

# **AUCKLAND TRANSPORT STRATEGY AND FUNDING PROJECT**

## **Joint Officials Group Briefing for Ministers and Mayors**

**For Discussion on 30 October 2003**

**This document does not represent  
central or local government policy**

# CONTENTS

**Executive Summary**

**2**

**Understanding the Problem**

**5**

**Constraints**

**13**

**Conclusions**

**23**

# EXECUTIVE SUMMARY (I)

Ministers and Mayors agreed to establish a Joint Officials Group (JOG) to examine the Auckland region's proposals for a range of funding mechanisms, designed to allow early completion of the region's transport network

JOG developed a framework based on the New Zealand Transport Strategy (NZTS) and Regional Land Transport Strategy (RLTS) for assessment of the Auckland package and the status quo, and found them both wanting. The Auckland Package is an improvement on the status quo, but requires a better fit with public health, environmental and affordability criteria. It also has a high level of implementation risk

As a result of this assessment, JOG examined alternative packages to demonstrate the effect of various policy choices. This led to several high-level conclusions:

- Increased levels of Travel Demand Management Non-pricing (TDM non-pricing) and public transport are essential to achieve 'minimal' NZTS outcomes, but are not the solution on their own
- Road pricing is critical to achieving better NZTS outcomes; however, road pricing faces issues of community acceptance and has a range of social and economic impacts
- An acceleration in road construction above currently programmed activity is needed

# EXECUTIVE SUMMARY (II)

ODG identified three major interlinked constraints to accelerating transport infrastructure development: buildability, consents and policy, and funding

- In order to increase the current level of construction activity, changes are needed to provide greater certainty of programme and streamline current consents and policy processes
- Provided these changes are made, it is possible to double the level of civil construction activity in the region to \$400m pa within three years
- Upon examination of various funding mechanisms, it is clear that funding everything within ten years is very difficult
- The overall conclusion is that the buildability constraint dominates, but if a 'fund as buildable' approach is adopted, viable funding pathways exist

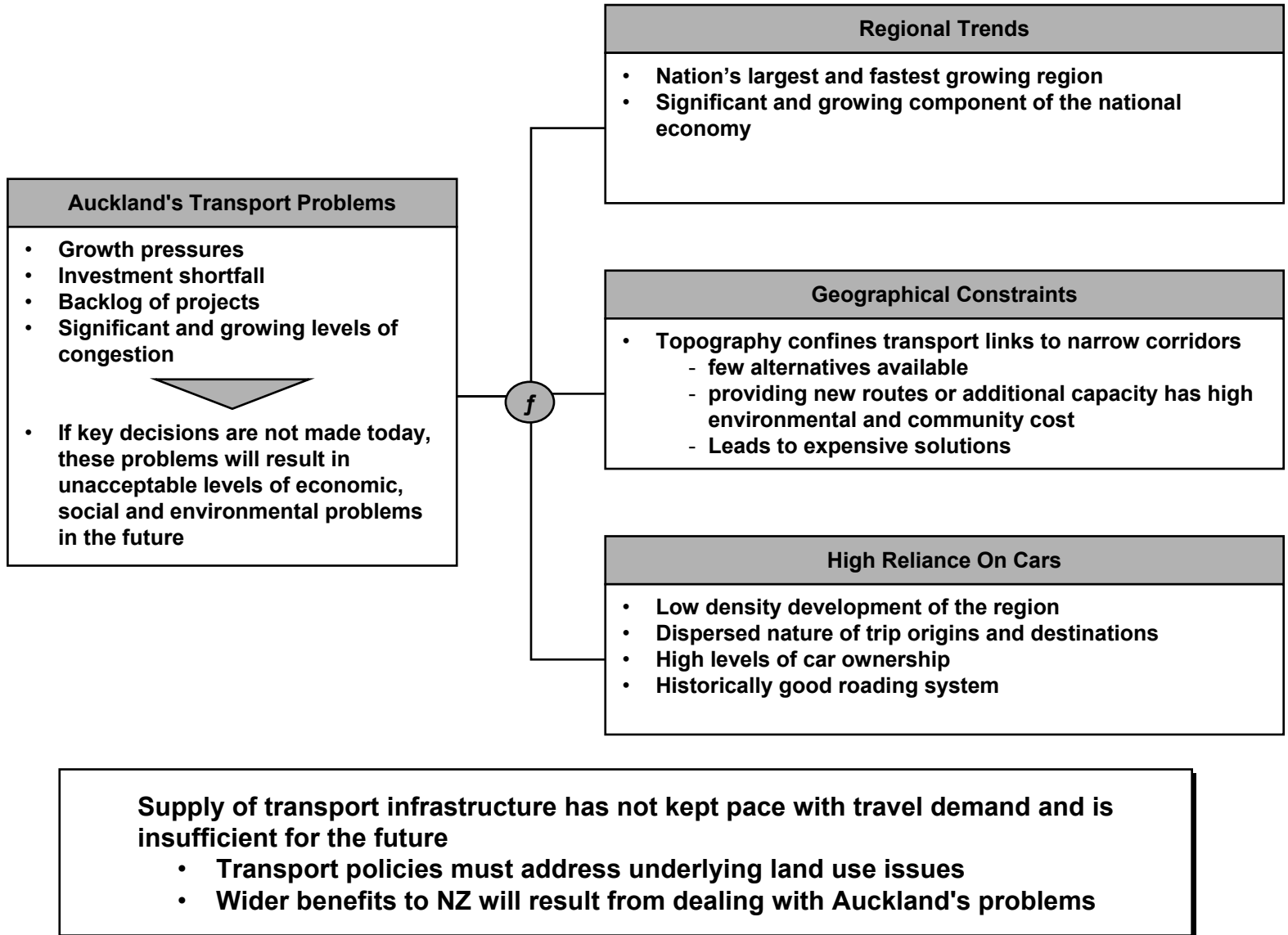
ODG concluded that three key decisions are needed, which will shape future transport outcomes for Auckland

- TDM non-pricing and increased levels of public transport can be agreed and done now
  - Recommendation: commit to implementation of an integrated programme of TDM, Stage 1 rail and an enhanced bus network
- An in-principle decision to proceed with road pricing is needed now, with a final decision to be made at an early stage
  - Recommendation: commission further work to investigate road pricing in depth
- Some acceleration of roading can begin immediately
  - Recommendation: provide additional funding and ensure that greater certainty is provided to the construction industry

