2 July 2021

New Zealand Infrastructure Commission Te Waihanga

He Tuapapa ki te Ora: Aotearoa New Zealand Infrastructure Strategy consultation document

INTRODUCTION

1. EROAD is a technology company specialising in regulatory vehicle telematics, providing services in New Zealand, Australia and the United States. We appreciate the opportunity to provide this submission.

2. We have limited our submission to selected issues. Representatives of EROAD are available to speak on the submission at your convenience.

ABOUT EROAD

3. EROAD believes every community deserves safer and more sustainable roads that are sustainably funded. This is why EROAD develops technology solutions that enable the better management of vehicle fleets, support regulatory compliance, improve driver safety, and reduce the social, economic and environmental costs associated with driving and roads.

4. In 2010, EROAD became the first supplier of electronic Road User Charges (eRUC) services in New Zealand. Today we support our customers in tracking and managing 87,000 vehicles on New Zealand's roads and worksites. EROAD offers a broad suite of products which support safe use of the roads and optimised vehicle use, and also provides valuable data, analytics and insight to universities, government agencies and others who research, plan or evaluate transport network performance.

5. EROAD (ERD) is listed on the NZX and ASX, and employs over 300 staff located across New Zealand, Australia and North America. If you would like to know more about EROAD, you can visit https://www.eroad.co.nz/

OUR SUBMISSION

Q1. What are your views on the proposed 2050 infrastructure vision for New Zealand?

Q2. What are your views on the decision-making principles we've chosen? Are there others that should be included?

Q25. Does New Zealand have the right institutional settings for the provision of infrastructure?

6. We are comfortable with both the vision and the decision-making principles.

7. We note that, because of the necessarily generic nature of the vision and decision-making principles, there is a considerable gap between them that, in practice, must be left for the political process to fill.

8. The land transport investment system has attempted to keep the political process at arm's length. However, this has proven impractical with larger projects. The need or desire to use

debt, tolling or other special powers all require Ministerial, Cabinet and parliamentary engagement. As the transport system engages more with the decarbonisation agenda, which necessarily involves major land use and urban form decisions being made, the importance of political factors will only grow.

9. Serious thought could be given to recognising these underlying constraints instead of trying to design bureaucratic 'by-passes'. A question worth considering is how to more directly involve the political – i.e. parliamentary – level in governing the infrastructure pipeline(s):

    - The aim would be to foster bi- (or multi-) partisan agreement on both: (1) long-term directions; and (2) the translation of these directions into the short- to medium term investment signals.

    - Climate change and decarbonisation imperatives suggest that, even if not sustainable over the very long-term, this kind of arrangement is something that is very greatly needed over the next 20-30 years as infrastructure investment plays its part in getting New Zealand over the hump of change.

    - A Parliamentary infrastructure governance committee would need good advice. Logically, that would come from the Infrastructure Commission. However, to add value, the Commission would need to own the strategy and not just champion 'strategy-agnostic' decision-making principles.

Q10. What steps could be taken to improve the collection and availability of data on existing infrastructure assets and improve data transparency in the infrastructure sector?

Q11. What are the most important regulatory or legislative barriers to technology adoption for infrastructure providers that need to be addressed?

10. The language of data transparency implies a right of access to data that is somehow being improperly obscured. While we recognise the public interest in having better data available at affordable rates, it takes capital investment and ongoing operating costs to create any such data. Infrastructure agencies and the consultancies that serve them need to recognise that the 'new' data sources come at a cost. This cost derives from the efforts involved in creating, curating, and stewarding the data assets. Prospective data users need to be prepared to pay fairly to access (and sustain) those sources.

11. A related issue is that government data users are often constrained by procurement rules that make it hard work to create data access arrangements that let them build familiarity with new data sets, i.e. the need to tie the contract to a specific output, as opposed to a process of discovery. This kind of 'learning by playing' can be done, but it involves trust and maturity.

12. The steps that need to be taken are:

    - Permitting and funding data-users to pay a fair rate to access privately-funded data pools in appropriately managed ways for the public interest (i.e. for 'public uses')

    - Cultivating a healthy market of data-suppliers to ensure competition, innovation and economy in supply, including:

        i. Leaving the private sale of data for private or commercial benefits ('private uses') to the free market

ii. Ensuring privacy laws are sufficiently robust, understood (by individuals and bodies corporate), monitored, and enforced to adequately regulate the private uses data market

- Enabling data-access methodologies that recognise and respect the interests of the data subjects and the data producers, not just those of the institutions wanting to have access to that data.

13. The private uses data market is necessary:

- to enable the full economic value of data to be realised
- to attract the capital that ensures the ongoing development of the data sources
- in consequence, to provide the foundation for a viable public uses data system.

