Taituarā
Local Government Professionals Aotearoa

Inquiry into the future of inter-regional passenger rail in New Zealand

Submission to the Transport and Infrastructure Committee

October 2022

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Executive Summary

What is Taituarā?

Taituarā – Local Government Professionals Aotearoa is an incorporated society of nearly 1,000[1] members drawn from local government chief executives, senior managers, and council staff with significant policy or operational responsibilities. We are an apolitical organisation. Our contribution lies in our wealth of knowledge of the local government sector and of the technical, practical, and managerial implications of legislation.

Our vision is:

> *Professional local government management, leading staff and enabling communities to shape their future.*

Our primary role is to help local authorities perform their roles and responsibilities as effectively and efficiently as possible. We have an interest in all aspects of the management of local authorities from the provision of advice to the planning and delivery of services, infrastructure, urban development and placemaking, community wellbeing and climate resilience and mitigation.

Local authorities have a strong interest in inter-regional passenger rail. Some councils are directly involved in the funding and delivery of passenger rail services. Regional Councils manage public transport services and Territorial Authorities are road controlling authorities ensuring the integration of any proposed inter-regional passenger rail service with local transport networks is an issue for our membership.

Our Submission

Taituarā welcomes the inquiry into inter-regional passenger rail and the opportunity to contribute. Our submission begins by exploring the value of rail and what is needed to make inter-regional passenger rail viable in New Zealand, specifically that it needs to be fast, frequent, and affordable.

Inter-regional rail is a public good. It contributes to economic growth, and the Governments wellbeing and environmental objectives, including reductions in emissions and congestion, and road deaths and injuries. The $1.7b- $2.1b value[2] of

[1] As at 1 July 2022.
[2] Ministry of Transport, (February 2021), *The Value of Rail in New Zealand*, pp 8

rail in New Zealand predominately comes from time (and congestion) savings, reduced air pollution, reduced fuel and maintenance costs, reduced greenhouse gas emissions, and increased safety.

Key to the success of inter-regional passenger rail will be the frequency, journey time, reliability and price of the services. It is also important to consider how inter-regional passenger rail integrates with local transport networks and land use planning and provides part of the solution to the climate change and urban form issues facing councils and communities. The resilience of the network also needs to be improved, as does the way we price externalities and make long term investments in transport.

We therefore conclude our submission with several recommendations that support the development of clear long term strategic plans and funding frameworks for the delivery of viable inter-regional passenger rail and integrated services.

Local government officials have a wealth of experience and expertise on service integration and spatial planning that should be drawn upon when developing any guidance or plans that come out of this Inquiry. Taituarā is happy to act as a conduit between the Committee and local government to facilitate connection and action.

Summary of Recommendations

The Value of Rail

1. **That the Committee acknowledge the economic, wellbeing, and environmental benefits of rail.**
2. **That the Committee note the role of rail in reducing emissions and the need for electrification to meet the Governments climate goals.**

The Viability of Rail

3. **That the Committee recommend new inter-regional passenger rail services are fast, frequent, affordable, and reliable.**
4. **That the Committee recommend new inter-regional passenger rail services are integrated into the public transport network and local transport networks.**
5. **That the Committee request the Ministry of Transport and KiwiRail to develop a planning and delivery framework and standards of service in partnership with local government.**

6. **That the Committee recommend existing lines are upgraded as necessary and passing loops are implemented to ensure travel time is not disrupted on mixed-use lines.**

Planning for a Connected Future

7. **That the Committee recommend that KiwiRail, Waka Kotahi, and the Ministry of Transport work with local government officials to integrate inter-regional passenger rail services with local transport networks.**
8. **That the Committee recommend the Ministry of Transport, Waka Kotahi, Te Waihanga, and KiwiRail work to develop a 30-year investment plan to contribute to Regional Spatial Strategies.**
9. **That the Committee recommend the Ministry of Transport amend the pricing system for transport so that a greater share of the external costs associated with private vehicle use are internalised.**
10. **That the Committee note the importance of building a resilient network in line with the actions outlined in National Adaptation Plan (NAP).**
11. **That the Committee also conduct an inquiry into the provision of intra-regional and metropolitan passenger rail services.**
12. **That the Committee accept the comments made by Greater Wellington Regional Council in their submission.**

Funding Rail

13. **That the Committee assure itself that the recent review sufficiently supports the notion that KiwiRail should keep its status as a State-Owned Enterprise.**
14. **That the Committee recommend the Ministry of Transport supports inter-regional passenger rail investment through the next Government Policy Statement on Land Transport.**
15. **That the Committee recommend the Ministry of Transport amend the pricing system for transport so that a greater share of the external costs associated with private vehicle use are internalised.**
16. **That the Committee recommend that the Ministry of Transport and KiwiRail work to update the New Zealand Rail Plan and the National Rail Investment Programme.**
17. **That the Committee ensures the Sustainable Public Transport Framework enables inter-regional passenger rail services when enacted.**

Introduction

1. Rail has a long history in Aotearoa New Zealand. Throughout the late 19th and early 20th century the railway network was arguably New Zealand's biggest investment and greatest achievement.[3] The railway network peaked in 1953 with more than 5,500 km of lines connecting Aotearoa[4], enabling New Zealanders to travel and transport goods. Since then, Aotearoa New Zealand has become a car dependent society.