# CONTENTS

<b>Executive Summary</b>	<b>2</b>
<b>Understanding the Problem</b>	<b>5</b>
<b>Constraints</b>	<b>13</b>
<b>Conclusions</b>	<b>23</b>

# AUCKLAND FACES A NUMBER OF TRANSPORT PROBLEMS



# **THE AUCKLAND REGION PUT FORWARD A PACKAGE IN RESPONSE TO THESE PROBLEMS**

**The regional land transport strategy (ARLTS) and Rail business plan were developed to address Auckland's transport needs**

- However, existing funding mechanisms are insufficient to complete these projects within a ten-year target timeframe**

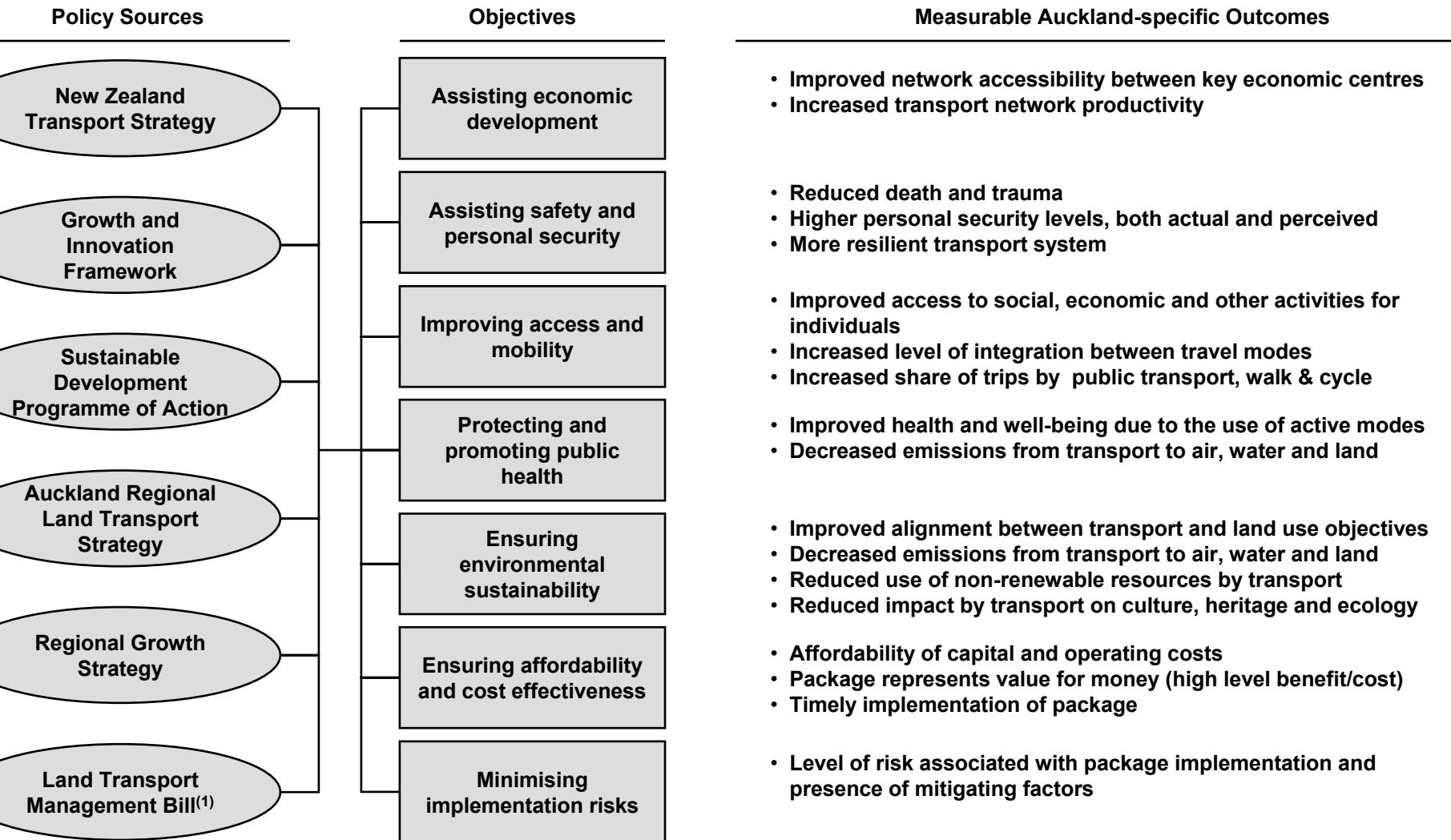
**As a result, Auckland also developed a proposal to provide funding to allow completion of these projects in ten years**

**This proposal was put forward to Ministers at the Mayoral Forum on 30 May**

**Ministers agreed to establish a Joint Officials Group (JOG) to examine the proposals and advise Ministers and Mayors on a way forward**

**The JOG objective is to develop a funding package that enables the timely implementation of an agreed network strategy, having assessed the fit of the ARLTS with the NZTS and other public policy outcomes**

# JOG DEVELOPED A FRAMEWORK FOR ASSESSMENT OF THE AUCKLAND PACKAGE



Due to timing issues, the framework was formulated in advance of Transfund Funding Allocation Framework (FAF), which will be developed to meet new obligations under the NZTS, RLTS, JOG workstream analysis



# THE AUCKLAND PACKAGE AND THE STATUS QUO WERE EVALUATED: BOTH WERE FOUND WANTING

Objective		Status Quo <sup>(1)</sup>		Auckland Package <sup>(1)</sup>
Supporting Economic Development		Does not improve perception that Auckland has poor infrastructure. Only marginally addresses poor current access to employment centres	☹	Reduced congestion to key areas and improved connections to port/airport which will result in gains to business. Potential improvements in access to employment for lower SEG areas
Supporting Safety & Personal Security		No material improvement in safety	-	No improvement in overall road safety, but relatively improved personal security for PT users, and improvement in system resilience
Improving Access & Mobility		Deterioration in many road users' travel times. Small gains in access through new roads	☹☹	Overall improved access using roads and PT with improved travel times
Reducing & Promoting Public Health		Increasing emissions, combined with static walk/cycle mode share	☹	Emissions significantly increase, combined with static walk/cycle mode share
Supporting Environmental Sustainability	Land Use Alignment	Aims to promote RGS emphasis on intensification. Potential community severance issues	-	Strongly supports RGS emphasis on intensification. Potential community severance issues
	Emissions, Fuel Use, Other Impacts	Increase in emissions and use of non-renewable resources	☹☹	Increase in emissions and use of non-renewable resources
Supporting Viability & Resilience	Affordability	Affordable under current funding, with no change to regulatory processes required	☹☹	Not fundable under current funding arrangements, requires regulatory change
	Cost Effectiveness	SQ used as base for B/C analysis	N/A	Incremental benefits over status quo similar to costs
Minimising Implementation Risks		No additional risks above today	☹	Cost overruns, environmental consent concerns, skilled labour availability concerns, esp for large road projects

