

Auckland Mayoral Forum meeting Friday 30 May 2003

Date:	29 May 2003	Priority:	Urgent
Security Level:	In confidence	MoT No.:	003589

Action sought

Person	Action sought	Deadline
Minister of Transport	Draft note for meeting	30 May 2003

Contact for telephone discussion (if required):

Name	Position	Telephone	1 <sup>st</sup> contact
Alastair Patrick	Manager, Infrastructure and Services	Withheld section 9(2)(a)	<input checked="" type="checkbox"/>
Roger Toleman	Deputy Secretary		<input type="checkbox"/>
Greg Mossong	Senior Advisor, Infrastructure and Services		<input type="checkbox"/>

29 May, 2003

Minister of Transport  
Associate Minister of Transport

Auckland Mayoral Forum meeting Friday 30 May 2003

### Purpose

1. You are scheduled to meet the Auckland Mayoral Forum on Friday 30 May 2002. We understand Hon Dr Michael Cullen, Hon Judith Tizard and Hon Chris Carter will also attend the meeting.
2. You have been invited to discuss the Forum's funding proposals for Auckland. The Forum consists of the Mayors of:
  - North Shore City Council (North Shore) – George Wood (Chair)
  - Auckland Regional Council (ARC) – Gwen Bull
  - Auckland City Council (Auckland) – John Banks
  - Manukau City Council (Manukau) – Sir Barry Curtis
  - Waitakere City Council (Waitakere) – Bob Harvey
  - Rodney District Council (Rodney) – John Law
  - Franklin District Council (Franklin) – Heather Maloney
  - Papakura District Council (Papakura) – David Buist
3. We understand the members of the Regional Land Transport Committee have also been invited to attend.
4. Information on the Draft State Highway Plan will be provided to you separately by Transit New Zealand.

### Background

5. We understand the Mayors will present their funding package, which sets out proposals for the Auckland Motorway network and the passenger rail system set out in the recently released Rail Business Plan.
6. The Forum have identified \$5 billion in network investment they would like completed by 2010 and a \$2.4 billion funding shortfall over this period. The Mayors have proposed that this funding shortfall could be met by:

- A one-off capital contribution by the Crown (\$1.4 billion over 3 years); and
- Dedication of all fuel excise duty (\$700 million a year for 1.5 years), or
- Borrowing, with interest repayments funded by Infrastructure Auckland until 2007 (\$1 billion in borrowing, mainly for State highway projects); and
- Network pricing/congestion charging after 2007 (tolling existing roads); or
- Regional Fuel Tax, Regional RUC, Transfund debt funding and project specific tolls after 2007 (regional dedication of national tax or a new regional tax); and
- More flexible tolling under the Land Transport Management Bill.

7. The Mayoral Forum is likely to seek confirmation of the government's support for these Auckland initiatives.

### Key speaking points

#### *Introduction*

8. This meeting will be an opportunity to signal your satisfaction:

- that Auckland has developed proposals that align with the integrated approach to transport policy set out in the New Zealand Transport Strategy and released by the Government in December 2002;
- that Auckland has risen to the funding challenge with an agreed proposal that accepts the long term need for regional funding initiatives such as congestion tolls;
- that Auckland recognises that while additional roads are needed an integrated passenger transport system is also required;
- that Auckland is leading the discussion on the need for network pricing for better use of transport infrastructure;
- that Auckland is seeking a long term partnership with the Government over the next decade and beyond.

9. The Government has made solid progress in the last three years:

#### *Achievements to date*

- The government has for the first time provided a strategic vision for the transport system in the New Zealand Transport Strategy, a vision that everyone can work toward;
- There is widespread support for the concepts of sustainability and the need to return New Zealand to the top half of the OECD that underpin that strategy;

- The government has followed this strategy through with additional funding, particularly in Auckland;
- Total government expenditure on Auckland land transport has almost doubled since the government came to power;
- Expenditure on Auckland public transport has more than doubled under this government;
- The government has also purchased the Auckland rail network, clearing the way for improvements in passenger rail services;
- The majority of the anticipated \$2.4 billion in expenditure on State highways over the next 10 years is expected to occur in Auckland;
- Projects such as the North Shore Busway and Spaghetti Junction have been advanced in a way that would never have occurred under the previous administration;
- The Land Transport Management Bill has been introduced making the first systematic provision for tolling of new infrastructure;
- We are moving to improve environmental emissions through improvement in the quality of fuel and the vehicle fleet over time in a way that we can afford;
- Recent changes to the Resource Management Act to allow for the setting of national standards about issues such as noise, should reduce uncertainty about the mitigation required to enable some of the forthcoming Auckland project to proceed;
- There are still many outstanding challenges, not least in the area of transport demand management and funding, where our fuel based taxation system is not keeping pace with travel growth and the backlog of work left by previous administrations;
- The Government is also working on the Surface Transport Costs and Charges package that will give clarity about the future of urban transport prices.

*Where to from here?*

10. We all have to build on this work to date:

- The Government strongly supports the long term co-operative approach that the Mayoral Forum has recommended.
- We have a growing commonality of views for the long term development of Auckland

- Let's get on with it for the benefit of Auckland and New Zealand!
- What Auckland is asking is a major "stretch" both in terms of funding and policy issues.
- The Government has to think carefully about how all this fits with its goals.
- I want to set up a small tightly focussed taskforce within the next three weeks to develop an agreed Business Plan for the future development and funding of Auckland's transport system over the next decade and beyond.
- The core taskforce would be made up of officials from Auckland, the Ministry of Transport and Treasury. Other agencies will be brought in as required.
- I want this Business Plan to be agreed between us by the end of November this year.
- By Christmas this year we should be making the key implementation decisions.
- I want your support for this approach. We have a lot to do. – let's get started!

