

LAND PASSENGER TRANSPORT IN  
NEW ZEALAND :

ISSUES FOR THE NEXT DECADE

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Abstract

Passenger transport services in New Zealand have undergone a major period of change in the last 15 years. This paper looks at likely changes in the next 10 years, including the role of the private car in market definition; the individualisation of passenger transport demand; funding users not operators; issues of accessibility to public transport; and levels of funding.

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### 1 Introduction

- 1.1 1 July 1991 is generally regarded as the beginning of a new era in the management of land passenger transport in New Zealand. On that date regional councils took over clear responsibility for all land passenger services. Publicly owned bus services were corporatised, and both public agencies and the passenger transport industry as a whole found out the significance of the magic letters CPP (Competitive Pricing Procedures).
- 1.2 Four years on from that date, the system is generally well established and from a very broad perspective is generally functioning as planned. Whether it is working well is clearly a matter of the point of view of individuals or specific groups. The present writer does not propose to make such judgements, leaving this to others both better qualified and with a more impartial point of view. The purpose of this paper is not to look back on what has been, but to look forward towards what might be in the next decade.
- 1.3 Foretelling the future is always a high risk activity. Anyone attempting this task has the almost certain guarantee that they will get one or all of their predictions wrong and that, for the next decade, everyone else will lose no opportunity to point this out to them! Nevertheless, I think it is appropriate at this time that we review a number of issues that are clearly going to demand substantial sector attention in the next few years, and to look at least some of the ways these issues might be resolved.

### 2 Public Funding for Passenger Transport

- 2.1 I said at the beginning that 1991 was an important date in the history of land passenger transport in New Zealand, but there is a very strong case for saying that 1977 was in fact more important. The legislative changes introduced in 1991 sought to maximise the value received for the public funding (currently about \$100 million), that is spent on land transport passenger services. 1977 was far more significant because it represented a conscious decision by the then Government, that has been supported, at least in principle, by all successive Governments, that it was an appropriate use of public money to maintain a particular level of passenger transport services, in areas where

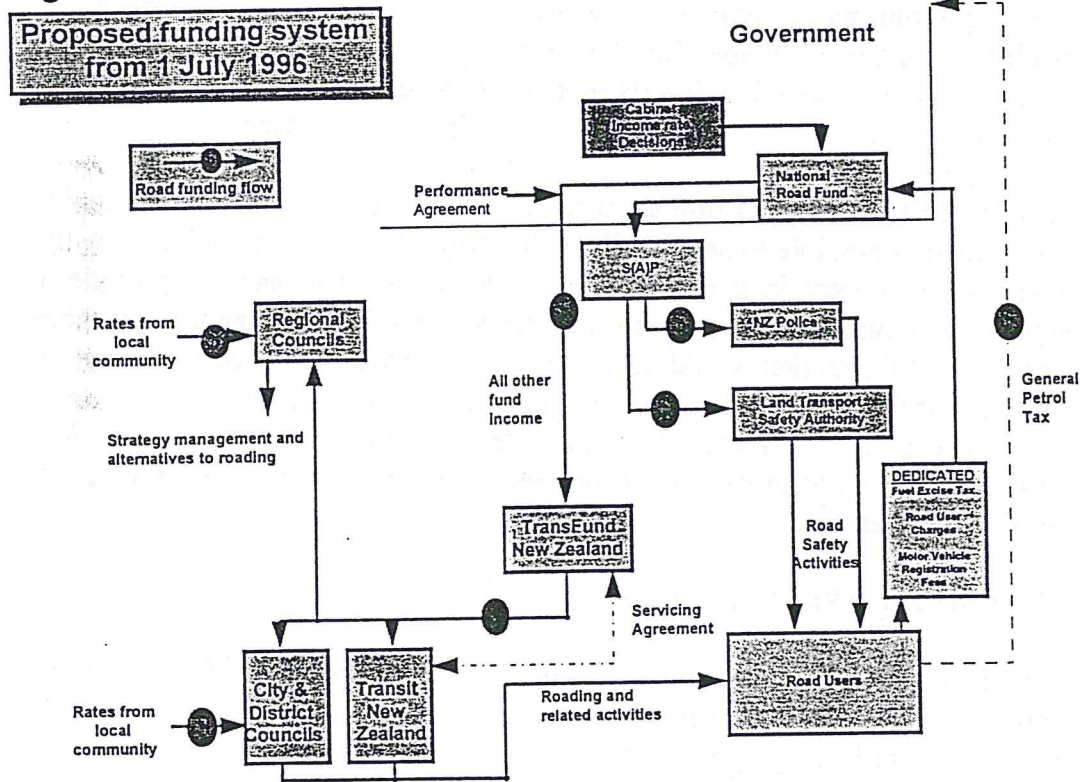
commercial realities might suggest that few services would otherwise be offered.