2. Decisions in the 1950s to focus investment on completing the motorway network and remove local tram networks[5] combined with the NZ Railways decision to run competing bus services created a vicious cycle of reduced patronage leading underinvestment and the disestablishment of services and lines resulting in further disuse[6]. Following the railway system becoming a State-Owned Enterprise, passenger rail in New Zealand became a predominantly tourist operation with commuter services only run around Wellington and Auckland. Cars and motorways as well as air travel now make up the majority of inter-regional trips with limited public transport options being available.

3. Interest in rail has re-emerged in New Zealand in light of congested roads and discussions around climate mitigation and reducing emissions from the transport sector. Recent developments include the introduction of Te Huia (which provides commuter rail between Hamilton and Auckland), the release of the Rail Investment Plan, and the construction of Auckland's City Rail Link. However, the future of passenger rail and the role it will play in reducing vehicle kilometres travelled (VKT) remains uncertain.

4. Therefore, Taituarā welcomes the Committee's inquiry into inter-regional passenger rail and encourages the Committee to take this opportunity to develop a clear strategic direction and make recommendations around improvements to the governance framework and administration of passenger rail services across Aotearoa.

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[3] Atkinson, N., (2007), Trainland: How Railways Made New Zealand.
[4] Te Ara - The Encyclopedia of New Zealand, *New Zealand's rail network, 1880-1940*,
[5] Transport and Industrial Relations Committee. (2017). Inquiry into the future of New Zealand's mobility: Report of the Transport and Industrial Relations Committee. Wellington: New Zealand Parliament.
[6] Brett, A., & van der Weerden, S., (2021*) Can't Get There From Here: New Zealand passenger rail since 1920.*

The Value of Rail

5. Transport is an essential part of life. For businesses, the transport network is crucial for connecting with suppliers and the marketplace. For people, transport "connects them to social, recreational, community and medical facilities for personal and leisure activities"[7], workplaces, education and training.

6. The Government's Transport Outcomes Framework[8] (see Figure 1), sets the social, environmental, and economic outcomes for the transport network and outlines the impact transport has on various aspects of life. To date, "the realisation of these benefits has been hampered by a lack of long-term sustainable investment in rail, and inadequate planning and funding frameworks."[9] This needs to change for passenger rail services across Aotearoa New Zealand.

7. Figure1: Transport Outcomes Framework (Source: Ministry of Transport)

[7] Ministry of Transport, (2016), *'Contribution of Transport to Economic Development'*. Wellington. pp. 4
[8] Ministry of Transport. (2018). *A framework for shaping our transport system: Transport outcomes and mode neutrality*. Wellington.
[9] Ministry of Transport. (2021) *The New Zealand Rail Plan*. Ministry of Transport. Wellington. pp.15

Rail Contributes to Economic Outcomes

Figure 2: Economic Value of Rail (Source: KiwiRail)

8. Railways support national and regional development. As an efficient way to move goods and people, rail "contributes to both national economic productivity and regional economic growth, supporting people, businesses, producers and tourism."[10] Renewed investment in inter-regional rail will be crucial to achieving the economic outcomes the Government desires from the transport network.

9. Furthermore, the efficient movement of goods and people via rail can reduce congestion and associated productivity losses. Congestion in cities, particularly Auckland, Tauranga and Wellington, constrain productivity by increasing the time people and goods spend in transit. This has a significant economic impact. For example, congestion is estimated to cost Auckland's economy between $0.9 billion and $1.3 billion per annum[11] while the cost of road congestion in Wellington is estimated to be $682,500 per annum.[12] According to a study by Ernest Young (EY) into the value of rail, currently the economy benefits $939m-$1,054m per annum[13] because of rail transportation. These benefits will only increase with more frequent and efficient inter-regional passenger rail services.

[10] Ministry of Transport. (2021) The New Zealand Rail Plan. Ministry of Transport. Wellington. pp.13
[11] Ministry of Transport. (2020) *The Congestion Question: Main Findings*. Wellington.
[12] Grimmond, D., (2017). *Estimates of Costs of Road Congestion in Wellington*. Greater Wellington Regional Council
[13] Ernest Young, (February 2021), *The Value of Rail in New Zealand*, Ministry of Transport. Wellington. pp. 8

10. In addition to this, rail benefits the economy by reducing fuel and maintenance costs by $315-329 million per annum[14] because vehicles driven on our roading network require more fuel than rail and impact the road surfacing requiring ongoing maintenance.

