



BRIEFING TO THE INCOMING MINISTER OF TRANSPORT

Road Transport Forum NZ

OCTOBER 2017

INTRODUCTION

Road Transport Forum New Zealand (RTF) is made up of several trucking associations for which the Forum provides unified national representation. The Forum members include Road Transport Association New Zealand, National Road Carriers, and New Zealand Trucking Association. The affiliated membership of the Forum is some 3,000 individual road transport companies which operate 16-18,000 trucks involved in road freight transport as well as companies that provide services allied to road freight transport.

The Forum is the peak body and authoritative voice of New Zealand’s road freight transport industry which employs 22,600 people, has a gross annual turnover of \$6 billion and transports about 70% of New Zealand’s land based freight on a tonne/kilometre basis.

THE IMPORTANCE OF ROAD TRANSPORT

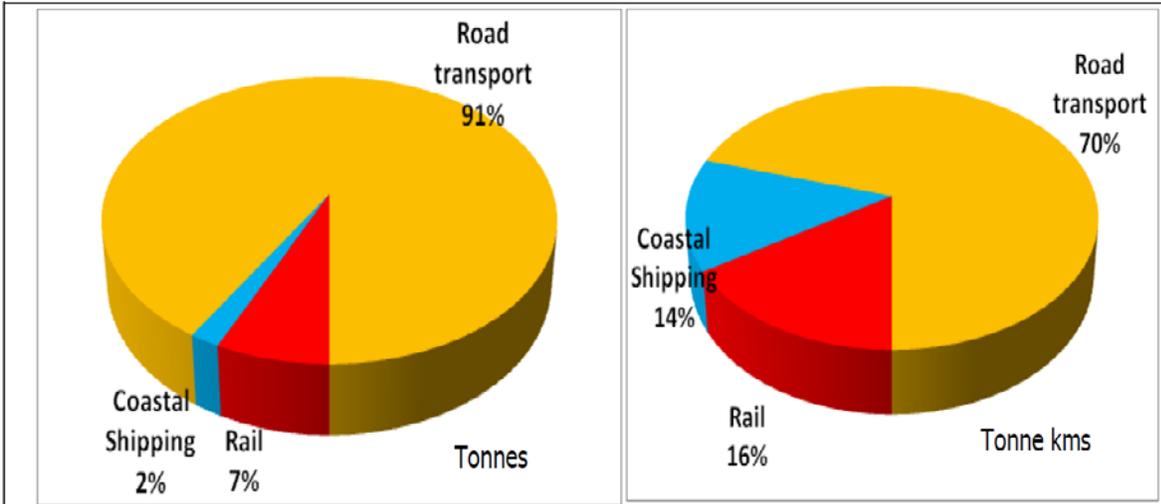


Figure 1
The Freight Task in 2012 by Mode

Why most freight is moved by truck

The geographic flexibility of road freight is impossible to match by any other freight transport mode. 93,000 kilometres of roads mean that the road freight network is country-wide and the service is point-to-point for pick-ups and delivery. In comparison, the national rail network only encompasses around 4,000 kilometres of track much of which is grossly uneconomic and cannot compete with road transport without massive subsidies from government.

Another inherent advantage of road transport is in its responsiveness to the “just in time” requirements of customers. Road transport is not constrained by railway or shipping timetable and is able to quickly and easily respond to unforeseen changes in the freight task, e.g. volume, type, origin and destination, as well as specialist and unusual consignments. Time consuming and costly transshipping is also minimised making the transportation of goods quicker and cheaper. The reality is that trucks are the only way to reach most factories, farms, logging sites, stores, restaurants or homes.

The 2014 Freight Demand Study predicted that as our economy grows there will be a 58 percent increase in overall freight volumes, from 236 million tonnes to 373 million tonnes, by 2042. It is expected that over 90 percent of this increase will continue to be transported by truck.

It is estimated that only a 3-7 percent share of the current road freight task is currently contestable by rail.¹ However, the industry is working closely with KiwiRail to improve interconnectivity between the modes.

ENVIRONMENT AND GREENHOUSE GAS (GHG) EMISSIONS

The energy sector accounts for 40% of New Zealand’s total GHG emissions with transport fuels comprising 17% of that total.

The heavy vehicle fleet is responsible for 20% of the energy used for domestic transport. Transport emissions have increased 68% since 1990.

Diesel engines are 20-30% more fuel efficient than petrol engines and outstanding improvements have occurred over the past 20 years with emissions from heavy duty diesel engines with significantly lower.

77%	reduction CO ₂ emissions
94%	reduction in NO _x
98%	reduction in particulate matter
99%	reduction on Sulphur

Notwithstanding these improvements truck and engine manufacturers worldwide are developing electric powered trucks with new battery technologies and power systems.

¹ *The Contestability of New Zealand’s Road Freight Task by Rail* - Mackie, Baas and Manz (2006)

² *RUC’s are approximately 15% of the operating costs for a heavy vehicle operator*

Many commentators and community groups argue that a higher proportion of the freight task should be undertaken by coastal shipping and rail because of lower carbon footprints.

