



ROAD TRANSPORT FORUM NEW ZEALAND INC

SUBMISSION TO MINISTRY OF TRANSPORT ON THE GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT 2021/22-2030/31 DRAFT FOR ENGAGEMENT

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1. Representation

- 1.1 Road Transport Forum New Zealand (RTF) is made up of several regional trucking associations for which RTF provides unified national representation. RTF members include Road Transport Association NZ, National Road Carriers, and NZ Trucking Association. The affiliated representation of RTF is some 3,000 individual road transport companies which in turn operate 16-18,000 trucks involved in road freight transport, as well as companies that provide services allied to road freight transport.
- 1.2 The RTF is the peak body and authoritative voice of New Zealand's road freight transport industry which employs 32,868 people (2.0% of the workforce), and has a gross annual turnover in the order of \$6 billion.
- 1.3 According to MOT's research (National Freight Demands Study 2018) road freight transport accounts for 93% of the total tonnes of freight moved in New Zealand, about 75% of New Zealand's land-based freight measured on a tonne/kilometre basis.
- 1.4 RTF members are predominately involved in the operation of commercial freight transport services both urban and inter-regional. These services are entirely based on the deployment of trucks both as single units for urban delivery and as multi-unit combinations that may have one or more trailers supporting rural or inter-regional transport.

2. Introductory comments

- 2.1 The 2021 Government Policy Statement (GPS) is something of a disappointment for the road freight sector. This is despite Transport Minister Phil Twyford's press statement of 19 March 2020 suggesting record investment of \$48 billion, on top of \$6.8 billion New Zealand Upgrade programme. Nothing in the Minister's briefing notes (attached to the press release) gives road users confidence the historical hypothecation of the road-related revenues will not be drawn in to the transportation expenditure abyss to support all the coalition Government's preferred objectives such as walking, adding to the cycling infrastructure, rail, coastal shipping and public transport. The revised GPS 2021 embodies a specific wellbeing focus. The difficulty is determining who truly benefits from the wellbeing objective when the policy actually undermines strategic modal efficiency and displaces it with some sort of theoretical indulgence. In a nut shell, the 2021 GPS offers no economic clarity.
- 2.2 There is no doubt government is proposing to put forward a lot of money for infrastructure development. But given the depth of the Covid-19 impact on the New Zealand economy, we question the approach in the GPS and whether the expenditure proposals remain valid. Recently (28 April 2020)

Ministers Twyford and Peters announced 1000 workers “back to work” on road and rail projects.

- 2.3 This is against a backdrop of large existing projects that have been shut down by Covid-19 and are struggling to get back up and running.
- 2.4 Big announcements need to be backed up by the ability to deliver actual outcomes in a global environment that restricts or bans travel by experienced personnel and labour from overseas.

3. The context of RTF’s comments

- 3.1 The RTF comments on GPS 2021 are confined to the policy aspects that openly cast aspersions on commercial road freight and seemingly present a thinly-veiled attempt to demonise trucking as “unsafe”, to help promote rail services in some sort of ascendancy in the minds of the public.
- 3.2 We see a policy approach drifting toward some form of political aspiration instead of leading New Zealand’s infrastructure expenditure toward an economically viable strategic goal, providing for investment that would support the nation’s economy, social integration, and commonly shared safety outcomes.
- 3.3 RTF has a significant interest in the GPS policy outline specific to road freight, as the new policy framework will almost certainly impact directly and indirectly on the road freight sector. It is within this context we offer our comments.

4. Applying the strategic direction to land transport investment; page 6

- 4.1 RTF can accept some of what is outlined in this section (of the GPS overview) has possible merit, but whether what is proposed is strategic in every case is questionable. Some of the proposed expenditure aspirations suggest an absence of economic rigor and more of an ideological approach to the capability of the land transport freight sector. For example, para 12 makes it clear the Land Transport Fund (LTF) will contribute to the NZ rail plan. We find this aspect troublesome when the NZ Government has pulled back from investing in the roads of national significance programme and then subsequently turned to an expenditure approach that is somewhat biased, choosing to invest in a number of regional initiatives that are beyond the scope of traditional freight routes.
- 4.2 Even though the Government has committed to fund KiwiRail, an entirely government-owned and managed enterprise, we can only speculate the Crown has no real concerns about throwing good money after bad, ignoring the inconsistent productivity performance and functional limitations of NZ rail services over many previous years.
- 4.3 *Para 13* refers to the Crown’s December 2019 investment (Commitment) to fund the land transport infrastructure to the tune of \$6.8B by taking trucks

off the road and making, in the GPS writers' views, the roads safer by moving more freight to rail.

- 4.4 The statement suggests truck freight traffic makes the roads unsafe and offers the promise of a roading utopia through moving freight to rail. This whole ideological approach is the crux of our opposition to the GPS and totally ignores reality.
- 4.5 The inherent weaknesses of rail as a freight service in an economy the size of New Zealand's was explained to a large degree in our February 2020 submission on the Land Transport (RAIL) Legislation Bill.
- 4.6 We object to the constant framing of trucks as "unsafe" on the roads. They are not unsafe; this is purely a perception pushed by the sectors of government and society that are opposed to the use of fossil-fuelled vehicles. Where there are safety concerns it is due to lack of infrastructure spend making New Zealand roads unsafe for the traffic demands placed on them; nothing to do with the performance of the vehicles themselves which are in fact, made "safe" via a number of New Zealand laws, rules and regulations.

