraged government to move more quickly than anticipated to see all local road construction and maintenance competitively tendered. This will be finally achieved by 1999. This leads onto the third principle.

Funder/Provider Split

It is argued that it is inappropriate for the funder or any associated arm of the funder to also bid for and then provide a service required by that funder. It is deemed that this is unfair competition through either biased tendering processes to favourite the inside provider or information being evaluable to the inside provider that is not universally available to all potential providers.

The funder/provider split therefore itself requires local authorities with trading activities that are to go to open competition to ensure that these trading arms are in LATES or sold into private ownership. The Auckland and Christchurch municipal bus companies are able to continue in that form because the Auckland bus company is now part of the Auckland Region Services Trust which is a separate organisation to the Auckland Regional Council. In Christchurch, the City Bus Company is owned by Christchurch City Council with the funder being the Canterbury Regional Council.

Most local authorities have to this point retained some ownership of a road construction/road maintenance company. This appears to be rapidly changing as more and more of the local roading business is offered on the open tender market. There are strong rules and regulations regarding the road tendering process to ensure that the funder/provider split is not violated even though the two groups may be part of the same organisation.

Overall adherence to these three principles in Land Transport service delivery has achieved good cost savings. This is only one of the aspects of the process however. Before services are purchased be they road building, road maintenance or public transport someone must plan these services and someone must find the money to buy those services. It is these two areas and the administrative structures that make them work that are the main subject of this paper.

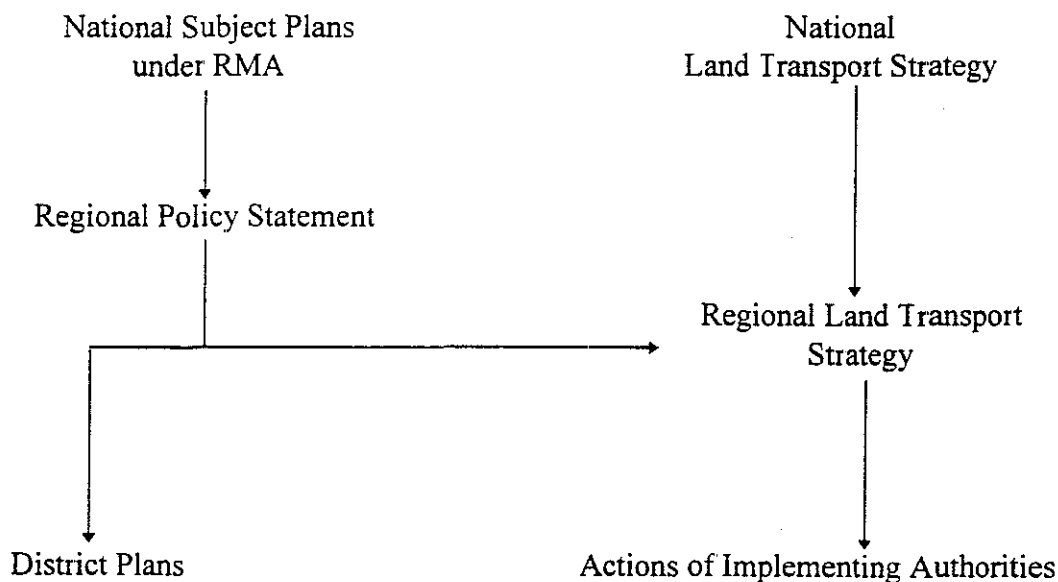
The strengthening of the linkage of the land transport planning and the land use planning processes is also of great importance if progress is to be made in implementing sustainable transport land use systems in this country. This is a subject dealt with by Brennan, (1996).

Current Planning and Funding Structures

The process and organisational structures related to planning and funding have also evolved through a change process from about 1991 onwards. That process continues and may continue awhile yet. It is only the structures and processes that were in existence on 1 July 1996 that are commented on here.