### 3 Funding Systems

3.1 Since 1977 there have been innumerable debates on the "proper" amounts of funding that should go into public passenger transport services. The history of funding that should go into public passenger transport services. The history of capital grants for bus purchases; the regional petrol tax; and output funding for Transit New Zealand are all well enough known not to need endless repetition.

3.2 From 1 July 1996 a new passenger transport funding regime will come into operation (Figure 1). Transfund New Zealand, as the new funding organisation, will have a responsibility to fund cost effective alternatives to road transport - but, and this is most important - it will not have a previously determined cap on available funding as has been the case since 1977.

Figure 1



3.3 The new agency will have a volume of funding based on roading activity and will judge on a case by case basis what the most effective use of that funding will be. Transfund New Zealand will have to deal with a large number of competing demands on the merits of those demands. This is clearly not a cast iron guarantee of future funding levels for passenger transport or other alternatives to roading, since it will depend strongly on the case that interested parties can put to the new agency. Equally, however, Transfund will be restrained only by the comparative strength of the cases for passenger transport

funding that it receives, and whether those cases meet the requirements of being cost effective alternatives to roading.

- 3.4 When these provisions were developed by the Parliamentary Select Committee on Transport, they clearly recognised that artificial financial caps probably create more trouble than they are worth, but they also put passenger transport managers and operators on notice that funding will only flow in future where there is a good case in terms of cost effective roading alternatives.

#### 4 Why Fund Public Transport?

- 4.1 While the new regime certainly puts funding on a more dedicated basis, putting it into the care of an independent organisation free from direct political intervention, the process will inevitably, and at regular intervals continue to lead to questions why there should be *any* public transport funding. Will we be funding a service that is an important part of our society in providing opportunities to those who would otherwise not have them? Will we be thinking about maximising the efficiency of the roading system? Or are we talking about a residual spending function that in a few years may well wither away? Each of these views has its supporters in New Zealand, and I would not claim that society yet had a coherent single opinion on the issue.

- 4.2 At this point I think it is important to stress my personal view on this topic. As far as it is possible to see, I believe that New Zealand, along with virtually every other country in the developed world, is going to have to provide a significant degree of funding to support various land passenger transport services that the market would not automatically provide on its own account. I believe that the real questions that we are going to have to focus on in the next decade are not so much *whether* we provide public transport services, but *what sort of services* are provided. *How much* we fund remains an issue to be considered after this.

#### 5 The Market for Public Transport

- 5.1 Significant changes in the market for public transport services of any sort are now moving at a pace that is often unrealised outside the sector. Traditional commuter traffic in general is generally declining, while demand for more specialised forms of public transport is increasing at a substantial rate. The rapidly changing nature of our cities from traditional urban cores ringed by residential suburbs to complex multicore cities clearly militates against many traditional high density public transport systems, at least for short and middle distance trips.
- 5.2 New Zealand has the second highest ratio of cars to people in the world, yet there remains a large number of people who do not have significant, or indeed, any access to cars. We have a population whose age profile is getting steadily older.

5.3 We also have a society which is becoming increasingly more conscious that public services not only have to simply exist, but have to be provided in a manner that does not implicitly exclude large numbers of the population.

5.4 I am generally of the view that there will remain a large and probably growing market for public transport in New Zealand, but that that market in 10 years time will be dramatically different from the view of public transport that most of us certainly have at the moment, which usually relates to the morning or evening rush hours in the major cities. This new market for public transport will require a completely new approach and it is the implications of this approach that I now want to focus on.

## 6 Private Cars and Public Transport

6.1 The primary issue in public transport for the next decade is a very simple one. The demand for public transport and people's expectation of public transport service, is now firmly determined by the availability of the private car. Even if people do not have cars, and there are significant numbers of people who do not, they expect the equivalent benefits of having a car from any public transport system that they may have to use.