- The JOG analysis concluded that the Status Quo performed poorly and is an unacceptable option. The Auckland Package, while an improvement, requires a better fit with public health, environmental and affordability criteria. It also has a high level of implementation risk
- As a result of this assessment, JOG concluded that further alternative packages should be developed to demonstrate the effect of various policy choices

<sup>(1)</sup> 'Status Quo' package assumed transport investment continues under current funding levels and policy settings  
<sup>(1)</sup> 'Auckland Package' includes ARLTS and Stage I rail projects completed within 10 years  
<sup>(1)</sup> JOG workstream analysis

- = Neutral  
 ☹/☹ = Slight positive/ negative contribution  
 ☹☹/☹☹ = Medium positive/ negative contribution  
 ☹☹☹/☹☹☹ = Strong positive/ negative contribution

# FOUR ADDITIONAL PACKAGES WERE DEVELOPED AND EVALUATED FOR ILLUSTRATIVE PURPOSES

## Summary Of Packages

	Rooding	PT		TDM non pricing incl. walk and cycle	Road pricing
		Rail	Bus, Ferry		
A uo' (SQ)	Transit 10 Yr Plan + SQ Local Rooding <sup>(1)</sup>	2003 Services	2003 Services (includes interim service improvement for Nth Shore Busway)	Status Quo TDM	-
B d Package' (AP)	2011 Rooding projects as per the RLTS (with local rooding)	Stage I Rail Business Plan	Regional PT Plan	Status Quo TDM	-
C uo rooding + Package PT + TDM	Transit 10 Yr Plan + SQ Local Rooding <sup>(1)</sup>	Stage I Rail Business Plan	Regional PT Plan	School, Business and Tertiary Travel Plan impacts; Increased cycle trips; Optimised network use	-
D d Package' + TDM	2011 Rooding projects as per the RLTS (with local rooding)	Stage I Rail Business Plan	Regional PT Plan	School, Business and Tertiary Travel Plan impacts; Increased cycle trips; Optimised network use	-
E uo rooding + + TDM + road pricing	Transit 10 Yr Plan + SQ Local Rooding <sup>(1)</sup>	Stage II Rail Business Plan (with suitable costs given patronage increases driven by TDM)	Regional PT Plan + additional increase	School, Business and Tertiary Travel Plan impacts; Increased cycle trips; Optimised network use	Road pricing (Direct charge for of a rooding network including existing which may vary by day and location)
F d Package' rooding + + ad pricing	2011 Rooding projects as per the RLTS (with local rooding)	Stage II Rail Business Plan (with suitable costs given patronage increases driven by TDM)	Regional PT Plan + additional increase	School, Business and Tertiary Travel Plan impacts; Increased cycle trips; Optimised network use	Road pricing (As above)

udes proportion of costs associated project commenced but not completed in 10 year  
 rframe (eg Avondale) Network impacts of these projects not included in benefit assessment  
 Network Completion, TDM Non-Pricing, TDM Pricing Workstream Discussions

# AN ASSESSMENT OF THE ILLUSTRATIVE PACKAGES LED TO THE FOLLOWING RESULTS

## Summary Of Evaluation Results

Package		Package A	Package B	Package C	Package D	Package E	Package F
Economic development		☹	✓	✓	✓✓	✓✓✓	✓✓
Safety and personal security		-	✓	✓	✓	✓✓	✓✓
Public access and mobility		☹☹	✓	✓✓	✓✓	✓	✓
Reducing and promoting public health		☹	☹☹	-	-	✓✓	✓✓
Environmental quality	Land use alignment	-	✓	✓	✓✓	✓✓	✓✓
	Emissions, fuel use, other impacts	☹☹	☹☹	☹☹	☹☹	✓✓	✓✓
Affordability and cost effectiveness	Affordability	✓✓	☹	✓	☹	-	☹
	Efficiency (B/C)		-	✓✓	✓	✓✓✓	✓✓
Managing implementation risks			☹☹	☹	☹☹	☹☹	☹☹

- Generally poor fit with NZTS
- Unacceptable solutions

- Substantial overall improvement on NZTS outcomes except for public health and environmental sustainability

- Very substantial improvement over status quo and Auckland packages in most categories, due to introduction of road pricing

○ = Slight positive/negative contribution  
 ○ = Medium positive/negative contribution  
 ☹☹ = Strong positive/negative contribution

# SEVERAL HIGH-LEVEL CONCLUSIONS CAN BE DRAWN FROM THE ASSESSMENT

**In all explored future options, increased levels of TDM Non-pricing and public transport delivered benefits that are considered essential to achieve progress towards NZTS outcomes**

- **These initiatives should form a key part of the mix, but are not the solution on their own**

**Road pricing is critical to achieving better NZTS outcomes. It has strong, positive impact on economic development, public health and environmental outcomes**

- **Road pricing contributes to decreased congestion, decreased travel time, lower emissions, increased share of PT, walking and cycling modes and long-term sustainable revenue streams**
- **Road pricing is approximately five to six years away, faces issues of community acceptance and has a range of social and economic impacts that will need to be carefully managed**
- **It will be important to have alternative travel choices (eg additional public transport) in place before road pricing is introduced. This will take time to implement**

**Some acceleration in road construction above currently programmed activity is needed. This will**

- **Improve travel conditions in key corridors at an earlier stage**
- **Improve system resilience by earlier completion of alternative strategic routes (eg SH20)**
- **Allow progress and manage risks regardless of future decisions and success of road pricing**
- **Assist with community acceptance of any additional funding mechanisms**
- **Assist in the development of an integrated roading and PT network (eg busways)**