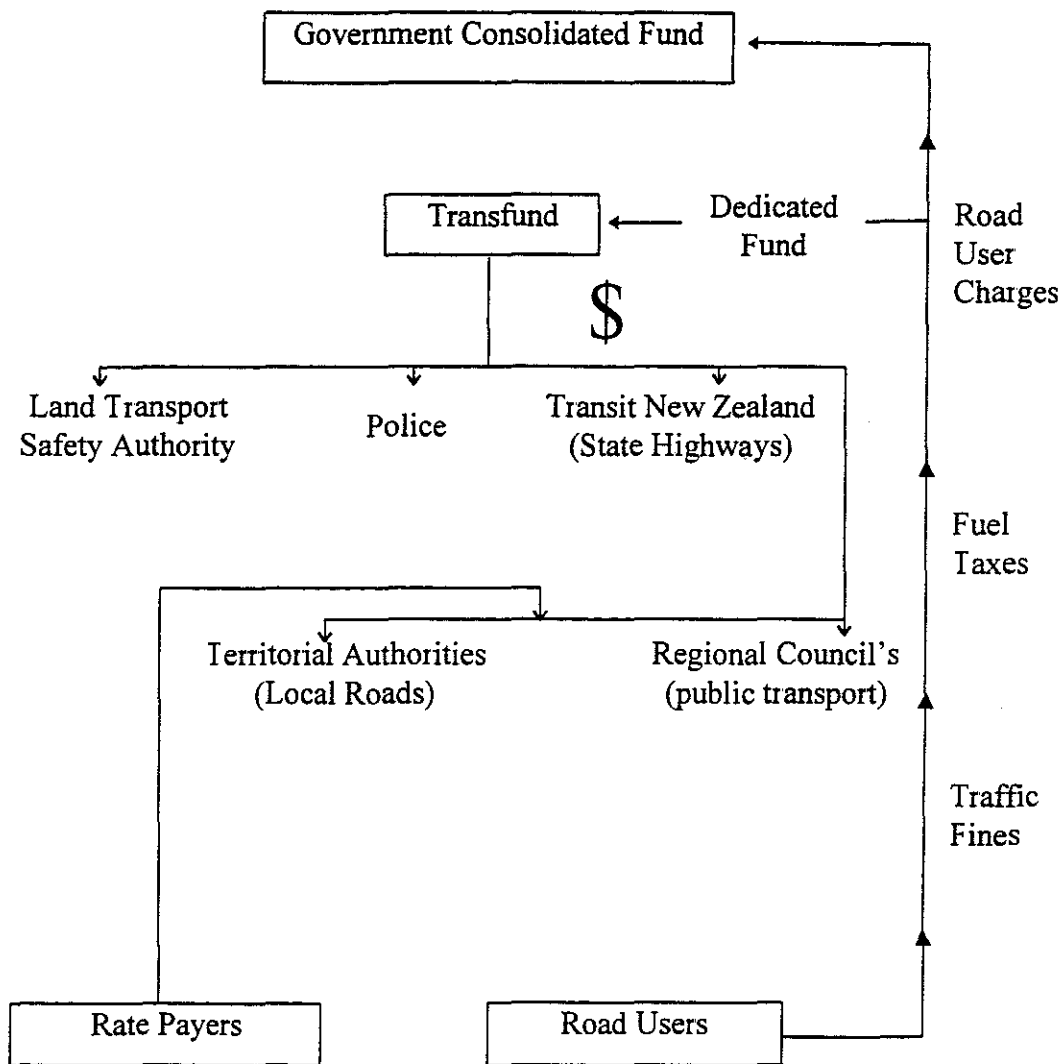
The current planning and funding structures are the result of legislation, the Land Transport Act the Transit New Zealand Act and the Resource Management Act along with their various amendments. Those acts provide the framework set out in figures one and two.

Figure 1 The New Zealand Transport Planning Structure



The relationship between each plan is that any lower one is not to be inconsistent with any immediately above. For example the Regional Land Transport Strategy cannot be inconsistent with the Regional Policy Statement and the National Land Transport Strategy. At this point there are no National Plans or Strategies.

Figure 2 The New Zealand Transport Funding Structure



Money going to Transfund can be varied by Government by altering the proportion of fuel taxes. Once the money reaches Transfund it is dedicated to transport and can be spent.

The Transfund administration is provided by Transit New Zealand. Since Transfund only existing from 1 July 1996 the procedures used by it are inherited from Transit New Zealand. Generally speaking therefore the funding allocation process used by Transfund is the same as that previously used by Transit New Zealand when it was

the fund allocator. The method is the project evaluation process of benefit cost. The primary benefits accounted for explicitly being road user time savings, fuel cost savings and accident savings. Other benefits are usually accounted for as externalities. Transfund will therefore be allocating national funds on a nationally ranked project by project benefit cost system. The detail of the process will not be expanded on here, it is set out in the Project Evaluation Manual of Transit New Zealand. The manual includes specific rules for time, accidents, discount rates and period over which benefits may be counted. Each of these are obviously open for debate. Currently these values favour low cost road based projects with immediate benefits, particularly accident savings.