14. In terms of supporting public uses data system, we note that the Ministry of Transport also touched on this issue in *Hikina te Kohupara kia mauri ora ai te Iwi*, its transport decarbonisation discussion document. In it, the Ministry questioned the need to consolidate and share data between public and private transport providers (in the context of enabling shared mobility services), and also along logistics chains (in the context of better understanding and optimising freight). We noted that further transport conversations around sharing and integrating data are underway in the domains of road (user) regulation and, of direct relevance to this strategy, road asset management.

15. We consider an option worth serious investigation is the establishment of one or more public-private joint ventures to act as data repositories and stewards in support of the public uses data system. The purpose of establishing a JV would be to manage the public's privacy concerns, both by keeping the data, in general, at arms-length from government, and by keeping the integrated data away from private commercial entities the original data subjects had no direct or transparent relationship with.

Q19. What cities or other areas might be appropriate for some form of congestion pricing and/or road tolling?

16. Congestion pricing and road tolling are different things, and their uses should be subject to different, appropriate, tests.

- Congestion charging seeks to suppress demand in certain times and places, allowing other options to assert themselves. While it generates revenue, this revenue stream cannot be allowed to become a purpose in itself, or the demand management goals will be undermined.
- Tolling seeks to capture a revenue stream proportionate to some aspect of the cost of the infrastructure (currently, in New Zealand, the debt associated with bringing forward construction, but it could be wider than this or focused solely on operating costs etc). While demand suppression is a consequence of applying tolls, this effect is balanced through toll optimisation that seeks to ensure guaranteed minimum revenue over a given timeframe and use of the asset within its intended performance parameters (i.e. to satisfy two value for money measures).

17. Access to either congestion pricing or tolling should not be restricted on a blunt geographical basis. In both cases the permitting process should be premised on any given proposal having

an unambiguously appropriate purpose, been subject to rigorous consultation, and support from a robust business case that demonstrates a high probability of effectiveness and financial viability.

18. The need to decarbonise road transport may call into question the ongoing viability of tolling. Light vehicles are a critical target for demand suppression as part of decarbonisation, yet they are also a significant revenue source for any tolling scheme. Since tolls typically seek to gather at least a certain minimum level of revenue, wider demand suppression inevitably results in the remaining vehicles having to pay higher tolls. At some point, the level of the toll should properly be capped, which may result in the sum of tolls becoming inadequate to service the cost upon which the revenue target and toll rates are set.

19. Why should tolls have a theoretical cap? Because they are about recovering a *fair* cost share. Where demand suppression is a public policy goal, some of the higher cost of a toll can be attributed to the wider public benefit of having fewer vehicles on the road. In these cases, a certain share can appropriately be attributed to general taxation funds.

20. The argument can always be made that road users have choice. However, that argument often conflates the future average road user having choice once various policies have gained traction, with today's current specific road user having real choice right now, which they do not. The time period covered by this strategy is the transition period, at the end of which the average road user might have choice, but through which the socially disadvantaged road user is going to be hard pinched by the lack of real choices.

Q20. What is the best way to address potential equity impacts arising from congestion pricing?

21. In the absence of a specific congestion pricing scheme to assess, it is difficult to say any given measure might be more appropriate or effective. There is a wide array of measures available to government. Which measures work best will depend on the congestion pricing scheme and the context it operates within.

22. That being said:

- It is likely that a bundle of measures will be needed as opposed to some single 'silver bullet' policy
- Denser and better connected urban public transport networks, significantly sooner than is currently planned, are almost certainly part of the mix. As part of this, free boarding, if not for all at all times, then at least at all times for children, students, retired persons and, perhaps, at interpeak for working age people, would probably be more effective than attempting generalised income-based compensation through the welfare system (e.g. if compensation were offered in a manner mimicking the Accommodation Supplement)
- Certain groups would need more specific support. For example, blind persons already experience significantly higher transportation costs and are often poorly served by general public transport. The technology exists to provide targeted transportation subsidies to make small passenger services uniquely available to this group.

Q30. Should local authorities be required to fund depreciation as part of maintaining balanced budgets on a forecast basis?

23. No. However, they should be required to understand the current value of their assets and forecast costs.

24. Not all councils or communities are coming at these challenges from the same base. Funding depreciation is 'tidy', from a certain point of view, but may not be the most efficient use of limited funds in the scheme of the total range of demands on a specific community or council.

25. The question to answer first is to what extent we, as a country, see certain minimum standards of infrastructure as necessary to support access to the standard of living we feel New Zealanders deserve? From this can flow questions and choices about how we lift everyone to that standard, to what extent we charge users a fair contribution for the basics, and to what extent we surcharge them for anything more?

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