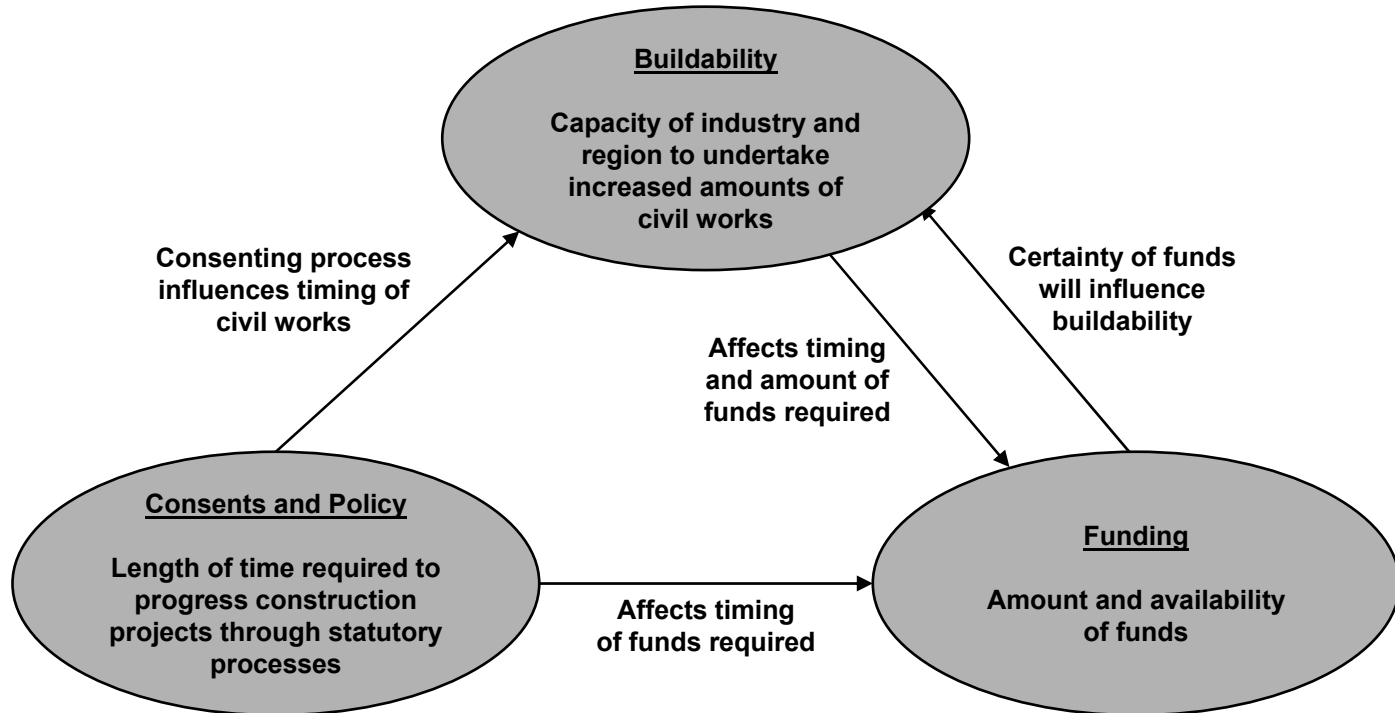
**The question is how fast to accelerate roading projects**

- **Funding and implementation risks increase with the degree of acceleration**
- **Accelerated roading decisions must be consistent with any future road pricing decisions**

# CONTENTS

<b>Executive Summary</b>	<b>2</b>
<b>Understanding the Problem</b>	<b>5</b>
<b>Constraints</b>	<b>13</b>
<b>Conclusions</b>	<b>23</b>

# THERE ARE THREE MAJOR INTERLINKED CONSTRAINTS TO CONSIDER



**Buildability in the most significant constraint, provided that increased funding is available**

# BUILDABILITY CONSTRAINTS ARE LIKELY TO PREVENT COMPLETION OF AUCKLAND PACKAGE IN TEN YEARS

## Current Situation

- The level of civil works construction<sup>(1)</sup> in the Auckland region is currently ~\$200m

## Problem

- A workshop involving key NZ industry participants examined the capacity of the NZ industry to increase levels of civil works construction in the Auckland region<sup>(2)</sup>
- The workshop identified the major constraint as availability of a skilled workforce, not construction material or equipment
- The other constraint was potential traffic disruption caused by construction in the city centre

## Conclusions

- The workshop concluded that the level of civil works construction could be doubled to ~\$400m pa, with a manageable level of risk, within three years
- However, this would result in a significant price premium of between 20% and 30%
- Going beyond \$400m pa would require significant new player involvement. This would require certainty regarding large contracts and is likely to be restricted by the availability of domestic labour

### To double civil works within three years, need to:

- Establish certainty of construction programme
- Use more innovative contracting and procurement
- Systematically address resource constraints

Civil works construction does not include electrification, rolling stock, additional bus/ferry services, road pricing construction

The assumption of the workshop was that construction levels in other regions would not increase

Buildability Workshop, 15-16 October 2003, JOG workstream analysis

# THREE CHANGES RECOMMENDED TO EASE THE BUILDABILITY CONSTRAINT AND DOUBLE INDUSTRY CAPACITY IN THREE YEARS

## Key Strategy: Establish Certainty Of Programme

Provide a high level of certainty as to the likelihood of a sustained level of activity (say over five years)

- Required by the construction industry to take on the potential risk associated with 'ramping up' to an increased level of activity
- Need clear evidence that ongoing funding is being made available

Facilitate programming of multiple projects to allow choices if some are delayed

- This would include addressing consenting and planning issues

## 2 Use More Innovative Contracting And Procurement

Encourage more collaborative approach to contracting/ procurement

- Bring parties in at earlier stages (eg the highly successful alliance for Grafton Gully Stage I & II)
- Encourage 'share of savings' models, after client design project procurement
- Provide compensation to industry for tendering process
- Develop strategy to engage cooperation of utilities

Move from 'just in time' land procurement to pre-emptive purchase

## 3 Address Resource Constraints Systematically

Consider regional/national initiatives to address significant skilled labour constraints (eg immigration and apprenticeships)



# CHANGES ARE NEEDED TO CONSENTS AND POLICY PROCESSES TO ENSURE PROJECTS CAN BE COMPLETED IN A SHORTER TIME FRAME

## Current Situation

- A number of proposed projects are yet to be granted appropriate consents
- To enable acceleration of construction, a significant number of these projects must start the statutory process in 2004/05
  - without process change, this will create a bottleneck

## Constraints

- Based on preliminary estimates, buildability is the dominant constraint
- However, changing the consents process would help provide certainty of programme to the construction industry, increasing the likelihood that construction would double from current levels