The Role of Planning

The planning and funding structures described earlier appear logical in themselves but lack one fundamental element. They are not linked except that all organisations involved with transport activities have to act in a way that is not inconsistent with any National or Regional Land Transport Strategy. The concept of planning before funding is therefore often paid lip service with plans often being used as a basis for a veto on specific projects but rarely used to promote key projects. This difficulty has prompted at least the two largest regions to seek an alternative approach.

Their concerns have been given more credence by two consultants reports, both released earlier this year. Symonds Travers Morgan working for the Wellington Regional Council and Transit New Zealand on a joint study considering the method for evaluating strategic roading projects Symonds Travers Morgan, (1996) concluded that:

- These are strategic factors that the Transit New Zealand project evaluation procedures do not include.
- The Wellington Regional Council's Land Transport Committee should be tasked with the job of evaluating these other factors using a transparent process based on objective criteria.
- Transit New Zealand project evaluation procedures are not in general compatible with soundly based Regional Land Transport Strategies.
- Transfund needs to review the procedures for evaluating projects and setting priorities to reflect regional values.

A study undertaken for the Wellington Regional Council by the consultants Berl to examine the funding structures Berl, (1996) also concluded that the traditional national ranking project evaluation system used by Transit New Zealand was incompatible with the concept of the implementation of transport strategies.

In an early paper presented to the Transit New Zealand hosted National Roothing Symposium Watson, (1994) it was argued that the use of the ranking benefit cost

procedures to allocated limited national resources was wrong in theory. That argument was founded on the belief that all projects with an agreed benefit cost of greater than one were worth doing at some stage. That this was the role of benefit cost evaluation to determine whether a project was economically viable. But that the benefit cost approach was not a recognised process for rationing money and that indeed to do so was to screw the scrum.

A Better Approach

The Wellington Regional Council ran a regional forum on the local transport issues in April this year. The purpose of the forum was to re-launch the Council's Regional Land Transport Strategy, to demonstrate the problems faced in implementing the strategy in the present environment and to propose a way forward. Professor Tony Many of Leeds University, who was the visiting Erskine Fellow to the University of Canterbury at that time, opened the forum by introducing the concept of Transport Packages May, (1996). Professor May is the professor of transport engineering at the University of Leeds and is also a director of MVA Consultancy. MVA Consultancy have developed a Common Appraisal Framework MVA et al, (1994) in the UK for the evaluation of Transport Packages. Transport packages are the full collection of all transport measures/projects both large and small that given funding constraints are seen as the most appropriate collection of activities to deliver the overall transport strategy on an incremental basis. For example projects such as a major new road are included in the package alongside passenger information systems.

The Regional Council had commissioned some previous work on transport packages Works Consultancy and MVA, (1995). Professor Tony May's paper to the forum introduced the concept to a wider audience.

The introduction of the requirement to produce Land Transport Strategies has confirmed the need for a comprehensive integrated transport planning and funding system. A project by project based funding system is no longer valid. The transport forum debated that issue and concluded that:

- Soundly based transport strategies should be implemented
- Comprehensive integrated and fully costed transport packages should be developed by Regional Land Transport Committees that reflected the strategy.
- Funding for these packages should come in part from Transfund as a bulk allocation (with the level of funding reflecting at least the historic level of funding previously provided by Transit New Zealand).
- Regions should be able to supplement Transfund's contribution by local collected transport related income sources including rates, car parking charges, road tolls and petrol taxes if the local community were prepared to accept such local charges.

