

10 September 2003

To: Michael Cullen
Minister of Finance

Paul Swain
Minister of Transport

From: Michael Parker and Chris Mackenzie
Advisors and JOG Members

**RE: PROGRESS REPORT: AUCKLAND TRANSPORT STRATEGY AND
FUNDING WORK.**

1. Introduction

The following are some key findings and issues arising from the work done to date.

Ministers will need to carefully consider them before the government JOG representatives proceed further in determining the shape of the final Report. Auckland JOG members have also requested feedback from Ministers on some of these issues.

2. Key Findings

- The costs of a number of key network components are continuing to escalate. \$ 5 Billion has now become between \$3.6 and \$8 billion. Due to combination of initial underestimation, the application of the NZTS, and environmental mitigation and the non-inclusion of operating costs, maintenance, time delays and other costs escalations (50% would not be unusual).
- Interim funding is a misnomer. It should actually be permanent funding. Network pricing will not pay for the lot. Funding frameworks need to be flexible to allow for cost escalation.
- Motorway tolling does not necessarily bring anticipated congestion relief to network as a whole – traffic is diverted to local roads.
- Aggressive TDM Pricing and Non-Pricing measures will be vital to the success of all likely options. For example, the Rail Business Plan assumes a high level of patronage. TDM Pricing will be required to deliver the shift. The ARC is nervous as to whether the patronage assumptions behind the rail plan can be realised.
- TDM Non-Pricing Schemes show environmental and congestion relief gains. But a significant increase in funding will be required to realise such gains.
- Cordon tolling is shaping up as the most viable of the TDM Pricing Options. Only toll that raises revenue and reduces demand. Intra-regional equity issues and issues for small businesses on the border.
- NZ should a follower, not a leader, internationally on full network pricing.

- “Fit” to NZTS is mixed. Good for economic development, weak with safety health and environmental sustainability. Mixed with access and mobility.
- The project is about managing a framework for Auckland’s growth –not just about transport.
- Developers are likely to need to pay for some TDM and passenger transport initiatives.

3. Issues on JOG

- Aucklanders do not want an evaluation of any individual roading projects in any options package.
- Some tension over whether JOG will simply recommend funding for the Aucklanders package, and the preference from government for funding the possible options associated with a (preferably agreed) network strategy.
- The Aucklanders tend to see matters such as the funding of additional passenger transport or TDM Non-Pricing initiatives as “add ons”, rather than as possible substitutes or variants of their network proposal.

4. Comments on Workstreams

Overall, considering the tight timeframes, the complexity of the issues, and the number of people and workstreams involved, the Project has gone remarkably well to date.

However, there are a number of issues around a few of the workstreams, which deserve attention.

Social and Economic Impacts

Has not yet set out what the social impacts of any proposed changes will be. In part, this is understandable as the precise impacts cannot be determined until the various funding and pricing options are further refined.

However, Ministers are unlikely to agree to any options unless it is reasonable clear what they will cost, who will pay and upon whom they will most impact. For example, we already know from TDM Pricing that one result of any pricing regime is reduced access and mobility for lower socio-economic groups.

We are sending the Boston Consulting Group into this workstream to assist it to progress this work. Michael Parker will talk to Steve Maharey’s advisor to get a political interest taken in MSD input into this workstream.

Mitigation and Consents

There is a view in some quarters the government should just fund mitigation to whatever level it takes to get the RMA consents for the Auckland network. Not a lot of work is being done here to question whether the proposed network is actually worth the costs associated with the degree of mitigation required to complete it.

This workstream has been receiving information on the government’s planned changes to the RMA process. To date this has not been reflected in their work,

though this will change with the increasing involvement of BCG in this workstream.

5. Issues Needing Resolution

Form of the Final Report.

Preferred Option, followed by series of Alternatives, or just Possible Options?

TDM Pricing Options – Level of Political Support?

The options are narrowing down – Cordon Tolling seems most effective.

Relationship between the Report and other Government Public Policy Initiatives

Such matters include Vehicle Emissions, GIF, the Sustainable Development Programme of Action, including Sustainable Auckland, and Sustainable Cities - evaluate the package/options against or use as positioning?

Presentation of Final Report – to whom and how wide?

Auckland is divided over how wide the final December presentation should be go. Role of Local Government New Zealand? Involvement of other local authorities and the degree of possible consultation, if any, with the Auckland public.

Scheduling and Implementation of any Proposed Initiatives.

Care will need to be taken not to overload Aucklanders with a series of overlapping proposals and initiatives, which could prove either financially overburdensome or undermining of each other.

For example, care will need to be taken in such areas as the availability of enhanced passenger transport services and when TDM Pricing is introduced, as well as the mix between possible interim financing initiatives, debt financing and TDM Pricing.

Relationship between Interim Funding, TDM Pricing and Impact of Broader Government Initiatives

Care needs to be taken to weight the impact of any additional fiscal imposts on vehicle owners and the likely impacts of the Vehicle Emissions Policy, the Surface Costs and Charges study, possible Carbon Taxes, ERUC changes and charges, rating increases to pay for public transport, and possible future additional ACC levies on motor fuels.