## Conclusions

- Central government work is underway to address broad resource management and consents process issues
- Areas meriting further investigation could include:
  - development of National Environmental Standards (eg, noise)
  - parallel land purchasing consents processes
  - investigation of opportunities to combine investigation and design
  - unified decision-making through call-in of key projects as matters of national significance, by Minister for the Environment (this would require an amendment to RMA)

# FUNDING CONSTRAINT MAKES PAYING FOR EVERYTHING WITHIN TEN YEARS DIFFICULT

Currently identified funding from known sources totals approximately \$4.5b

- This is insufficient to fund the full programme of works (all RLTS projects, plus enhanced TDM non pricing and PT)

A number of new funding sources have been identified

- New sources include Auckland regional funding, road pricing, additional petrol taxes and increased petrol tax diversions and Crown contribution. The role of debt has also been assessed

Mechanisms associated with each source were assessed for their revenue-raising potential and social and economic impacts

- Additional petrol taxes and increased fuel tax diversion, IA grants and Crown contribution were most attractive
- The funding sources vary in their maximum potential contributions, and the risk associated with reaching these levels

Without considering buildability, and even if all mechanisms are maximised, funding capex and opex for the full programme of works within 10 years is difficult

- In the PAYGO pathway, a funding shortfall of up to \$1,600m results(1)
- Using debt, a large debt overhang at the end of the period of up to \$2,390m results, constraining future investment(1)

However, if a buildability constraint is assumed, several viable funding pathways exist

- These 'fund as buildable' pathways can use PAYGO or rely on manageable levels of debt funding

# INDIVIDUAL MECHANISMS WERE IDENTIFIED AND ASSESSED FOR EACH NEW FUNDING SOURCE

Viable Funding Mechanisms	Overall Evaluation	Comments	Assumed Funding Levels	
			Annual	10 Yr
Auckland TLA Revenue (Rates, Development contribution etc)	■	Easy to implement but revenue is not linked to road use, likely play a role in funding mitigation measures	\$30m pa	\$240m
ARC Rates	■	Additional funding derived from currently projected annual rates increase in ARC LTFS		\$290m
Infrastructure Auckland Grants	■■■■	Additional funding offered to cover initial debt servicing from Auckland package		\$140m
Road pricing	■■■	Potentially high, sustained revenue flows, high efficiency, and strong inter-generational/ inter-regional equity. Potentially significant social and economic impacts and implementation difficulties. Note that the revenue generation and congestion reduction objectives of road pricing may have conflicting impacts	\$170m pa	\$830m
Increase in regional petrol tax and RUC	■■■	High and sustained revenue potential, but significant administration difficulties, including oil companies spreading the tax to rest of NZ. Regional RUC may not be feasible	Similar to national	Up to \$1,250m
Increase in national petrol tax and RUC	■■■■	High and sustained revenue potential using existing collection structures, but requiring allocation to Auckland	5cpl- \$70m pa 10cpl- \$140m pa 15cpl- \$210m pa	\$1,250m
Crown contribution from reduced diversion of petrol tax into consolidated fund	■■■■	Similar to Crown contribution from general revenue, but more sustainable revenue potential, and greater intergenerational equity but budgetary implications	5cpl- \$60m pa	\$490m
Crown capital contribution from general revenue	■■■	High one-off revenue potential, simple to implement/administer, and efficient, but issues of intergenerational inequity and budgetary implications	n/a	n/a <sup>(1)</sup>

■ = Somewhat positive  
 ■■ = More positive  
 ■■■ = Very positive

# EVALUATION INCLUDED SOCIAL AND ECONOMIC IMPACTS OF FUNDING MECHANISMS

## Petrol Taxes (Fuel Excise Duty)

- **Marginally progressive for most households<sup>(1)</sup>**
- **Potentially significant excess burden from additional taxes<sup>(2)</sup>**
- **Some fiscal implications from increase in benefit levels due to CPI impact of petrol taxes, eg a 5 cents per litre increase in tax triggers approximately \$20m of additional spending**



## Road Pricing

- **Potentially significant social and economic impacts depending on type and size of charges**
  - **costs borne by households with high levels of social deprivation**
  - **impact on access to employment for workers**
- **Those most reliant on private transport, and who are therefore most likely to pay road pricing charges, include those who:**
  - **are less likely to be able to switch their transport mode to avoid road pricing**
  - **have additional purposes for the journey to work (eg parents dropping children at childcare/education)**
  - **are employed in industries which tend to be located in areas not well served by public transport**
  - **cannot adjust the timing of work-related trips to avoid time-related tolls**
- **Opportunities to mitigate social and economic impacts should be examined, eg via improved public transport**

<sup>(1)</sup>Progressive: as total household spending increases, the amount of fuel tax paid also increases by a proportionally greater amount

<sup>(2)</sup>Excess burden: welfare losses arising from increase in tax

# EVEN IF ALL MECHANISMS ARE MAXIMISED, PAYING FOR EVERYTHING WITHIN TEN YEARS IS DIFFICULT

Funding Mechanisms	Pathway 1: PAYGO (\$m)	Pathway 2: Debt (\$m)	Assumptions and Initial Conclusions
Auckland TLA revenue <sup>(2)</sup>	240	240	<ul style="list-style-type: none"> <li>• Pathways based on maximum potential amounts from funding mechanisms</li> <li>• Assumptions               <ul style="list-style-type: none"> <li>- petrol tax (FED) increase over time by 15 cents per litre</li> <li>- increase in diversion of petrol tax of 5 cents per litre</li> <li>- additional funding derived from currently projected annual rates increase in ARC LTFS</li> <li>- road pricing introduced after 5 years and successful in raising significant revenue</li> </ul> </li> </ul>
Government funding <sup>(1)</sup>	290	290	
Debt servicing/capex funding	140	140	
Road pricing	830	830	
Increased national petrol tax and RUC	1,250	1,250	
Crown contribution from diversion of petrol tax	490 (5¢/ℓ)	490 (5¢/ℓ)	
Crown capital grant	430	430	<ul style="list-style-type: none"> <li>• Under the PAYGO pathway, assuming crown capital contribution of \$430 m, insufficient funding to fund the Auckland package and additional TDM and PT</li> </ul>
	 <b>Funding shortfall up to \$1,600m<sup>(3)</sup></b>	 <b>Debt overhang up to \$2,390m<sup>(3)</sup></b> <b>Servicing cost up to \$190m pa<sup>(3)</sup></b>	