11. Increased investment in inter-regional rail will also contribute to economic development by creating jobs. Already, "KiwiRail alone employs around 4,000 people, and engages with a range of businesses, subcontractors and rail operators, which employ many more."[15] This is expected to increase with an increase in service provision.

Rail Contributes to Wellbeing Outcomes

12. Rail has many benefits to the health and wellbeing of society. Firstly, a reliable passenger rail network improves accessibility. Passenger trains provide people with access to places for learning, earning, and participating in society. Greater access to the job market, education, and social events can improve the socio-economic prospects of people living in the regions.

13. Secondly, investment in rail services will contribute to the Government's Road to Zero strategy, which aims to make our roads safer so no one is killed or seriously injured in crashes.[16] New Zealand has an unfortunate record on road safety which not only impacts on the health and wellbeing of New Zealanders but also comes at great social cost. In fact, the total social cost of fatal and injury crashes on our roads in 2018 is estimated at approximately $4.9 billion[17]. In its Value of Rail study, Ernest Young estimated that rail eliminates (by taking vehicles off the road) 14 deaths and 263 safety incidents per annum reducing this social cost by $94-98 million.[18]

14. Finally, rail contributes to better health outcomes. The health benefits of rail are two-fold: it both promotes healthy active lifestyles and reduces the incidence of respiratory issues arising from air pollution. "Higher levels of physical activity are associated with public transport use than with trips by private vehicles, supporting

[14] Ernest Young, (February 2021), *The Value of Rail in New Zealand*, Ministry of Transport. Wellington. pp. 8
[15] Ministry of Transport. (2021) *The New Zealand Rail Plan*. Ministry of Transport. Wellington. pp.13
[16] Ministry of Transport, (2019), Road to Zero. New Zealand Government. Wellington.
[17] Ministry of Transport. (2020). *Social cost of road crashes and injuries - June 2019 update.* Wellington: Ministry of Transport.
[18] Ernest Young, (February 2021), *The Value of Rail in New Zealand*, Ministry of Transport. Wellington. pp. 21

healthier travel patterns"[19] because first and last mile connections are often made by active modes of travel. Rail also reduces air pollution by replacing car and heavy truck trips. The air pollution arising from transport emissions has a significant impact on the respiratory and cardiac health of New Zealanders. It is associated with the premature deaths of over 2,000 adults, more than 9,200 hospitalisations and 13,200 cases of childhood asthma at a social cost of $10.5 billion.[20] The EY study found that rail reduces this social cost of air pollution by between $170-474 million per annum. [21]

The Role of Rail in Reducing Emissions

15. Rail produces fewer emissions than road travel and inter-regional passenger rail delivers emissions reductions from the efficient mass movement of people and avoided car trips. Encouraging mode shift through the investment and improvement of passenger rail services will be a key component in achieving Action 10.1 (to reduce vehicles kilometres travelled (VKT) by 20 per cent by 2035) of the Emissions Reduction Plan (ERP).[22] "Even greater environmental benefits can be achieved through further investment in rail, for example, new modern rolling stock and ferries, and further electrification of the rail network".[23] This will require significant investment.

16. Most emissions arising from transport come from commuter travel. Therefore, greater emissions reductions could be achieved through investment in metropolitan commuter rail services and the integration of inter-regional and metropolitan passenger services.

The Value of Rail

1. **That the Committee acknowledge the economic, wellbeing, and environmental benefits of rail.**
2. **That the Committee note the role of rail in reducing emissions and the need for electrification to meet the Government's climate goals.**

[19] Ministry of Transport. (2021) The New Zealand Rail Plan. Ministry of Transport. Wellington. pp.13
[20] Kuschel et al (2022). *Health and air pollution in New Zealand 2016* (HAPINZ 3.0): Volume 1 – Finding and implications. Report prepared for Ministry for the Environment, Ministry of Health, Te Manatū Waka Ministry of Transport and Waka Kotahi NZ Transport Agency, March 2022.
[21] Ernest Young, (February 2021), *The Value of Rail in New Zealand*, Ministry of Transport. Wellington. pp. 21
[22] Ministry for the Environment (2022). *Towards a productive, sustainable and inclusive economy Aotearoa New Zealand's First Emissions Reduction Plan*. Wellington.
[23] Ministry of Transport. (2021) The New Zealand Rail Plan. Ministry of Transport. Wellington. pp.12

The Viability of Rail

Making Rail a Viable Alternative

17. For rail to be seen as a viable alternative for vehicular inter-regional travel it will be crucial to ensure the services on offer meet the expectations and desires of users. For mode shift to occur, inter-regional passenger rail needs to be an attractive service that is comparable or better than vehicular and air travel in aspects which users value.