5. Strategic priorities for GPS 2021; page 13

- 5.1 Under *Safety para 43* - the RTF has already argued its views on the coalition government's road safety strategy and our concerns with the anti-truck sentiment expressed in that approach. This policy aspect is clearly showing up everywhere in Government policy documents and simply demonstrates certain discriminatory bias to vilify the trucking industry at every opportunity. Given road freight's contribution to New Zealand's health and wealth, this is both mystifying and disappointing.
- 5.2 This section argues the importance of improving transport connections within cities between regions and ports - a laudable approach - but then patches in the concept of mode neutrality. The whole section is a framework of conflicting ideals. We have the need for improved connectivity, supporting statements around the primary production in the regions being the core of the economy, and then this is followed by a statement, the transport system needs to support the most appropriate mode.
- 5.3 The conflict is around what is the concept of most appropriate mode? The only option to get primary products off the rural hinterland for processing and export is by truck. Trains don't go to the far reaches of New Zealand's farms, and any rail freight service would fail to deliver on that service on any number of well-recognised performance attributes, most notably time and cost.
- 5.4 If we look at the facts today, under the Covid-19 lockdown scenarios (and other recent disaster events in New Zealand), it is the commercial trucking industry that has continued to service food and fuel outlets and provide product to retailers to enable the country to work from home and for there to be some level of economic functionality. It is the inherent resilience and

adaptability of trucking that has enabled this to occur. Rail on the other hand, remains in the shade with largely empty rolling stock going backwards and forwards, further reinforcing its vulnerability to changing economic uncertainties. The limited rail network's vulnerability to disasters will not change, no matter how much money government throws at it.

- 5.5 *Para 47* postulates the strategic priorities overlap and by making places *safer*, people will adopt walking and cycling, further arguing the flawed case that by making rail investments, freight movements will be safer. This is illogical and simply ignores reality. We would ask for the evidence, and likely numbers, of inter-regional cycle and walking traffic.
- 5.6 We agree rail has an important role, but to fund it on an ideological aspiration when its service and performance capability is thwarted by design limitations, is a disservice to the tax payers and to those that pay FED and RUCs (vehicle owners and freight service operators) into the LTF.

6. Transport outcomes; page 14

- 6.1 An infographic and accompanying text on this page alludes to the complexity of the programme and highlights the wellbeing and liveability approach of the GPS. But the proposition rests on unsubstantiated assumptions and instead of being a progressive approach, assumes the investment in rail and elusive environmental aspirations will assist in that goal without necessarily having any evidence. This is big call and without some economic analysis, the expenditures on some aspects could out-weigh the benefits.
- 6.2 While acknowledgement that the transport system shouldn't actively harm the community, getting to the Road to Zero goals might be elusive. We stress this point in the context that while median barriers and road side treatments are all good, the fact is the roads in New Zealand, particularly in rural areas, are in many cases challenging for many motorists. Poor designs, incorporating poor repair and road surface patching techniques, just add to those challenges. Despite the best efforts of the safety engineers to improve road safety, reducing investment in the fundamental infrastructure is not an entirely viable solution for delivering on the safe outcomes goal, a point RTF emphasised in its submission on the Road to Zero discussion document.

7. Section 2.4 Strategic Priority: Improving Freight Connections; pages 20 21

- 7.1 Many, if not most, of the outcomes set out in this section can only result if there is some form of market manipulation to the detriment of road freight. We do not support such market manipulation.
- 7.2 Road freight trumps rail every time simply due to customer demands and choices. The Ministry of Transport's own research, under the 2017-18 Freight Demands Study, confirms the importance of road freight, a point we highlighted above. The recent Covid-19 experience has confirmed the

adaptability of road freight to meet a disruptive market, something rail is unable to do.

- 7.3 That's not to say rail doesn't have a place. What is notable in the GPS is the shift in language from competition with road, to modal neutrality. But this is still far from actually acknowledging that in a small economy such as New Zealand's, either of those options is limited and the best option is in fact, that road and rail remain complementary. Rail cannot exist without trucks. And if small trucks are required to serve rail heads, as the rail advocates desire, the emissions shed from the additional trucks and transshipping technologies are simply counter intuitive to the goal of reducing greenhouse gases, which is another aspect of the GPS.
- 7.4 The most significant reason the swing towards road freight over the past 40 years has continued to grow, is the improvement in truck payload efficiency. This means, more efficient trucks carry more load, reducing the number of truck trips and consequently, reducing emissions per tonne of payload.
- 7.5 Over the past 10 years, efficiency gains through the uptake of HPMVs and 50 MAX have been realised in dairy, logs, livestock, aggregates, and petroleum distribution, as well as general household consumer goods distribution.
- 7.6 RTF finds it difficult to see a future with rail services supplanting trucks, especially when truck transport's environmental performance is continuing to improve with not only improved engine and power train technology, but also improved load management and delivery efficiency. All of this has been achieved without Government intervention by way of subsidies or favourable tax policy. In international transport circles, truck operators are considered one of the most innovative business groups in the world.
- 7.7 *Page 21* cites various indicators that are to be measured. We wait with anticipation to see if any of the stated deliverables of more reliable freight routes, more resilient freight routes, reduced greenhouse emissions, and reduced noise and air pollution, will actually come to fruition in a way that is truly measurable.