These arguments are largely illusional. A fully laden train for example can transport bulk freight between two rail heads with a significantly lower carbon footprint than a fleet of trucks performing the same task.

However, this is an artificial scenario as the typical freight task is from many points of origin to multiple destinations. Trains are reliant on trucks to consolidate their loads at origin and to distribute from the point of destination.

When the carbon emissions associated with consolidation, transshipping, train building and distribution to users are included on a life cycle analysis of the freight task any emissions advantage of rail or coastal shipping is substantially neutralised.

NATIONAL LAND TRANSPORT FUND

The National Land Transport Fund (NLTF) is currently a user-pays, ring-fenced fund for construction, maintenance and improvement of the roading network. It is paid for by road users through petrol excise and road user charges and has been hypothecated since 2008.

The reason why motorists and transport operators accept the high level of fuel excise and road user charges (RUC)² is due to the direct relationship the fund has to the roading network. If the NLTF is expanded to pay for development of the rail network then the concept of rail operators contributing 'rail user charges' is something that should be looked at in order to maintain the integrity of the Fund. The various transport modes should compete on their respective comparative advantages and investment decisions must not be distorted by government subsidies.

VEHICLE DIMENSIONS AND MASS (VDAM) RULE 2016 AND HIGH PRODUCTIVITY MOTOR VEHICLES (HPMV)

RTF has been a leading advocate of mass and dimension policy development and has supported the introduction of HPMV and 50MAX initiatives.

² RUC's are approximately 15% of the operating costs for a heavy vehicle operator

The new VDAM rule is based on sound principles of having large combination vehicles that suitably fit New Zealand's roading network that can also interact safely with other road users. To continue this approach an updated performance based standards (PBS) regime is an essential tool for ensuring any new or alternative HPMV designs are suitably validated to ensure they meet those same principles. While there will be some productivity gains out of the new mass and dimension limits priority has been given to road safety considerations. The slightly larger dimensions allow transport operators to purchase the most modern, top-of-the-line equipment from overseas, therefore improving vehicle technology and overall safety of New Zealand's truck fleet.

By October 2016 10,000 50MAX permits had been issued and in the last quarter of 2016 accounted for 100 million of the 160 million kilometres travelled by HPMV's. One particular operator has reported since introducing 50MAX trucks that they now do one-third fewer trips, one-third fewer kilometres, use 9 percent less fuel and have a 27 percent reduction in labour costs.

SAFETY

A significant step forward in heavy vehicle technology including ABS and electronic stability control, safety improvements to the New Zealand roading network and better driver education have contributed to a significant decrease in heavy vehicle accidents since the mid-1990s. The recent introduction of HPMV's and 50MAX trucks has allowed operators to invest in the best and most modern equipment from overseas.

Truck-related fatal crashes dropped from 6.6 per 100 million kilometres in 1995 to less than 2 per 100 million kilometres in 2015. Truck-related fatal accidents are now less than half the level they were in 1995. Only around one-third of accidents involving a heavy vehicle are found to be the fault of the heavy vehicle driver.

RTF and our constituent associations invest a tremendous amount of resources into providing safety advice to drivers and operators as well as members of the public.

- The Rollover Prevention Safer Journey's Programme, which is a partnership with NZTA, has seen over 120 seminars delivered to around 6,000 industry staff over the last two years. An important message and a key theme of the Programme is that as professional drivers more is expected of them than of other drivers out on the road.
- Share the Road Safely with Big Trucks and the Safety MAN Road Safety Truck allow other road users, particularly children to learn

about how to stay safe around heavy vehicles, including awareness of blindspots etc.

- RTF has also been involved in the development of a new primary school curriculum resource, recently released by NZTA, which is based around trucks and truck safety (*Keeping Safe Around Big Trucks*).

The road transport industry supports the increased speed limit of 110km/h on appropriate routes, however we maintain that the speed limit for trucks should remain at 90km/h.

INFRASTRUCTURE

The road transport industry is fully supportive of projects that improve New Zealand's roading infrastructure. The Waterview Connection, Tauranga Eastern Link and the first section of the Kapiti Expressway are good examples of projects that have significantly improved our roading network. We consider the recently announced Mt Messenger Bypass in Taranaki, East-West Link in Auckland, Christchurch Southern Motorway and State Highway One from Wellington to Levin as priority projects to further free up traffic movements on main arterial routes.

However, we are equally as concerned to make sure our regional roading infrastructure is improved and maintained as it is these roads that are critical to transporting our primary products from the farm gate to processing and the inter-connectivity of regional New Zealand. One issue that has been highlighted recently is the safety of older single lane wooden bridges and the inadequacy of their safety barriers. It is undeniable that many local authorities and RCA's are under financial pressure to maintain appropriate levels of funding for regional roading maintenance.

Finally, recent events have shown how critical it is to improve the overall resilience of our transport network. Finding an enduring solution to the Manawatu Gorge and completing restoration of State Highway One through Kaikoura are immediate priorities, but more broadly RTF is supportive of measures to protect our vital domestic transport links from the long-term consequences of significant natural events.