18. Historically, where services have provided a fast, frequent, and reliable service, New Zealanders have shifted to rail and patronage has outstripped expectations.[24] The '*Who's On Board*' report from TransitCenter found that the key factors in choosing passenger rail as a mode of travel include frequency, journey time, reliability, station facilities, walkability to and from the station, price, network coverage, comfort, and safety.

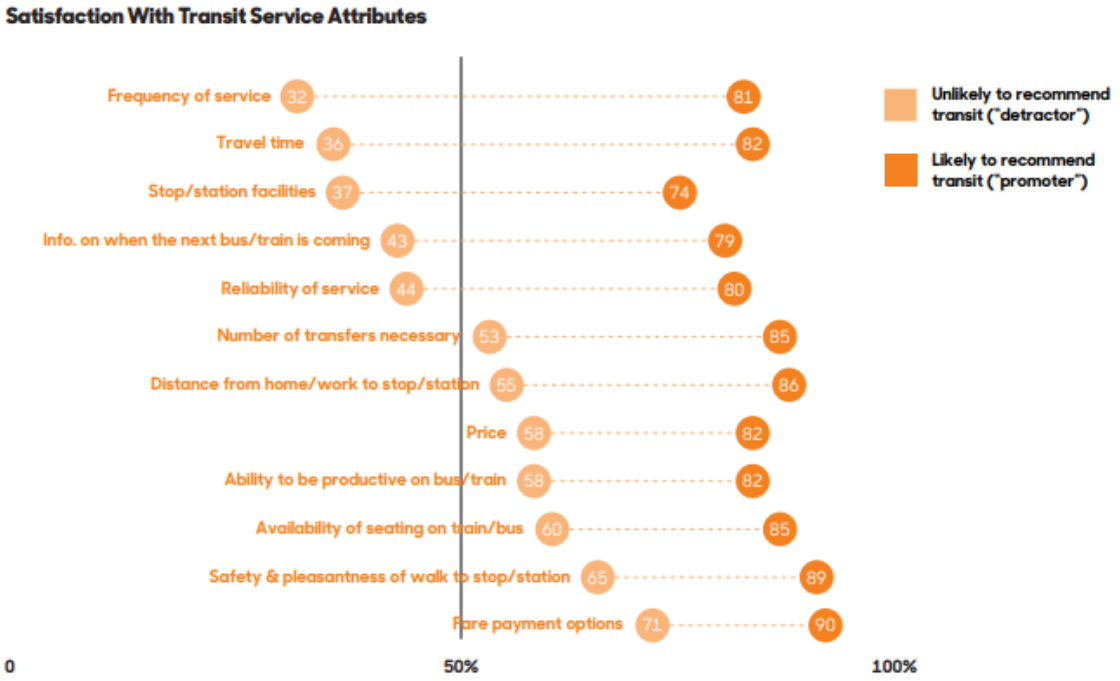

Figure 3: Satisfaction with Transit Services. (Source: TransitCenter)

19. Fast and frequent services are needed to meet people's needs. Inter-regional passenger rail services need to have a travel time comparable to or faster than travelling by car and the services need to run frequently enough to present a viable alternative for people whenever they need to travel. The '*Who's On Board*' Report

[24] Brett, A., & van der Weerden, S., (2021) *Can't Get There From Here: New Zealand passenger rail since 1920*.

found that "transit riders highly value improvements in frequency and travel time. Moreover, satisfaction with these elements seems to drive overall satisfaction with transit."[25]

20. To deliver fast and frequent inter-regional passenger rail services significant capital expenditure to New Zealand's railways will be needed. The gauge of the tracks will need to be improved to allow for faster travel speeds as well as increasing the number of passing loops to ensure slower moving freight carriages do not hold up passenger rail services.

21. Inter-regional passenger rail also needs to be affordable. The current inter-regional passenger rail services are run as tourist operations pricing many New Zealanders out of using the services. The cost of a ticket needs to at least reach price parity with the cost of driving a similar trip.

22. Furthermore, inter-regional rail needs to be reliable to compete with car and air travel. Knowing that your train will turn up on time and will not breakdown are key factors that encourage uptake in passenger rail services. Ensuring that rail is reliable and can be depended on as a mode of transport will be crucial to increasing patronage. Alongside reliability, passengers also find value in real-time information being available.

23. The '*Who's on Board*' report also identified several other factors influencing the uptake of passenger rail services. Firstly, passengers value station and stop conditions. End of trip facilities that meet the comfort needs of passengers are crucial to making a service viable. Where the station is placed, the facilities available, and the ease of transferring to another mode will directly influence the attractiveness of rail as a means of transport. We encourage the delivery of passenger rail services "around transit corridors, and make the walk to transit safe, easy, and pleasant" to encourage mode shift in alignment with National Policy Statement on Urban Density (NPS UD).[26]

24. Secondly, passengers value the comfort of the ride. Small things like power outlets, Wi-Fi, fare payment options, and on-board food availability can make inter-regional passenger rail an attractive and desirable mode of travel. The relative importance of service improvements is outlined in *Figure 4*.