6.2 This I believe is absolutely crucial. If public transport is to have any future at all, its protagonists have to recognise that not merely do transport service providers have to realise they are competing with the private car, they will have to deliver services that come as close to the levels of convenience of the private car as is possible. This implicitly means services such as taxis and shuttles and similar services often classified as "demand responsive".

6.3 This does not automatically mean that large buses and trains have no future; the issue finally is the length of time any journey takes *from door to door* and the convenience that the single vehicle can offer in such a journey. Buses and trains offer alternatives where they can clearly show that they can beat the door to door time of the car. This, of course, implies that traditional public transport will tend to focus on long distance travel such as the major routes in Auckland and Wellington.

6.4 There are many examples around the world of the development of user focussed services such as these. Many people criticise Third World countries for having large fleets of small vehicles and claim that these are somehow inferior to the transport systems of the developed world with high capital investment. I would not for one second claim that some of the Third World transport systems necessarily have the level of comfort or safety that we might want, but I believe that their many critics have missed an important point.

6.5 Small vehicles running frequent services meet a fundamental consumer demand. In any society, such as New Zealand, where the majority of people

have their own means of mechanical transport, I believe that door to door services will be the primary public transport service in the future.

- 6.6 Clearly this implies a quite different definition of public transport than the one we have tended to use in the past. Despite the Transport Services Licensing Act 1989 saying that there are only "passenger transport services", we still tend to talk of "buses, trains and taxis". Ultimately there are only "services", meeting customer needs. Customer needs in my view will increasingly focus on service tailored to individual demand. In a society where most people have their own means of transport, central or local management of demand is simply going to be a thing of the past. Public transport has, in short, to sell services that mean something to people.

## 7 Paying for Public Transport

- 7.1 An emphasis that demand for public transport is in fact made up of large numbers of individual journeys, that increasingly do not fit the aggregated flows of the past, carries another major implication. If we see public transport as composed of many individual door to door journeys of considerable complexity, there is clearly also an implication that where society decides to assist public transport, we need to look at individual user funding, rather than funding to operators. I believe that in the very near future we are going to see in New Zealand a substantial increase in the use of vouchers for public transport users and, a little further away, the use of stored value cards that will be available for use across all modes of passenger transport: taxis; buses; trains; shuttles and ferries.
- 7.2 Rather than fund operators to provide services that planners *think* society might want, or even *should* want, I believe that the growing individual nature of society will mean that we will have to provide transport assistance to individuals, who then make journey choices that are sensible for their own lifestyles and needs.
- 7.3 The logical outcome of this, of course, is that service operators will be running in a purely commercial environment. They will have to collect the full cost of journeys from passengers and will be indifferent as to whether the passenger is paying the full cost of that journey themselves, or is receiving some form of personal assistance from central or local government sources.
- 7.4 Current matters of importance, such as fleet replacement, will become a matter solely for operators in the market, as of course, they are for the rest of the transport industry.
- 7.5 It will no longer be possible for customers to be neatly categorised into "small children" or the "elderly" or "commuters", but simply "passengers" who purchase services. In this way not only are service users able to make sensible choices for their own lifestyle, but operators will have to focus very closely indeed on market demand. There are growing indications that this approach

would be welcomed both by users and operators, and by regional councils as administrators of this system.

7.6 Such an individual approach would also lead to a significant change in the role of regional councils in managing the public transport system. A move to an individual trip based system - which is after all what we have everywhere else in the transport sector - will mean that regional councils or the appropriate social agencies will have to decide who needs assistance to purchase services. They will then develop appropriate systems to deliver funding to those people, rather than trying to provide operator subsidies, and rely on second guessing of the nature of demand.

7.7 It should also be stressed that individualising demand should not be seen as something purely for various groups as a matter of social policy. It is obviously important that social and other assistance helps those who may not have access to adequate transport. However, in the scenario that I have described, it may be equally rational that society helps people who may *already* have transport. If the alternative to completing new roading networks is to target groups of commuters and provide them with transport assistance, thereby reducing traffic flows in key areas, then it seems to me that this is a sensible use of available funding.