WORKFORCE ISSUES AND IMMIGRATION

The road transport industry is facing a serious workforce shortage, particularly in attracting and retaining skilled Class 5 combination vehicle drivers. The Road Transport Forum's most up-to-date estimate is that on an

annual basis New Zealand is around 4,000 drivers short, 2,000 through natural attrition and 2,000 through the annual expansion of the freight task.

The previous government set up, in conjunction with a number of industries, the Sector Workforce Engagement Programme. The Programme's aim is to bring government and industry together to develop a range of strategies and initiatives to access the necessary workforce required. The road transport industry is hopeful that this will result in, at least, a partial alleviation of the driver shortage, however results so far have been limited.

The industry is very supportive of policies that encourage and assist young people to gain their Class 1 driver licence as well as engage in industry training opportunities.

Current immigration policy is unfortunately out of step with the requirements of the road transport industry. The truck driving occupation has never been included on the Long-Term Skills Shortage List (LTSSL) as occupational classifications reject suitably skilled drivers. This broad-brush approach treats all drivers as a collective and is denying skilled Class 4 and 5 drivers the opportunity of entering the LTSSL, which places a severe constraint on the productivity of the road freight transport sector. Truck drivers have also been removed from the Immediate Skills Shortage List in 2014. RTF has vigorously advocated for their continued inclusion on both lists.

DRIVER LICENSING

RTF has been a leading advocate for a review of the graduated driver licensing framework as it applies to commercial vehicle drivers. The goal of the system should be to create an environment where driver candidates move through the various levels and vehicle classes as expeditiously as is practicable.

RTF has been working with both the Ministry of Transport and NZTA over a number of years on proposals to streamline the heavy vehicle licensing scheme to facilitate movement through the different levels and help remove some of the costs. We have long considered the current system as a major impediment to attracting new drivers as it takes too long and is far too expensive to gain a license.

It is particularly disappointing that the Driver Licensing Review being carried out by NZTA has stalled since the analysis of submissions was undertaken in 2016. This review has the potential to introduce a more fit-for-purpose licence system that would mitigate some of the issues the industry has with

the current scheme.³ Changes that remove a large part of the costs and compliance burden would be a significant step in the right direction.

PROPOSED ANIMAL WELFARE REGULATIONS 2017

The Ministry for Primary industries have submitted for Ministerial approval 46 proposals for 2018 implementation. The infringement regime they introduce will provide a much simpler and efficient mechanism to deal with low/medium level offending.

Nearly one quarter of those proposals have the potential to negatively impact truckers carting livestock. MPI's intention is to hold suppliers of livestock with pre-existing injuries that are negligibly compounded by being transported responsible for that animal's parlous condition. The proposed regulations are correct to apportion blame where it lies. Signing of those regulations should not be delayed any further.

DELAYED PAYMENT TERMS

Small businesses being used to finance large multinationals through delayed or deferred payments is a growing trend around the world. Large multinational companies extend payment times to their suppliers, including road freight operators, out to 45, 60, 90 or even 120 days in some cases. A government inquiry into the practice in Australia has revealed that large companies are effectively using small businesses as a cheap form of finance.

There currently exists little legal protection for small businesses from payment deferral in New Zealand.

RTF is working on an extension to the provisions that exist in the Fair Trading Act for standard form consumer contracts to apply to business-to-business contracts. This would work to protect small businesses from being forced to accept unreasonably long payment times.

INNOVATION AND TECHNOLOGY

The coming wave of new vehicle technologies presents exciting opportunities for the New Zealand road transport sector and we are very open to working with the incoming government on the best ways in which these new technologies can be incorporated in transport policy and network planning.

³ RTF's submission to the Driver Licensing Review Discussion Paper is available at <https://www.rtfnz.co.nz/download/23/submissions/1638/driver-licensing-review-submission.pdf>

The rollout of intelligent transport systems offers a range of possibilities that take advantage of vehicles interacting seamlessly with roading infrastructure and other vehicles. Applications such as congestion charging or road pricing can have a direct impact on traffic congestion and help manage demand. The Road Transport Forum fully supports a congestion charging system to alleviate Auckland traffic congestion as long as the system devised is fair and equitable across all road users and is not used as a means of revenue gathering.

RTF has publicly supported government initiatives to accelerate the uptake of electric heavy vehicles, including the provision of a RUC exemption. We recognise that transport fuels are the low hanging fruit for New Zealand to reduce its carbon emissions and honour the ambitious goals set by our international climate change obligations.

CONCLUSION

The road transport industry is a vital part of New Zealand's economic prosperity and we look forward to supporting this economic growth into the future.

The Road Transport Forum looks forward to having the opportunity to discuss the above issues with you and your ministerial colleagues. If you or your staff have any questions about the information provided please do not hesitate to contact Chief Executive Ken Shirley (ken@rtf.nz or 04 471 8280) or Communications and Stakeholder Engagement Manager Hayden Cox (hayden@rtf.nz or 04 471 8287).