[25] TransitCenter (2016), *Who's On Board: What Today's Riders Teach US About Transit That Works.* New York. Accessed

[26] TransitCenter (2016), *Who's On Board: What Today's Riders Teach US About Transit That Works.* New York. pp 63

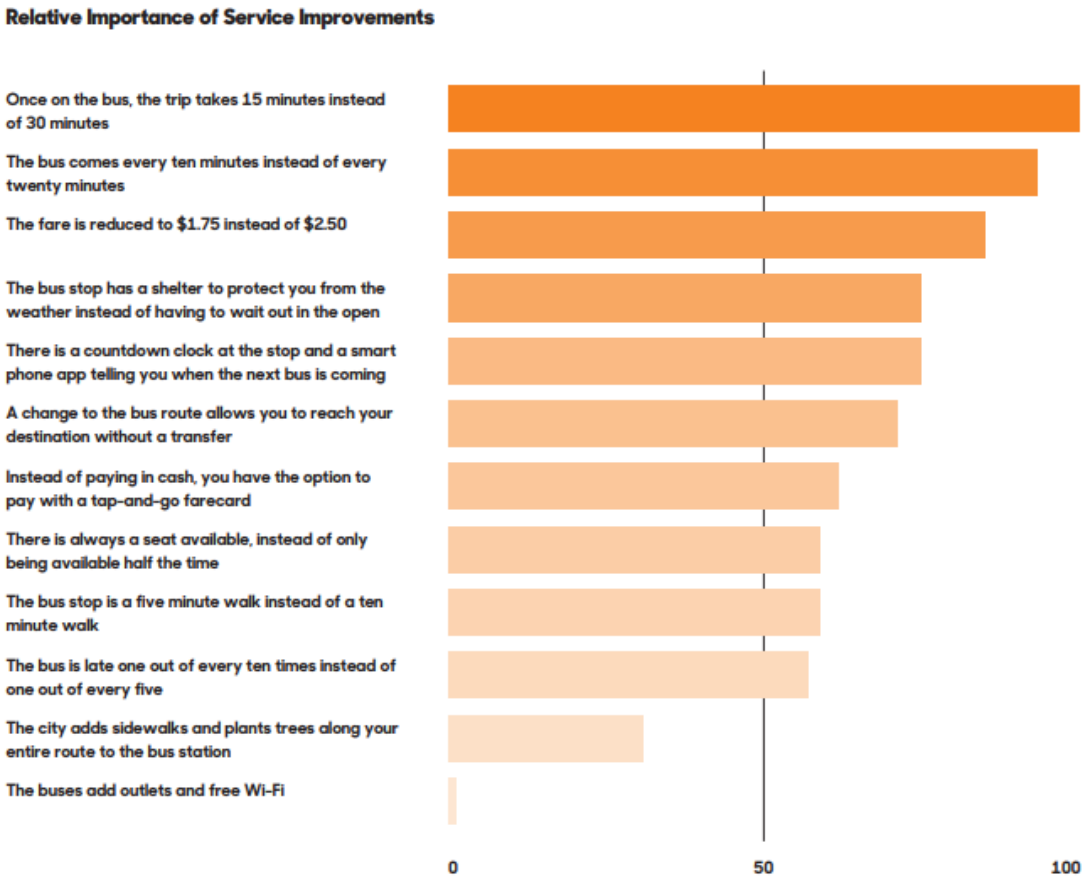

Figure 4: Relative Importance of Service Improvements (Source: TransitCenter)

25. Guidance is needed to support councils in scoping the viability of proposed services. We understand that the Ministry of Transport is developing some guidance around the planning, costing and other considerations in establishing a new passenger rail service. This should include clear standards and a framework for integration developed in conjunction with the local government sector. Local government professionals can provide practical advice on the barriers they currently face and provide an opportunity to road test the guidance to ensure it is fit for purpose.

The Viability of Mixed-Use Lines

26. The rail network serves to efficiently move both people and goods. Although there are similarities in the assets needed to transport goods and people via rail there are distinct requirements for passenger rail services. With passenger services rail lines and carriages need to allow for high-speed travel and met high safety standards to operate. While it is not practical to have freight and passenger rail operating on separate lines at all times, installing passing loops across the network would mitigate the bottleneck effect created as freight services slow down passenger services.