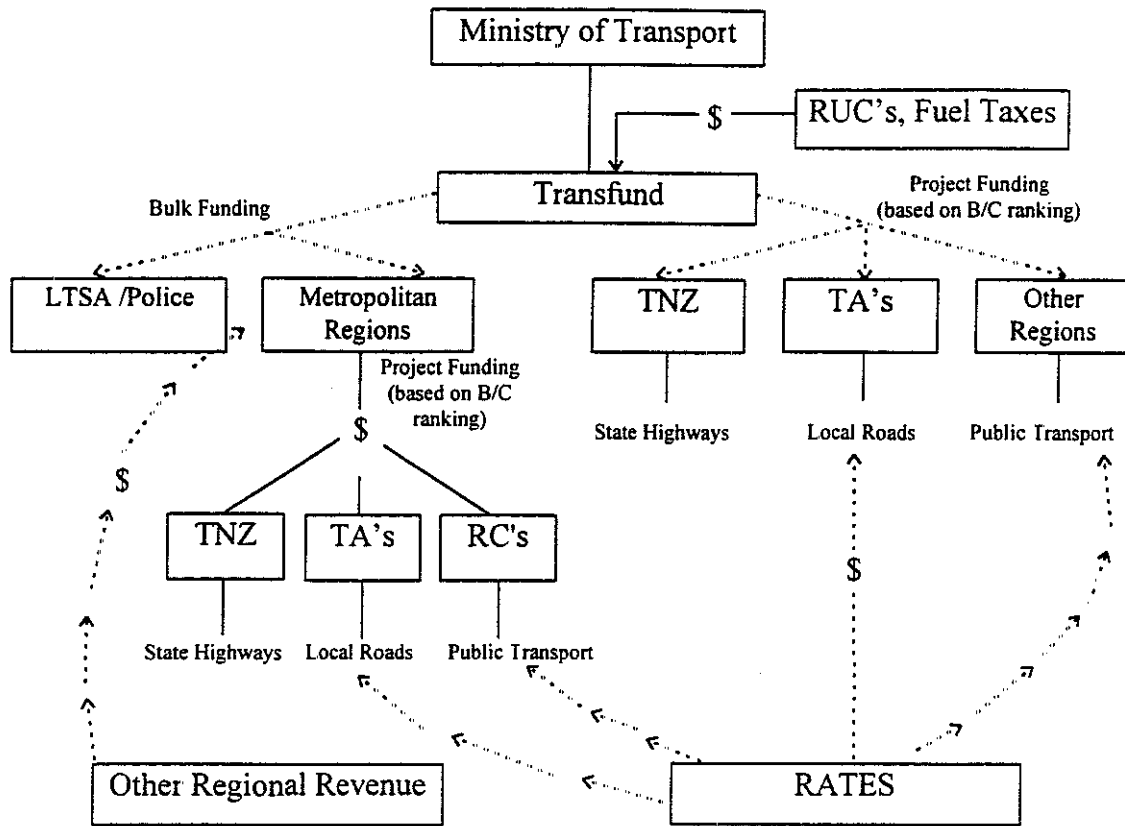
Local Community to Make Local Decisions

The present project based funding driven from the national level has been demonstrated to have a number of flaws especially its incompatibility with transport strategies. There are also a number of other issues that should be noted. First Transfund is not accountable to the ultimate user or the funder. Users and funders do not elect the Transfund board, the board being appointed by the Minister of Transport. Second the community of interest is remote from the ultimate decision making process. Third the current evaluation procedures favour individual projects rather than overall packages which must be to the advantage of the stage highway provider. It may not be coincidental that the administration and policy advice provided to Transfund comes from Transit New Zealand the State Highway provider.

Communities of interest should have a direct input to decisions affecting them. They should be able to elect people to a body that is accountable to them. If they wish to see more funding provided for their transport needs, over and above that provided from the national source, they should be able to demand it. Local people should be able to contribute to their own priorities.

Terry McDavitt in closing the Wellington Transport Futures Forum put forward two proposals for dealing with this issue McDavitt, (1996). To provide a direct connection between funding and planning it was proposed that Transfund introduce bulk funding to the main metropolitan regions (eg. Auckland, Wellington and Canterbury). This is possible under the present legislation. These regions would need to demonstrate that they had a soundly based strategy and that their package for funding was fully costed and appropriately evaluated. Because decisions would be made at a regional level rather than a national level on individual projects a body representative of the regional community and transport interests would need to act in that capacity. The current Regional Land Transport Committee would be appropriate. Again this could be achieved without legislative change. The second proposal is to allow regions to raise additional local funding to supplement its national funding to promote its transport package. Legislative change would be required to enable regional councils (the metropolitan areas) with the ability to raise local funding. The proposal is illustrated in figure 3.

Figure Three Funding Packages



Conclusions

The lack of funding for transport in New Zealand has been a frustration. This frustration has led some to seek alternative approaches to the funding problem. This paper proposes one alternative. However the proposal is also applicable if funding is ever increased to the point that it is no longer a problem. The proposal stated simply is:

The three metropolitan regions of New Zealand be given a bulk allocation of funding from Transfund at an annual rate no less than historical

That the three regions' Land Transport Committees establish a fully costed and evaluated transport package to implement their regional strategies.

That if the transport packages cannot be funded from the bulk allocation that the region be enabled to raise a local source of income from the transport sector to fund the package.

Legislative change would be required to allow the Regional Land Transport Committee to raise a local contribution.

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