Recommendation

3. I recommend that you note the contents of this memorandum:

Alastair Bisley  
Secretary for Transport

Noted

Noted

Hon Paul Swain  
Minister of Transport

Hon Judith Tizard  
Associate Minister of Transport

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

## Annex 1: The Auckland Mayoral Forum Package

- The Forum have identified \$5 billion in network investment they would like completed by 2010 consisting of:
  - Sh 1: North Shore Busway, Central Motorway Junction, Harbour Bridge to City (with mitigation), Waiouru Crossing, Albany to Puhai extension;
  - Sh 20: Completion from the Southern Motorway to the North Western Motorway;
  - Sh 16: Grafton Gully stages 1 to 3 (with mitigation)
  - Eastern Highway (with mitigation)
  - Sh 18: Hobsonville Deviation;
  - Penlink;
  - Interim Raii Plan to 2006;
  - Rail Business Plan post 2006.
- They have also identified a \$2.4 billion funding shortfall over this period and funding measures to cover this shortfall consisting of:
  - One-off capital contributions by the Crown (\$1.4 billion over 3 years); and
  - Dedication of all fuel excise duty (\$700 million a year), or
  - Borrowing, with interest repayments funded by IA until 2007 (up to \$1 billion in borrowing, mainly for the roading projects); and
  - Network pricing/congestion charging after 2007; or
  - Regional Fuel Tax, Regional RUC, Transfund debt funding and project specific tolls after 2007; and
  - More flexible tolling under the Land Transport Management Bill.
- The Forum has also called for a partnership between the government and Auckland to advance these proposals.
- Details of the timing, costing and composition of the Auckland transport package require further work.

## Annex 2: Transport demand management and network pricing

- Transport demand management covers any measures that help people make better use of network capacity.
- Transport demand management measures can range from "soft" travel demand management measures, such as encouraging big employers like hospitals to adopt site specific transport plans, to "hard" intelligent transport systems, such as movable barriers and variable message boards.

- Network pricing involves charging users directly for the use of the network and can range from tolls to pay for infrastructure to variable congestion related charges.
- Congestion charging appears to be the most effective forms of transport demand management;
- The degree of congestion relief varies depending on what is tolled, when it is tolled and the price at which it is tolled:
  - What - tolls can be applied to areas that will raise revenue (downtown) or in locations that will influence congestion (motorways);
  - When - tolls can vary by time of day and level of congestion, as well as type of vehicle;
  - The cost - tolls can be set at a modest level to generate revenue or at a higher level to influence driver behaviour;
- Network pricing would need to relate to existing roads and could be implemented in three ways:
  - Cordon tolls using gantries and/or toll booths to charge for entry to part of the network, which could be one road or a group of roads;
  - Lane tolls using gantries and/or toll booths to charge for use of part of the capacity of one road or a group of roads.
  - Trip pricing using GPS transponders to charge for all motorised trips within a group of roads;
- The public tend to view any form of tolling as simply another tax and there is little understanding by the public of the role congestion pricing can play in improving the way our existing transport system operates;
- Any tolling scheme would need to be carefully researched and designed as there is considerable potential for real and perceived adverse outcomes such as:
  - A confusing proliferation of tolling technologies, charging schedules and exemptions;
  - Relocation of businesses out of a cordon tolled area;
  - Less affluent people living on the periphery paying tolls while more affluent people living in the inner-city do not;
  - A lack of realistic alternatives;
  - Double payment for the same infrastructure;
  - Replacement of rates with tolls;

### Annex 3: Regional Fuel Tax

- The Mayoral Forum see regional petrol tax as a possible interim mechanism should network tolls take more than four years to introduce;

- They envisage that the funds would be spent on the regional roading network and public transport systems;
- A true regional fuel tax is problematic as oil companies could be expected to spread the cost of the tax nationally without some form of price control based on the experience when regional taxes were applied during the 1990s;
- Assuming some form of regional price differentiation is possible, avoidance behaviour will be an issue, particularly for diesel;
- The most recent version of the Mayoral proposals available (29 April) does not suggest a regional fuel tax. It suggests regional apportionment of national taxes, including:
  - indexing current fuel excise duty – say \$12 million in the first year; and
  - ring fencing “Auckland’s share” of the Crown account component of fuel excise duty – say a third being \$230 million a year; or
  - an increase in the Local Authority Petroleum Tax – although this is not a transport tax (it relates to all fuel used including on farms, in factories and fishing boats, which accounts for about half of all diesel and a smaller proportion of petrol).

#### Annex 4: Auckland Land Transport Governance

- Administration of regional taxes and network pricing will be a major issue under any regional taxation or network pricing regime.
- A more integrated approach to governance than the public transport focussed proposals currently under consideration in Auckland may be required.
- Over the last two and a half years the Auckland Land Transport Governance Working Party has been working toward an agreed approach to improving Auckland’s land transport governance;
- David Caygill, as independent Chair, is facilitating this process through a Political Sounding Board made up of the Councils represented on the Mayoral Forum.
- The focus of the work has narrowed to the consideration of some form of joint public transport committee;
- The main point at issue is whether the joint committee reports to the ARC or has its own legal standing as a not for profit Council Controlled Organisation;



- The options under consideration can be implemented under current legislation as amended by the Land Transport Management Bill and can be implemented by the Councils once an agreed position is reached.
- The current work programme aims to provide a report to you in 1-3 months on their preferred approach.

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