National's Transport Funding

Summary

Over the next ten years National will spend $31 billion on additional transport projects across New Zealand. Of this, $17.5 billion will be on additional transport projects in the upper North Island. This includes $12.8 billion for Auckland and $4.7 billion for the remainder of the upper North Island.

The breakdown of this funding is as follows:

New Funding ($ millions)											
Funding Source	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**Total**
NZTA Borrowing	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	10,000
Covid-19 Response & Recovery Fund	1750	1750	1750	1750	0	0	0	0	0	0	7000
NLTF Reallocation	395	595	644	617	639	656	657	674	685	701	6263
Unallocated NZ Upgrade Programme	0	0	0	0	1300	1300	1300	0	0	0	3900
Capital Allowance	0	0	0	0	0	0	0	1400	1400	1500	4300
Total	**3145**	**3345**	**3394**	**3367**	**2939**	**2956**	**2957**	**3074**	**3085**	**3201**	**31,463**
New Projects ($ millions)											
Transport Projects	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**Total**
Upper North Island	1760	1615	1500	1900	3250	1650	0	5000	800	0	17,475
Other	780	1102	1490	2710	1830	1070	1550	630	1730	630	13,522
Total	**2540**	**2717**	**2990**	**4610**	**5080**	**2720**	**1550**	**5630**	**2530**	**630**	**30,997**

Intergenerational Funding

National intends to make a major change to the way we fund transport investments in New Zealand.

This simple yet profound shift in thinking fundamentally changes the game by allowing us to significantly invest more on an annual basis, develop a pipeline of projects, and invest in important projects before they become urgent.

We call this the intergenerational approach.

Our policy

National will let Waka Kotahi NZ Transport Agency (NZTA) borrow significantly more on its own balance sheet, using the $4 billion of annual revenue it receives from fuel tax and road user charges to service the debt.

The current Government has recently made a similar move with Kāinga Ora.

The problem

The way we fund transport investments at the moment makes little sense.

Petrol tax, road user charges, and motor vehicle registration and licencing fees are all paid into the hypothecated National Land Transport Fund (NLTF). This amounts to about $4 billion per year. From that, NZTA invests in new state highways, maintains them, and invests in local roads in partnership with local government.
Funding is allocated to projects and the costs are funded as they are incurred. This is called the 'pay-go' basis.

But building new transport infrastructure is intergenerational. The way we fund transport projects at the moment is like a household trying to buy a house without a mortgage, but just using three years of household income. Nobody does that. Instead, they typically borrow over 20 or 30 years and pay off the house slowly over that time using their household income to service the debt.

No business would operate the way NZTA does now. New Zealand's state highway network is worth $26 billion. That asset has revenue of about $4 billion per year but NZTA can only borrow a few hundred million dollars in total.

Any sensible business worth $26 billion, with $4 billion of revenue per year and making major new investments, would not fund those investments with cash. It would instead borrow and use the revenue to service the debt over time.

Benefits

There are three clear benefits from this policy.

The first is we can significantly increase transport investment. Our change allows NZTA to borrow $1 billion per year for ten years to fund our massive new investment in transport infrastructure.

The second benefit is that we can properly develop a pipeline of projects across the country, which communities can then plan around with confidence. At the moment, regions live in near perpetual uncertainty about whether particular projects will get the green light from NZTA, or not. This causes angst and produces poor planning outcomes. Our approach allows a much more coordinated pipeline of projects to be planned and funded.

The third benefit is that we can invest ahead of time rather than after an investment is needed, which so often is the current approach.