Portion of ARC funding derived from annual rates increases as in ARC LTFF  
 Modelled on a 5% rates increases, but could be funded by development levies etc  
 This may vary, eg, capex cost estimates for Eastern Transport Corridor vary between \$1.9–2.9b  
 All figures shown on a 10-year basis, unless otherwise indicated; numbers rounded to nearest \$10m  
 Regional Funding Model; JOG Workstream Analysis

- The Debt pathway shows that a large debt overhang after the first ten-year period – this will severely constrain future spending

# HOWEVER, IF A BUILDABILITY CONSTRAINT IS ASSUMED, SEVERAL VIABLE FUNDING PATHWAYS EXIST

## Example: Funding Pathway At Level Close To Buildability Constraint

Funding Mechanisms	Pathway 1: PAYGO (\$m)	Pathway 2: Debt (\$m)	Pathway 3: Debt (\$m)	Implications and Initial Conclusions
Land TLA contributions	240	240	240	<ul style="list-style-type: none"> <li>Pathway 1: funded purely via PAYGO, with no need for debt                             <ul style="list-style-type: none"> <li>- need increases in national petrol tax and diverted petrol tax of 5c/l each</li> <li>- assumes low road pricing</li> </ul> </li> <li>Pathway 2: similar to Pathway 1 but funded with 100% debt and reduced petrol taxes                             <ul style="list-style-type: none"> <li>- resulting in a closing debt of \$660m</li> </ul> </li> <li>Pathway 3: similar to Pathway 1 but assumes no contributions from petrol tax or diversion                             <ul style="list-style-type: none"> <li>- this requires a large road pricing contribution of \$830m...</li> <li>- resulting in a closing debt of \$630m...</li> <li>- but good ongoing road pricing revenue flows (~\$165m pa), which may be used to service this debt</li> </ul> </li> </ul>
Other funding	290	290	290	
Debt servicing/capex funding	140	140	140	
Road pricing	100 (Low)	100 (Low)	830 (High)	
Increased national petrol tax	460 (5c/l)	280 (3c/l)	--	
Increased RUC	130	70	--	
Contribution from diversion of petrol tax	490 (5c/l)	290 (3c/l)	--	
Government capital grant	430	430	430	
Level	0%	100%	100%	
Closing debt at end of 12/13 <sup>(1)</sup>	NA <sup>(2)</sup>	660	630	
Annual debt servicing cost	NA <sup>(2)</sup>	50 pa	50 pa	

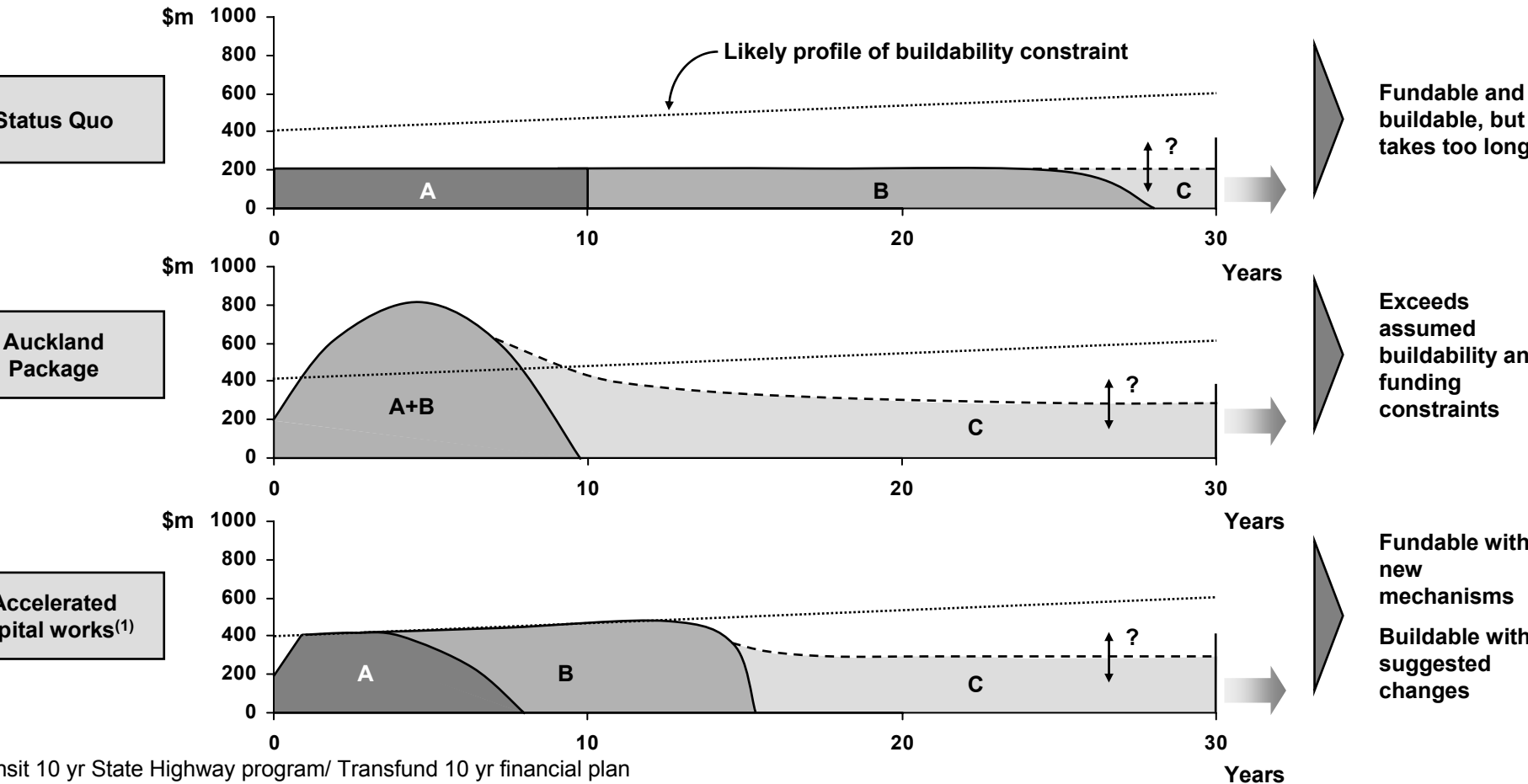
Where applicable, debt is calculated on basis of 30-year table loan, term starting from date of draw down, and interest at 7% pa. Additional financing may be required in some years.

