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Productivity Commission
International Freight Transport Services draft report

By email: freightinquiry@productivity.govt.nz

NZCID Submission on the International Freight Transport Services draft report

The New Zealand Council for Infrastructure Development (NZCID) welcomes the opportunity to submit on the Productivity Commission's (the Commission) International Freight Transport Services draft report.

General

NZCID supports the work of the Commission and considers that the draft report provides a valuable contribution to understanding freight transport into and out of New Zealand.

NZCID commends the Commission on development of a broad evidence base and endorses the key findings of the Commission.

One area of the report which NZCID does identify opportunity for further assessment regards the domestic element of international freight transport. Specifically, NZCID observes that almost all freight into and out of New Zealand must utilise local and national roads and railways and that road freight in particular is subject to decisions regarding the national state highway network and regional arterial routes.

These corridors are frequently congested by the various forms of road traffic, impeding the free movement of goods to and from ports and airports. Productivity lost through congestion is an insidious cost on New Zealand's competitiveness that is often overlooked. To this end, NZCID and several partners will be commissioning a comprehensive investigation into the cost of congestion on Auckland roads. NZCID expects this study to highlight costs to the freight industry of congestion and advises the Commission that findings will become available towards the end of 2012.

The second area that NZCID considers more investigation is warranted is the potential to improve New Zealand's international competitiveness and productivity by reducing the time, and thus costs, of transporting export freight from source to port and import freight from port to destination by more timely investment in transport infrastructure and through road pricing.

We note that there are a significant number of transport projects across the country that meet all investment criteria, are of good strategic fit and with positive cost benefit ratios, but which are not proceeding due to insufficient funding. Examples include key projects such as Waterview in Auckland and completion of the Waikato Expressway. Evidence shows that traditional "pay as you go" funding of major capital projects means that productivity benefits resulting early completion of economically justified projects are being forgone. New Zealand would be economically better off by raising more capital to

NZ Council for Infrastructure Development
PO Box 7244 Wellesley Street, Auckland 1141 P: +64 9 271 4445 E: info@nzcid.org.nz www.nzcid.org.nz

enable these projects to proceed than to defer needed investment because today's cash flow is insufficient to both maintain the existing asset base and invest in new economic infrastructure.

Moreover, although petrol taxes and RUC are relatively low cost methods to raise revenue from users to fund transport investment, international experience shows that, where it has been applied, direct variable charging for road use by time of day is more effective at managing peak demand on key transport corridors and has the ancillary benefit of raising additional revenue for investment in new transport infrastructure and services.

In New Zealand any form of direct road pricing will likely have to take a different form, since alternative transport choices including public transport are not as extensive here as they are in London, Stockholm or Singapore where such systems have been successfully implemented. Nevertheless, a low level variable toll on the Auckland Motorway system – $3.00 at peak, $2.00 on either side of the peak and $1.00 off peak – has the potential to both raise significant additional revenue of between $500 to $700 million per annum. This funding could be used to resource new investment in economically justifiable projects and also has the benefit of better managing traffic demand.

NZCID requests that the Commission further investigate and assess the implications for freight transport productivity of congestion in New Zealand's major cities and, second, note that independent research is pending which will estimate the cost to the Auckland economy of congestion. We also consider that further investigation into potential benefits of road pricing is both warranted and timely. This should look at the potential to raise new revenue to fund needed investment and include variable charging by route and time of day to better manage demand on the existing transport system.

NZCID thanks the Commission for this opportunity to submit.