

14 November 2003

To: The Prime Minister  
The Minister of Finance  
The Minister of Transport

## Briefing Note on Auckland Transport Strategy and Funding

### The JOG report

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The Joint Officials Group on Auckland Transport Strategy and Funding (JOG) was established in July 2003 with the following objective:

To develop a funding package that enables the timely implementation of an agreed network strategy, having assessed the fit of the Auckland regional Land Transport strategy (RLTS) with the New Zealand Transport Strategy (NZTS) and other public policy outcomes.

JOG has largely completed its work and will finalise its report over the next week. The key findings to emerge from the JOG report are, broadly:

- The rate at which infrastructure can be constructed is subject to three main constraints: consents, buildability and funding.
- It should be possible to double the amount of annual investment in civil construction in Auckland transport to \$400m p.a.<sup>1</sup>, but this will not necessarily generate twice the level of activity because of the likelihood of a price premium (up to 30%), particularly in early years. This also assumes the current level of activity in other regions of New Zealand would be maintained but not increased.
- Road pricing can deliver significant gains against the NZTS objectives and provides a further source of funding for investment in transport.
- Transport demand management (non-pricing initiatives to optimise the network and change behaviour, e.g. walking and cycling investment, school and business travel plans) can provide early and effective gains against the NZTS.
- Increased investment in public transport is essential. Additional public transport investment will be required if significant road pricing is introduced in Auckland and best practice indicates that this needs to be in place before road pricing is operational.
- Accelerated roading does not appear to deliver significant benefits when evaluated at a high level under NZTS objectives. New roads are however likely to be important for community acceptance of road pricing. JOG noted also that

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<sup>1</sup> This figure does not include other types of expenditure such as rail electrification, and operating and maintenance expenditure.

increased investment in PT and roading are not mutually exclusive, as buses are an important component of the public transport network.

#### Agreed points from 30 October meeting between Ministers and Mayors

The Ministers of Finance and Transport, and the Minister for Auckland Issues, met with Auckland Mayors in Auckland on 30 October 2003. JOG presented its emerging conclusions to the meeting. At that meeting the following points were agreed:

- All agreed with the JOG recommendation to commit funds to TDM non-pricing; public transport and some accelerated roading.
- All agreed on an in principle decision to move towards more road pricing than that envisaged in the Land Transport Management Act 2003, with early delivery of tolling on selected new roads, noting that:
  - to start tolling early would set direction and grow community acceptance.
  - road users, over time, will have to pay more directly for their road use.
  - further work is needed on pricing, particularly around the social and economic impacts.
- All accepted that there are buildability constraints. There was acceptance that these may lift over time. There was agreement to provide enough programme certainty to allow the industry to gear up to the buildability constraint.
- Funding a gap of \$200m p.a. seems achievable, although no agreement was reached as to the sources of funding.
- Mayors and Ministers are jointly committed to PT.
- All agreed that decisions about timing and funding of particular projects be left to the processes set out in the Land Transport Management Act 2003, through the Auckland Regional Land Transport Committee and Transfund.
- All agreed that some debt would be appropriate.
- All agreed that some level of increase in fuel taxes would be appropriate (fuel excise and RUC) but there was no agreement as to appropriate levels of increase.

#### Proposal from the Ministers of Finance and Transport

The Ministers of Finance and Transport are developing a funding package to progress the agreed JOG outcomes, which provisionally has the following characteristics:

- Nationwide fuel taxes be increased by no more than 5 cents per litre excluding GST (fuel excise duty and equivalent road user charges for diesel vehicles), with a proportionate share (up to 35%) being allocated to Auckland;
- the Crown matches this by making a contribution of potentially up to \$500m over 10 years;

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- tolling be introduced on new roads where practicable, with project specific debt used in relation to those roads;
- the Land Transport Management Act 2003 provides the basis for assessing projects for approval and funding; and
- an in principle decision be made to move towards road pricing of existing roads, but with further work to be done, including around the social and economic impacts.

#### Timing of funding increases and certainty of programme

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It is important to provide some level of comfort to both the Auckland region and to the construction industry that the appropriate increase in funding will be available when required. However, for the following reasons, increased funding will not be required immediately:

- the construction industry has identified that it will take approximately three years to gear up to the buildability levels;
- potentially higher than expected revenues from existing levels of fuel taxes may be available (the October baseline update for the National Land Transport Fund indicates that an additional \$500m will be generated over the next 5 years if current levels of economic activity are maintained);
- there is unspent money in Transfund (although note that much of this has already been allocated); and
- consultation processes required by the Land Transport Management Act 2003 may slow down the approval process for some projects.

Appropriate signalling of such a commitment could be provided by Government in a number of ways:

- raise fuel taxes immediately (officials advise against this before the funds are needed)
- signal in the Budget Policy Statement (to be issued in December) that it intends to make a contribution to Auckland transport.
- Use transport policy funding mechanisms such as : provisions in agencies' performance agreements, statutory policy directions, policy statements around priorities, and establishing certain output classes in Vote: Transport.

#### Timeline

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Infrastructure Ministers meeting	18 November
Tele conference with Auckland mayors: to discuss the Ministers' proposal and agree a way forward	24 November
The proposed way forward to be put to Cabinet Policy Committee	3 December
Cabinet	8 December
Presentation to Auckland elected representatives	12 December

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