All figures shown on a 10-year basis, unless otherwise indicated; numbers rounded to nearest \$10m

Regional Funding Model, JOG workstream analysis

# OVERALL CONCLUSION: DELIVERY OF A COMPREHENSIVE SOLUTION LIMITED MAINLY BY BUILDABILITY CONSTRAINT

## Capital Works Profile – Civil Construction (Illustrative)



Transit 10 yr State Highway program/ Transfund 10 yr financial plan

Auckland Package and suggested timing

Meeting long-term requirements (eg 2<sup>nd</sup> Harbour crossing)

Accelerated to the level of buildability constraint

Note: In every case, must consider provision of funding for opex

Source: JOG workstream analysis

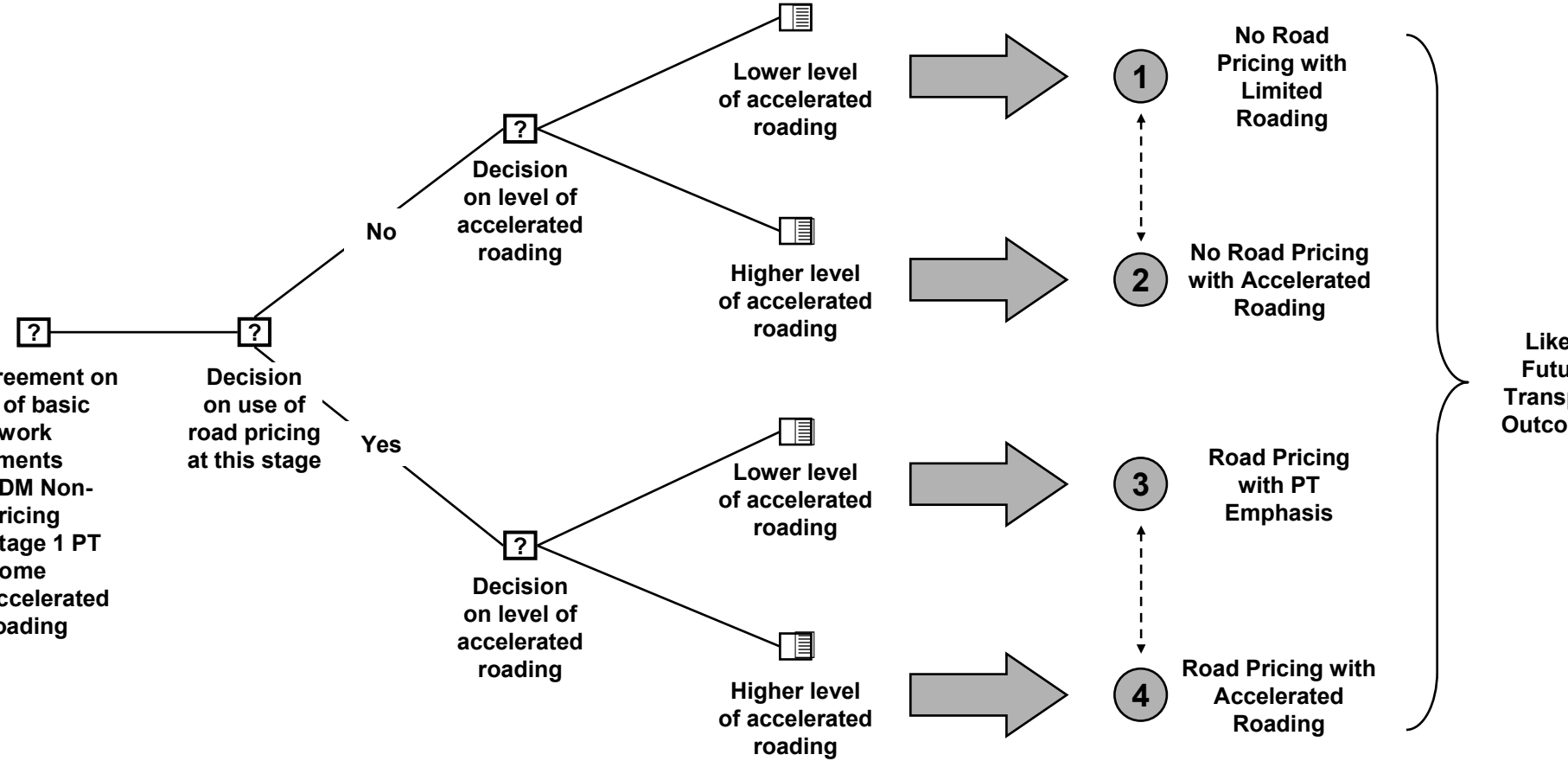
# CONTENTS

<b>Executive Summary</b>	<b>2</b>
<b>Understanding the Problem</b>	<b>5</b>
<b>Constraints</b>	<b>13</b>
<b>Conclusions</b>	<b>23</b>



# DECISIONS MADE TODAY WILL SHAPE FUTURE TRANSPORT OUTCOMES

## Proposed Decision Tree



# POTENTIAL SHAPE OF AUCKLAND TRANSPORT IN 2021

1

2

3

4

Characteristics	No Road Pricing with Limited Rooding	No Road Pricing with Accelerated Rooding	Road Pricing with PT Emphasis	Road Pricing with Accelerated Rooding
<b>Transport network</b> <ul style="list-style-type: none"> <li>• Increase in PT over base level</li> <li>• Level of roading acceleration</li> <li>• Form and goal of TDM</li> </ul>	<ul style="list-style-type: none"> <li>• Limited<sup>(1)</sup></li> <li>• Low</li> <li>• TDM Non-pricing to reduce demand</li> </ul>	<ul style="list-style-type: none"> <li>• Limited<sup>(1)</sup></li> <li>• Moderate (if funding constrained)</li> <li>• TDM Non-pricing to reduce demand</li> </ul>	<ul style="list-style-type: none"> <li>• Strong</li> <li>• Moderate</li> <li>• Road pricing to reduce demand, reduce congestion</li> </ul>	<ul style="list-style-type: none"> <li>• Moderate</li> <li>• Strong</li> <li>• Road pricing to generate revenue (less congestion benefits)</li> </ul>
<b>Fit with NZTS</b> <ul style="list-style-type: none"> <li>• Impact on emissions, congestion</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively poor</li> <li>• Increased emissions and congestion</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively poor</li> <li>• Increased emissions, but some congestion benefits from roading</li> </ul>	<ul style="list-style-type: none"> <li>• Strong</li> <li>• Decrease in congestion and emissions</li> </ul>	<ul style="list-style-type: none"> <li>• Moderate</li> <li>• Some impact on congestion</li> </ul>
<b>Affordability</b>	• Most affordable	• Most unaffordable	• Affordable	• Somewhat affordable
<b>Type of Funding Options Possible</b>	• Many viable options, including PAYGO	<ul style="list-style-type: none"> <li>• Restricted options</li> <li>• Lack of road pricing, problems in servicing debt</li> <li>• High fuel taxes and/or very high debt needed</li> </ul>	<ul style="list-style-type: none"> <li>• Many viable options, including PAYGO</li> <li>• More flexibility due to road pricing, lower road spend</li> </ul>	<ul style="list-style-type: none"> <li>• Many viable options, including PAYGO</li> <li>• Lower flexibility despite road pricing, due to higher road spend</li> </ul>