The Viability of Rail

3. **That the Committee recommend new inter-regional passenger rail services are fast, frequent, affordable, and reliable.**
4. **That the Committee recommend new inter-regional passenger rail services are integrated into the public transport network and local transport networks.**
5. **That the Committee request the Ministry of Transport and KiwiRail to develop a planning and delivery framework and standards of service in partnership with local government.**
6. **That the Committee recommend existing lines are upgraded as necessary and passing loops are implemented to ensure travel time is not disrupted on mixed-use lines.**

Planning for a Connected Future

Using Existing lines

27. Despite the dilapidated state of railways in New Zealand, there are several existing lines which service both freight and passengers *(See Appendix 2)*. While these lines have not been decommissioned, the state of these lines to do not lend themselves to viable inter-regional passenger rail services. For example, there has been a desire from many to re-start the passenger rail service from Christchurch to Dunedin to Invercargill. While the lines still exist and are used for freight and tourist operations the winding nature and gauge of lines means that carriages can only travel slowly between Oamaru and Dunedin. This would make the line an unattractive and

unviable alternative to travelling by car. Significant investment will be needed to upgrade existing lines and replace rolling stock which is at the end of its useful life.

28. Taituarā staff have had the opportunity to consider the submissions of Greater Wellington Regional Council and the Dunedin City Council and in addition to supporting the business cases for inter-regional rail for Tauranga and the Lower North Island (which are subject to this Inquiry), we also support the business cases for the North Island Regional Passenger Rail Connector and Christchurch to Invercargill services.

Future investment in inter-regional passenger rail - right place at the right time

29. The scale and nature of rail investment requires significant long-term planning to ensure the right outcomes are obtained whilst avoiding perverse or unintended consequences. Inter-regional passenger rail is only one part of a mode neutral network, so while it is commendable that the Committee is looking into the inter-regional passenger rail, this needs to be integrated into the transport system.

30. Clear connections are required to ensure that inter-regional passenger services integrate with metropolitan public transport services. Local government professionals have a wealth of experience and knowledge when it comes to integrating transport networks. Greater Wellington Regional Council's submission notes "the importance of council ownership and operation of intra and inter-regional rail to ensure service integration and efficiency across the public transport network". Taituarā recommends that the Government and KiwiRail work with local government to integrate inter-regional passenger rail services with local transport networks.

31. Transport networks also need to be integrated with land-use planning and urban development. Because "rail networks shape cities, encouraging urban intensification along rail corridors and around passenger rail stations" [27] it is important that any proposed inter-regional passenger rail service does not encourage urban sprawl but instead supports the development of compact urban form in line with the National Policy Statement on Urban Development. In addition

[27] Ministry of Transport. (2021) The New Zealand Rail Plan. Ministry of Transport. Wellington. Accessed from: https://www.transport.govt.nz/assets/Uploads/Report/The-New-Zealand-Rail-Plan.pdf pp.12

to better investment decisions, frequent services that terminate in walkable corridors "builds ridership and makes transit more financially productive."[28]

32. When considering the (re)introduction of inter-regional passenger rail services it will also be necessary to ensure the assets and infrastructure are resilient and capable of reliable services in a range of weather conditions as per Action 8.5 of the National Adaption Plan (Progress the Rail Network Investment programme - "restoration of the national rail network to a reliable and resilient state will also reduce its vulnerability to climate hazards and provide a platform for future investment to support growth"[29]). Lines and supporting structures will need to be constructed in the right place. We welcome specific guidance being developed from Te Waihanga (the Infrastructure Commission) on assessing risk and impact on physical assets and the services they provide[30].

33. With the reform of the Resource Management System and the development of regional spatial strategies it will be critical that central government has a comprehensive and coherent plan to ensure rail infrastructure and services (particularly inter-regional rail) is adequately provided for in the new plans. Whether this comes in the form of a refreshed NZRP/NRIP or the proposed national public transport strategy[31] a clear plan should be brought to the table and included in regional spatial strategies to support integrated land-use and transport planning. Associated implementation and funding agreements will be necessary to ensure rail investment happens in the right place at the right time.

34. While outside the scope of this inquiry re-establishing passenger rail services in Christchurch, Dunedin, Tauranga and Hamilton would provide key connections, socialise rail as a mode of transport, be climate friendly and bust congestion. Taituarā encourages the Committee to enquire further into the provision of localised rail networks.

[28] TransitCenter (2016), *Who's On Board: What Today's Riders Teach US About Transit That Works.* New York. Accessed from: https://transitcenter.org/wp-content/uploads/2016/07/Whos-On-Board-2016-7_12_2016.pdf
[29] NAP pp 135
[30] Action 3.8 in the NAP
[31] Action 10.1.2 in the ERP

Planning for a Connected Future

7. **That the Committee recommend that KiwiRail, Waka Kotahi, and the Ministry of Transport work with local government officials to integrate inter-regional passenger rail services with local transport networks.**
8. **That the Committee recommend the Ministry of Transport, Waka Kotahi, Te Waihanga, and KiwiRail work to develop a 30-year investment plan to contribute to Regional Spatial Strategies.**
9. **That the Committee note the importance of building a resilient network in line with the actions outlined in NAP.**
10. **That the Committee also conduct an inquiry into the provision of intra-regional and metropolitan passenger rail services.**
11. **That the Committee accept the comments made by Greater Wellington Regional Council in their submission.**

Funding Rail

Our Current Funding Frameworks Favour Roads

35. There are several issues with the funding frameworks available to ensure a low emissions transport network. The Productivity Commission's Report into a Low Emissions Economy identified several barriers to climate friendly transport investments like inter-regional passenger rail and found that there is a "bias towards road transport solutions"[32] and a segregation between rail and road investments under the current funding frameworks. As can be seen in *Figure 5.* investment in roads occurs at a significantly higher rate than that of public and active transport combined.