## 8 Vehicle Design

8.1 I believe that individualising demand also raises another crucial issue that we will have to face as a country. There has been a great deal of debate lately on the subject of accessibility and the rights of that rather poorly defined group of people known as the "transport disadvantaged". I use this latter term with some caution since it is far from been accepted by many people and is equally not particularly clear. More seriously, however, I believe that using the terms "transport disadvantaged" - or any of the other similar terms in relation to community groups - misses a crucial point. There are ultimately only "transport users".

8.2 Governments have committed themselves to providing services in the community for citizens. I can see no option but that New Zealand will, at some stage, have to establish standards for public transport vehicles of all sorts that are not seen just as "something for the transport disadvantaged", but as inherent universal design features for anyone wanting to use public passenger transport. It might ultimately be the greatest success of public transport system design that services like Total Mobility simply vanish, because the ordinary public transport system is providing everything the current clients of Total Mobility need to meet their transport demand.

8.3 Having said that, however, it would be unreal not to recognise that the current passenger transport fleet represents a massive investment in capital and one that cannot simply be ignored. As a country we have to develop a longterm view of where we want the passenger transport vehicle fleet to go and what

characteristics we feel it should have. It has to be recognised that a lot of people have invested a lot of money in that fleet and that any change will necessarily be slow.

- 8.4 The new National Land Transport Strategy will provide the opportunity in my view for such a measured transition (Figure 2).

## Figure 2 National Land Transport Strategy

A statement of :

- ➔ Crown's goals in relation to land transport
- ➔ Policy objectives to be pursued in relation to those goals
- ➔ Measurable targets to be met to achieve objectives

Effect for 10 years at a time

Must be a strategy continuously in force after first one

Transport agencies must ensure actions not inconsistent with strategy

- 8.5 While I do not propose to comment on the current case before the Human Rights Commission, I believe that this issue needs to be managed with a longterm perspective and that the issue of cost differential between existing vehicles and low floor vehicles is far from simple. In the public transport market scenario I have just described, it is highly unlikely that vehicles will be replaced on a one for one basis, and we need to devote much greater thought to a longer term vision of the public transport system that *everyone* needs.

### 9 Environmental Issues

- 9.1 There is an apparent conflict between the perceived trend that I have highlighted towards a more individually based public transport market, and the often claimed environmental benefits of public transport systems per se.
- 9.2 I cannot deny that using a large number of smaller vehicles may not generate the apparent environmental efficiency of a smaller number of large vehicles, but the issue is much less clear cut than it appears. In the New Zealand context we presently lack the fundamental knowledge to make such a



judgement at present, although work is underway to provide the basis for such complex judgements in the Road Vehicle Fleet Strategy.

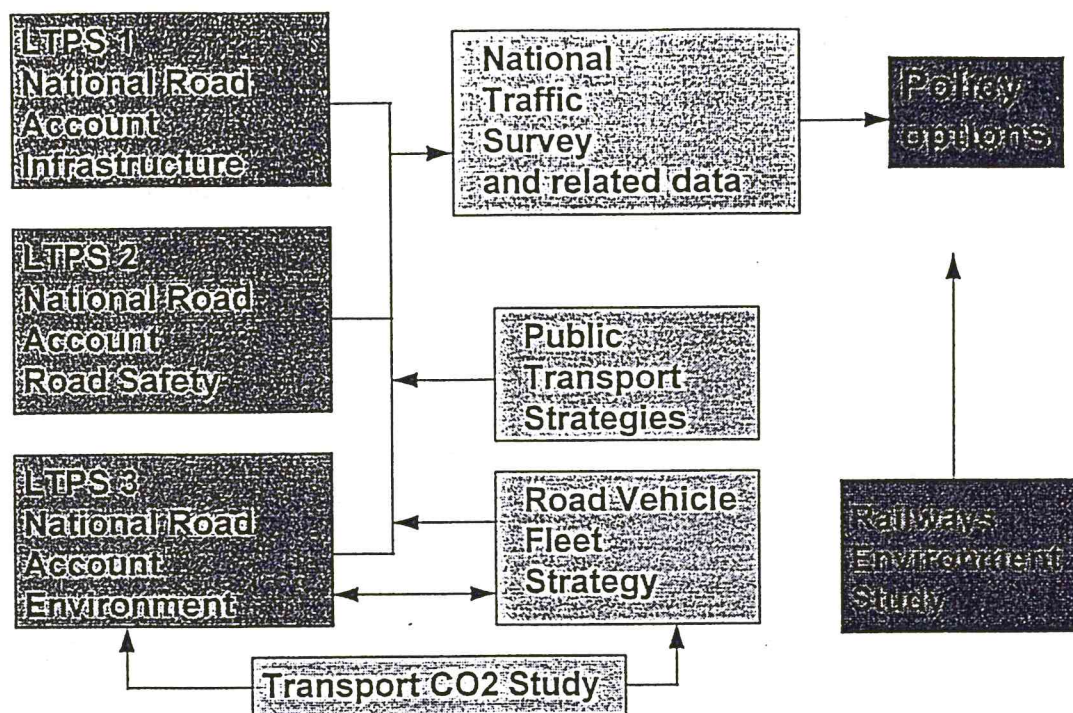
- 9.3 More fundamentally, in the New Zealand context at least, I believe that this question of marginal environmental efficiency, hides a much larger one. Most journeys are now made by private car. If we seek environmental improvements, even the most minor general improvements to the private car fleet are likely to generate total benefits that greatly exceed the sum of even dramatic changes in the public transport fleet. Even if they were to be made, these public transport changes would have to be offset against the social and economic improvements that they will generate.