and significantly more PT than under status quo, but less than for 3 and 4

JOG workstream analysis

# TDM NON-PRICING AND STAGE 1 PUBLIC TRANSPORT CAN BE AGREED AND DONE NOW

## Why TDM Non-pricing and PT?

- Good fit with NZTS objectives, and consistent with RLTS and RGS
- TDM non-pricing initiatives are relatively cost effective
- TDM non-pricing and PT improvements are mutually reinforcing, and are needed as a prerequisite to any future move to road pricing
- Ability to implement improvements in an incremental manner

## Why do now?

- Cost effective, and can be implemented without significant risk or sunk cost
- Needs to be in place prior to implementation of road pricing
- Behaviour change likely take some time to establish: early start essential to begin building new approach to transport

## Recommendation

- Commit to implementation of an integrated programme of TDM, Stage 1 rail improvements, and an enhanced bus network
- Provide sufficient ongoing funding to enable programmes to be developed and implemented with greater certainty
- Address governance issues to ensure that appropriate agencies are equipped to implement programmes without delay

# DECIDE IN-PRINCIPLE TO PROCEED WITH ROAD PRICING NOW AND MAKE FINAL DECISION AT AN EARLY STAGE

Why road pricing?

- Strong fit with NZTS objectives, due to demand management potential: positive economic development, public health and environmental outcomes, provided social and economic impacts can be addressed)
- Potential to generate significant future revenues which can be used to fund transport investment

Why decide now?

- Decision whether or not to proceed with road pricing will shape the nature of the future network, especially infrastructure investment
- Long lead time for implementation means that ground-work for pricing must be advanced at an early stage, and key issues addressed/resolved
- Revenue opportunities from road pricing are significant; a decision to proceed will have impact on ability to service debt in future

Constraints

- Technical issues need to be resolved, including policy emphasis: demand management versus revenue generation
- Social & economic impacts have been identified, and will need to be resolved/managed/mitigated
- Gaining public acceptance will be a challenge, but this can be mitigated by directing additional funds to new land transport infrastructure

Recommendation

- Decision 'in-principle' to proceed with road pricing, and take next steps
  - commission further work on technical feasibility, costs, demand management and revenue potential, impact assessment and mitigation, to be completed with urgency, followed by a final decision
  - detailed implementation work will follow



# SOME ACCELERATION OF ROADING CAN BEGIN IMMEDIATELY

## Why accelerate?

- Road pricing remains uncertain, and will take several years to implement once agreement reached
- In the meantime, there will be a strong demand to reduce congestion through increases in road capacity, to deliver benefits in advance of road pricing
- Road improvements will be needed irrespective of road pricing, so early delivery will yield early benefits and improve network resilience
- Road improvements promote community acceptance of new funding mechanisms
- Road improvements assist in the development of an integrated roading and PT network (eg busways)

## Which projects?

- The Land Transport Management Bill and new RLTS obligations provide a strategic framework and processes to make decisions on timing and sequencing of projects

## How fast?

- Determined by the extent to which funding and buildability constraints can be removed, and ensuring consistency with future decisions on road pricing
- Opportunity exists to double the current level of civil construction in Auckland over next 3 years, provided steps are taken to give greater confidence and certainty to the construction industry



## Recommendation

- Provide additional funding to enable acceleration of road building
- Take positive steps to address consenting issues
- Work in partnership with industry to tackle skill shortage issues, and implement appropriate recommendations as soon as possible

# **ADDRESSING AUCKLAND'S TRANSPORT PROBLEMS WILL HAVE IMPLICATIONS FOR THE REST OF NEW ZEALAND**

**The cost of Auckland congestion is a drain on the NZ economy**

- **This has been previously estimated at over \$1b per annum**

**Therefore, solving Auckland's congestion problems can benefit New Zealand by:**

- **Direct benefit to economic activity**
- **Flow-on, inter-regional benefits for neighbouring areas**
- **Increased revenues for the rest of NZ, via the proposed increase in petrol taxes, giving more scope to address NZ transport needs**
- **The opportunity to 'pilot' innovative funding mechanisms and structures that could apply elsewhere, such as road pricing and TDM non-pricing**

**However, there are negative implications:**

- **Concentration of construction resources in Auckland may limit work elsewhere**
- **Potential fiscal implications arising from impact of increase in fuel taxes**
- **The JOG process may raise expectations for similar processes in other regions**

**Some negative implications exist, but these must be compared to the  
benefits flowing from an economically and environmentally sound  
Auckland transport network**

# NEXT STEPS: SUGGESTED TIMELINE

Action Required	Who Responsible?	When?
Complete JOG Report including risk identification	Joint Officials Group	14 November 2003
Agree implementation pathway for: <ul style="list-style-type: none"> <li>• Additional investment in TDM, public transport &amp; accelerated roading</li> <li>• Agreement in principle to road pricing</li> </ul>	Government and local authorities	Mid December 2003; Councils formally confirm January 2004
Finalise key funding and governance decisions (if any), including funding mechanisms (e.g. capital grant, petrol tax, debt), quantum and timings	Government (and local authorities for rates)	Feb-May 2004, to fit in with budget process
Commission and resource a detailed road pricing investigation and design study	Government and local authorities	To commence Jan 2004
Finalise inclusion of TDM non-pricing initiatives and public transport funding allocations in local authorities' annual plans	Local authorities	May 2004
Revise Auckland RLTS	RLTC	June 2004
Further implementation steps to follow....		

**Implementation risks need to be managed as part of this process**