36. Taituarā supports "an efficient transport investment system [should] be designed to minimise biases and siloes, and to guide investment to deliver the highest value to society when all costs and benefits are considered. Transport planning and funding should consider the most cost-effective modes of transport for each location, taking into account the full costs, including social, economic, and

[32] Productivity Commission, Low Emissions Economy, pp 380

environmental."[33] For this to occur further changes to the Land Transport Management Act and the structure of KiwiRail may be needed.

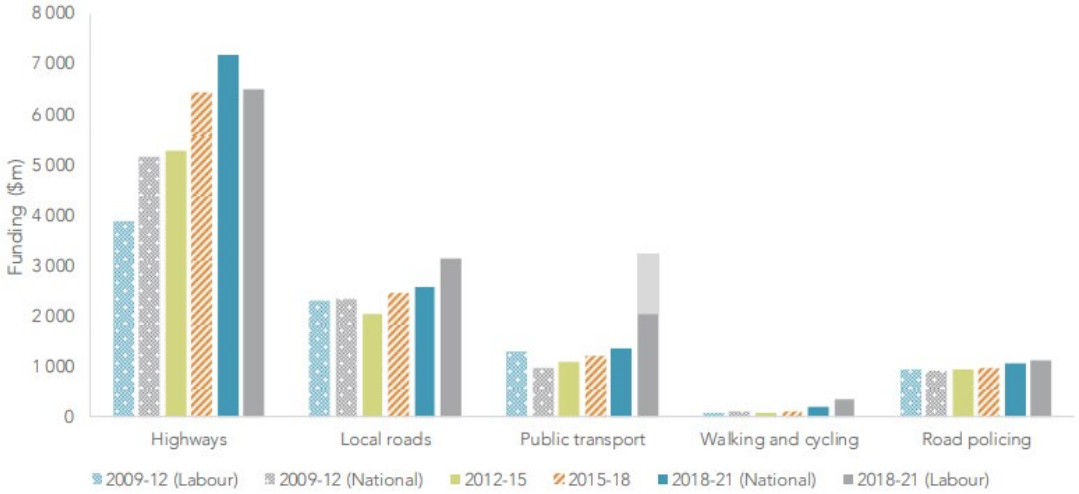

Figure 5: Bias Towards Funding Roads (Source: Productivity Commission)

37. We note that KiwiRail has started to include externalities when developing business cases for projects.

38. Ministers have announced[34] that KiwiRail will retain its status as a State-Owned Enterprise following a recent review[35]. As the report was not publicly available at the time of preparing this submission we encourage the Committee to assure itself "that (public) benefits can be delivered effectively in the current entity form" [36] and there is not a conflict between the achievement of public goods and the purpose of an SOE to "operate as a successful business and, to this end, to be as profitable and efficient as comparable businesses that are not owned by the Crown".[37]

Long Term Funding and Pricing Frameworks are Needed

39. While providing more investment in rail (such as that outlined in the National Rail Investment Programme (NRIP) will deal with issues surrounding the renewal of our dilapidated rail network, a comprehensive refresh of land transport funding is required to ensure the right funding decisions and pricing mechanisms are in place to encourage mode shift.

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[33] Transport and Industrial Relations Committee, 2017, p. 26

[34] Press Release: https://www.beehive.govt.nz/release/kiwirail-remain-state-owned-enterprise

[35] Ministry of Transport, (2021). Terms of Reference: a review of the entity form of KiwiRail Holdings Limited and the New Zealand Railways Corporation.

[36] Press Release: https://www.beehive.govt.nz/release/kiwirail-remain-state-owned-enterprise

[37] State Owned Enterprises Act 1985 Section 4(1)(a)

40. "A feature of current transport pricing arrangements is that they are designed to recover the costs of providing transport infrastructure and services", this does not however account for negative externalities such as emissions and air pollution.[38] Developing a low emissions transport system will need to include "adjusting the pricing arrangements for transport so that they more fully reflect the range of negative externalities associated with different modes of transport.".[39] In their report, the Productivity Commission recommended:

> *(12.9) The Government should take steps to amend the pricing system for transport so that a greater share of the external costs associated with private vehicle use are internalised.*

41. This recommendation is soundly based in the principles of orthodox economics - when users of a service face the true costs of their demand, they demand only what they value.

