

Financing Road Safety in New Zealand

Introduction

Most modern road funds (i.e., those set up, or restructured after 1990), are nearly always permitted to finance road safety. They do so in two main ways. First, the allocations for road works can include spending on engineering works designed to improve road safety (e.g., treating hazardous locations, undertaking road safety audits, etc.) while, second, the lead agency with responsibility for road safety (i.e., the transport ministry or National Road Safety Council, or equivalent) can apply for funds to finance a range non-engineering interventions (e.g., road safety publicity, driver training, schools programs, etc.).

The legislation setting up these road fund typically says something like, “The purpose of the Fund shall be to finance [it then lists various expenditure headings] including such road safety projects as the Board may determine.” Some road funds, like the US Federal Highway Trust Fund, actually specify that a certain percentage of the road fund revenues should be spent on road safety measures. However, although the road funds are permitted to finance road safety, many of the lead agencies responsible for the non-engineering interventions do not ask for funds, or put forward such poor programs that the road fund is unwilling to finance them.

New Zealand Road Fund

New Zealand has had a road fund since 1953. It has been restructured several times, most recently in 1996 when management of the road fund was transferred to an independent road fund administration called Transfund. The road fund operates on the basis of “user pay.” In other words, road users pay for usage of roads, the proceeds are managed outside the government’s budget (i.e., it is as off budget accounts) and the funds are used to deliver “a safe and efficient state highway system” (this quote is taken from Transit New Zealand’s vision statement).

Specifically, the revenues for the road fund comes from: (i) a fuel excise added to the price of gasoline; (ii) weight-distance charges paid by diesel vehicles; (iii) motor vehicle registration fees; (iv) interest earned on the road fund account; (v) revenues earned from sale of surplus State highway property; and (vi) refund of GST (the NZ equivalent of VAT). The revenues are deposited into an interest bearing Treasury account to recognize that the road fund is a separate account. Total expected revenues during FY2000/01 are expected to be about \$461 million.

What Does it Finance?

The first charge on the road fund is for road safety. In 1997, about 15 percent of overall revenues was transferred to the Land Transport Safety Authority (LTSA) to pay for the costs of police road safety enforcement (about 80 percent of the funds received go

on this) and the costs of operating the LTSA (mainly educational and publicity programs). The balance of the revenue was transferred to Transfund. A small amount of the funds received by Transfund is channeled to support passenger transport (about 4 percent of revenues in 1997), while the remainder is used to support road spending under the jurisdiction of Transit New Zealand (national roads) and local governments. Among other things, these funds are used to finance the costs of the road safety engineering measures (e.g., skid resistance, treatment of hazardous locations, etc.) which help to improve road safety.

LTSA assembles the annual Police bid (for funds), manages the bidding process, publishes the final program and monitors subsequent performance against agreed outputs. The program is negotiated annually and all road agencies (Transit New Zealand and local authorities) participate in the bidding process. The starting point is the current year allocation of Police effort to a range of outputs. Input from the road agencies is sought to seek variations, or increases, in accordance with evidence provided on local road safety risks. Actual outputs are funded on their merits, using the benefit/cost approach rationing criteria set down in Transfund's Project Evaluation Manual. The contractual agreement with the Police on deliverables is written into the performance agreement between them and their Minister, rather than with the LTSA.

Conclusion

The system used in New Zealand has much to commend it. Road users pay directly for the services provided by Transit New Zealand and local authorities, and also pay for the ancillary services required to make roads safe. By subjecting all road works – including road safety interventions – to benefit/cost analysis, the system also encourages a balanced approach to the various factors which go into the delivery of a “safe and efficient” road network. It also encourages road engineers to balance factors like speed and roughness (which reduce the generalized costs of travel), against skid resistance and “safe” speeds which enhance road safety.