

Bill reduces funding certainty

By Chris Olsen, CEO, Roothing New Zealand

The Land Transport Management Amendment Bill is currently passing through the Select Committee process, on its way to becoming legislation around May this year. This Bill has a number of positive aspects that should improve transport outcomes for New Zealand, but I believe it also contains a few fish hooks which need to be removed.

So how does this bill impact contractors, and what does it all mean?

I believe there are four areas where the bill will affect contractors, and these are:

- The need for long-term funding certainty;
- The need for planning certainty and smooth work programmes;
- The need to speed up the development and delivery of projects by reducing waste, bureaucracy and churn;
- Enabling the contracting industry to better contribute to achieving best value for money.

So let's have a look at the bill.

On the positive side the bill provides for a government policy statement that outlines explicitly what the Crown wants to achieve for transport in the short to medium term, and links the revenue raised from road users with the planned levels of expenditure. Not only is this great for construction work, I think it is great for road maintenance activities as well.

The bill also provides for all collected fuel excise tax and road user charges to be spent only on transport, with tax rates set every three years to match proposed expenditure levels.

All construction and maintenance programmes move from being one year long to three years, and the newly created New Zealand Transport Agency (previously Transit New Zealand and LTNZ) will be able to overspend in any one year, thereby ensuring all available funds in a particular year can be spent, despite the weather.

Currently Transit and LTNZ are not able to overspend, so they have to assume the worst. Two weeks of really fine weather could mean an overspend of \$30 million.

Perhaps the most concerning aspect of the bill is the proposal to halve work programmes from the current six years to three years. For contractors to have the confidence to invest in people and plant, so they can handle the extra construction work coming on stream, its imperative that they have funding certainty and smooth work programmes out into the future.

Without this certainty contractors may end up with too much capacity and may need to make people redundant or there may not be enough people in the industry, prices may rise and value for money may be compromised. Reducing certainty from six to three years will not be helpful to contractors and, from what I understand, the consulting industry and Transit as well.

The other concern is the proposed membership of Regional Land Transport Committees (RLTC).

Roothing New Zealand is proposing instead that RLTC members be limited to six independent, director level professionals with an understanding of transport issues and solutions. These to be appointed by the relevant regional councils, territorial authorities and the New Zealand Transport Agency, together with the Automobile Association, Road Transport Forum and Passenger Transport User Group.

This will reduce the risk of churn and construction programme uncertainty for contractors by minimising any parochialism or sector dysfunctionality referred to in the Next Steps Review. It will also address the MAG Report's comments questioning the competency of RLTC members to deal with such complex issues.

History shows that organisations going through massive change and/or restructuring sometimes struggle to deliver business as usual. If this occurs during the merge of LTNZ and Transit there will be serious consequences for the contracting sector and users of the New Zealand transport system. To combat this, Roothing New Zealand suggests that measures be put in place to ensure there is no slow down of construction projects coming on stream.

The Select Committee is expected to be hearing submissions on the bill this month. Lets hope they are listening and that commonsense prevails.