42. Taituarā and the local government sector, have long been an advocate of the use of road pricing. Cross-sectoral support for 24/7 road pricing dates to the 1993 joint Local Government New Zealand / Automobile Association / Road Transport Forum Submission Land Transport Funding. Taituarā continues to support road pricing as a critical component of a funding model that enables a low emissions transport network.

43. Funding frameworks need to support investment over (at least) a 30-year timeframe. Transport infrastructure is a long-term investment with projects often taking years to complete and assets staying in place for decades. The recent review into Rail in New Zealand found one of the key issues is that the funding framework "involves short-term funding decisions, which are inadequate for long-lived assets" [40].

44. The recent changes to bring rail under the Land Transport Management Act have made some progress towards enabling less siloed longer-term investment. It is expected that "over time, this will improve complementary and trade-off investment decisions between transport modes.[41] This has been supplemented by the release of the National Rail Investment Plan and the New Zealand Rail Plan

[38] Productivity Commission, 'Low Emissions Economy'. Pp 376
[39] Productivity Commission, 'Low Emissions Economy'. Pp 377
[40] Ministry of Transport. (2021) The New Zealand Rail Plan. Ministry of Transport. Wellington. pp.16
[41] Ministry of Transport. (2021) The New Zealand Rail Plan. Ministry of Transport. Wellington. pp.16

(NZRP) which outlines the investment needed to reverse the managed decline of our railways. However, this will not be sufficient to enable a viable inter-regional passenger rail network. Both the NRIP and the NZRP lack the ambition and long-term thinking required to reduce emissions though increased passenger rail use. A clear plan for investment on a 30-year timeframe would be more appropriate given the nature and longevity of the assets in question and would match the timescale of Regional Spatial Strategies.

45. It will also be crucial to ensure that the upcoming reform of the Public Transport Operating Model enables not only bus services but also passenger rail. Some aspects of the Sustainable Public Transport Framework proposal appear to support inter-regional passenger rail services and integration with the wider transport network. For example, removing the exemption for inter-regional public transport services and allowing Councils to own and operate intra and inter-regional services.

Funding Rail

12. That the Committee assure itself that the recent review sufficiently supports the notion that KiwiRail should keep its status as a State-Owned Entity.

13. That the Committee recommend the Ministry of Transport supports inter-regional passenger rail investment through the next Government Policy Statement on Land Transport.

14. That the Committee recommend the Ministry of Transport amend the pricing system for transport so that a greater share of the external costs associated with private vehicle use are internalised.

15. That the Committee recommend that the Ministry of Transport and KiwiRail work to update the New Zealand Rail Plan and the National Rail Investment Programme.

16. That the Committee ensures the Sustainable Public Transport Framework enables inter-regional passenger rail services when enacted.

Conclusion

46. Inter-regional passenger rail is a crucial asset in our transport network and contributes to the government's wellbeing outcomes.

47. The benefits of rail are extensive and include national and regional economic benefits, reductions in emissions and congestion, reduced road deaths and injuries, access to education, skills, resilience and connection between communities and wider social benefits. The $1.7b- $2.1b value[42] of rail in New Zealand predominately comes from time (and congestion) savings, reduced air pollution, reduced fuel and maintenance costs, reduced greenhouse gas emissions, and increased safety. These public good benefits over the long term outweigh the large initial investment.

48. The funding and pricing systems for transport need to address external costs.

49. Ongoing and sustainable investment in the right places at the right time will be critical to ensuring that Aotearoa has a high functioning rail network. The short-term nature of the current funding mechanisms has meant that "much of the network is suffering from years of underinvestment in core renewals and maintenance."[43] A viable inter-regional passenger rail network will require significant investment, including investment in upgrades to tracks and carriages.

50. A clear framework for planning and delivering services will also be needed to ensure standards of service are met and the lines meet the needs of the communities they serve. Services will need to be fast, frequent, affordable, and reliable and fully integrate into local transport networks.

51. Changes to the funding frameworks and developing clear long-term plans to contribute to the upcoming Regional Spatial Strategies will also be critical to delivering a viable inter-regional passenger rail network and the Government's transport outcomes.

[42] Ministry of Transport, (February 2021), *The Value of Rail in New Zealand*, pp 8
[43] KiwiRail, (June 2021), Rail Network Investment Programme. Ministry of Transport. Wellington. pp. 8

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Appendix One: Historical Passenger Rail in New Zealand


Historical Passenger Rail of Te Waipounamu
This map shows every rail line in New Zealand's South Island that carried passengers at some point in the past.
Unless denoted with a dashed line, the service was operated by the New Zealand Railways Department.
Sam van der Weerden | caffeinatedmaps.com

Appendix Two: Current Railway Lines in New Zealand

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