Nobody ever said choice was going to be easy...

## 10 More Money for Public Transport?

- 10.1 It is relatively straight forward in my view to identify the sorts of issues that will face the public transport system in the next decade. It is much harder to assess what level of public funding will continue to be necessary.
- 10.2 While some sectors of the industry such as Total Mobility are clearly under significant demand pressure and need additional funding, the issue of vehicle replacement, particularly to new standards, also raises longterm issues of funding availability.
- 10.3 I am far from convinced that we are necessarily looking at major increases in funding. Experience from overseas and our relatively limited experience in New Zealand suggests that a greater focus on door to door trips with more use of smaller vehicles, with lower overheads, may not, in fact, lead to massive cost increases. This is not in any way a policy statement on future funding demand, it is simply an observation that future funding issues are far from being simple.
- 10.4 We may well need substantial extra costs for high capacity vehicles where these are appropriate, to be offset by the lower operating costs of smaller vehicles where these are appropriate. I do not believe that this question will be able to be satisfactorily answered until we have clearly identified the people who we wish to help and decided what level of assistance to purchase public transport they should get. Once this has been done and the new markets start to develop and operators have some experience of appropriate fleet replacement, rather than "one for one", we may have a clearer idea of the costs involved. Substantial work in this area will be a key part of the forthcoming Land Transport Pricing Study (Figure 3).

Figure 3  
Land Transport Pricing Study and related issues



## 11 Conclusion

- 11.1 Unlike some of the dramatic changes of the last decade, the transition to an individual public transport market does not require substantial new legislation. For that I am sure many people are very grateful.
- 11.2 The issues of public transport in the next decade are not going to be structural in the sense that Government initiatives or new organisations will find any magic cure. The issue ultimately has to be people. People use public transport to meet needs and demands; they need to have a full life. The mechanisms for adjusting to these new demands are largely in place, with the obvious exception of any changes that will be necessary to vehicle standards to meet new concepts of accessibility.
- 11.3 As I said at the beginning, foretelling the future is a hazardous occupation. I believe, however, that trends already evident in our society will be, and indeed already are reflected in the public transport market. If we continue to offer the existing services and expect customers to adjust, then I do not believe that a large part of the public transport system at present has a long or productive future.
- 11.4 The new National Land Transport Strategy proposal now before Parliament will give everyone involved in the passenger transport sector an opportunity to have a say in setting longer term directions. It is important that when the

opportunity arises, that the resultant strategy for passenger transport reflects a goal that is generally accepted as the best for the sector and its customers, and one towards which we can all work.

- 11.5 We recognise that public transport users are individuals with individual demands and lifestyles, and if systems begin to change in the way I have suggested, then I believe that public transport will play an important part in developing a society which meets as many of the needs of its members as is humanly possible. If the next ten years lead to the development of a passenger transport system that meets such a goal, then everyone in the sector will have much to be proud of.

Note

The views expressed in this paper are those of the author, and should not be taken to reflect present or future Government policy. Furthermore, as opinions, they may well not be borne out by events. Caveat lector...