8. Section 2.5 Strategic Priority: Climate Change; page 22.

- 8.1 This section continues to feed the desirability of creating an environment where rail and coastal shipping are favoured over road freight. The RTF commented on this in our submission on the *Green Freight Project*, a background paper on reducing greenhouse gas emissions from road freight in New Zealand through the use of alternative fuel. These comments were supplemented by the RTF's *Submission on NZ Government/MBIE Consultation document: A vision for hydrogen in New Zealand: Green paper*. In both these responses to government discussion documents, RTF outlined its views succinctly and factually and don't think there is any benefit in repeating our views here.

9. Section 3.4 Activity Class Framework; page 33

- 9.1 *Para 118* discusses in some detail the Road to Zero harm reduction initiative proposed by that policy, but having commented on that particular programme in our Road to Zero response to the discussion document, little benefit is gained by repeating our views here.
- 9.2 *Para 121* Rail Network and *para 128* coastal shipping are covering off the government's intention using altruistic nuances to *encourage* freight and logistics enterprises into using these modes as alternatives to what is presently used. Probably the biggest point of sensitivity for the road freight sector is the continuing financial support that rail needs just to maintain its present service capability, putting aside the cost of enhancing its capability, especially when the aftermath of the Covid-19 experience has thrown a dark shadow across much of the productive New Zealand economy. We have to question the value of a freight mode that has to be so heavily subsidised by the public purse and the equity of that State-subsidy situation with businesses that have to survive by running normal business efficiency models.

10. Concluding comments

- 10.1 The natural growth in road freight makes the Government's decisions to draw money from the National Land Transport Fund, using road user charges (RUCs) and fuel excise to artificially support rail projects and coastal shipping initiatives, seem all the more short-sighted. The Covid-19 hit to the economy has left a legacy that will take some time to overcome and we question the Government's financial resources to continue to heavily invest in and subsidise rail over roads in this environment.
- 10.2 The 2021 GPS policy was written for more settled economic climate and we wonder how much of it will continue to be valid within the foreseeable future.
- 10.3 The re-engineering of the transport system to satisfy ideology is not only costly, but flies in the face of economic reality. Using market manipulation, it attempts to engineer out choices for businesses who need to move freight to survive in a highly competitive global market. This makes it even more short-sighted to ignore the development of new roads critical to the national freight task, in order to put money into rail projects of dubious economic benefit.
- 10.4 RTF has continued to support asset renewal for rail as it's badly overdue, particularly for its critical infrastructure. What we don't support, is the Government, through policy documents such as the GPS, continually selling the notion that rail investment is a way to reduce "dangerous" or unsafe truck movements on our roads. RTF also rejects investment in rail over new, safer roads. Arguably, there should be investment in both road and rail infrastructure.
- 10.5 We reiterate our objection to the constant framing of trucks as "unsafe" on the roads. They are not unsafe; this is purely a perception pushed by the

sectors of government and society that are opposed to the use of fossil-fuelled vehicles. Where there are safety concerns it is due to lack of infrastructure spend making New Zealand roads unsafe for the traffic demands placed on them; nothing to do with the performance of the vehicles themselves which are in fact, made "safe" via a number of New Zealand laws, rules and regulations.

- 10.6 Road freight is simply more flexible and immediate than rail will ever be. There are some 93,000 kms of road in New Zealand, about 10% of which are State highways, and only 4,000 kms of rail track. That split isn't going to change significantly and the freight customers (the market) will continue to make business-based choices. We do not support any heavy-handed State intervention to counter market choices.
- 10.7 Fewer trucks on the road means fewer jobs, less economic activity, and less money in the pockets of all New Zealanders. The National Freight Demand Study proves that people and businesses choose the transport mode that best suits their requirements. In the 21st Century economy where timeliness and responsiveness are critical, more often than not, delivery by road stacks up best.
- 10.8 The New Zealand Initiative's Executive Director Dr Oliver Hartwich when he presented to the Epidemic Response Committee outlining his vision for New Zealand's social, political and economic future, made the following observations to the committee.

It would also be a big mistake to spend money on projects just because they are 'shovel-ready'. What distinguishes a good project from a bad one is that a good project's benefits are greater than its costs.

New Zealanders must be able to trust in the steadiness of economic policy. Ludwig Erhard once said that 50 percent of economics is psychology. We therefore need a government that is predictable and steady. The last things we need are policy uncertainty, political surprises and monetary experiments.

What we do need is a recovery based on sound economic principles.

- 10.9 The RTF concurs with Dr Hartwich.