

FINAL: Supplementary Briefing Note: Auckland Transport Strategy and Funding

This briefing note provides supplementary information for Ministers to that provided in the note of 14 November 2003.

Funding Sources and Gap

JOG Assumed Currently Available Funding for Auckland Transport: 2003/04 to 2012/13

Source	Capital (\$m)	Operating (\$m)	Total (\$m)
Transfund	2,081	473	2,554
Auckland TLAs	313	-	313
Infrastructure Auckland	736	-	736
ARC	-	857	857
Total	3,130	1,330	4,460
Less ARC funding from LTFS rate increases	-	(293)	(293)
Net Total	3,130	1,037	4,167

JOG developed a range of hypothetical packages to address Auckland Transport issues.

- Over a 10 year time frame (2003/04 to 2012/13), the additional funding required (over and above JOG assumed sources) ranged from \$810m to \$5.3b. However, these packages did not allow for funding, buildability and consent constraints.
- Taking account of the buildability and consents constraints resulted in the upper end of the funding gap (over 10 years) of \$2.2b to \$3.0b or \$220 to \$300m per annum (on an annualised basis). The range at the upper end reflects the impact of a price premium up to 30%, resulting from the doubling of the level of civil works.
- JOG recommended that additional funding should be used to fund increased Passenger Transport and Demand Management first, followed by some level of accelerated roading above the Transit 10 year forecast and potentially up to the buildability level.
- Note that JOG did not recommend increasing funding to the buildability level; this is the maximum, but not necessarily the optimal level of funding. A judgement is required as to how fast roading should be accelerated, compared to the Transit forecast programme.

Illustrative Funding Pathways

JOG developed the following illustrative funding pathways to show how the funding gap (excluding price premium) might be funded:

Assumed Funding gap: \$1,741m capex and \$505m opex (total \$2.25b or new annual funding of approximately \$225m per annum)

Sources of Funding	Pathway 1 PAYGO	Pathway 2 Debt	Pathway 3 Debt
Crown capital grant	\$430m	\$430m	\$430m
Crown contribution from diversion of petrol tax	\$490m (35% of 5c/l)	\$290m (335% of 3c/l)	-
IA Debt servicing/capex funding	\$140m	\$140m	\$140m
ARC funding (projected rates increase in LTFS)	\$290m	\$290m	\$290m
Auckland TLA contributions (equivalent to a 5% rates increase)	\$240m	\$240m	\$240m
Increased national petrol tax and RUC from (1 July 2005)	\$590m (35% of 5cpl)	\$350m (35% of 3c/l)	-
Road pricing	\$100m	\$100m	\$825m
Debt Level at end of 10 year period	n/a	\$660m	\$630m
Annual Debt servicing cost	n/a	\$50m per annum	\$50m per annum

Meeting between Ministers and Auckland Mayoral Forum

The Ministers of Finance and Transport and 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 Minister of Finance discussed a funding proposal that he would be prepared to put to his Cabinet colleagues. :

- fuel taxes¹ 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;
- 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 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.

This proposal would provide new funding of:

¹ In this report the term “fuel taxes” is used to refer to fuel excise and road user charges.

Sources of Funding	2003/04 -2012/13 (\$m)	2003/04-2004/05 (\$m)	2005/06 to 2012/13 (\$m)
Fuel Taxes and RUC (July 2005)	\$590m	0 ²	\$72
Crown Capital Contribution	\$500m	\$50	\$50m
Total Government	\$1,090	\$50	\$122
IA debt serving/capex	\$140m	\$14 ³	\$14m
Total	\$1,230m	\$123	\$136

Note

- In the absence of other funding (tolls, local government contribution and debt finance), this package would not fully fund work to the buildability constraint, but it would be sufficient for increased TDM and PT as recommended by JOG and for a significant acceleration of roading.
- Projected spending is expected to ramp up over 2003/04 to 2007/08. No additional funding is likely to be required before July 2005, given current funding sources.
- Infrastructure Auckland has offered \$140m of additional funding for debt servicing for Auckland Transport. JOG has assumed this funding will also be available for capital spending, if debt finance is not required.
- Using the existing approach to funding local authority through the National Land Transport Program (the Financial Assistance Rate or FAR), spending on TDM and PT will require additional investment from Local Authorities and ARC.

Other Funding Sources

Auckland

Territorial Local Authorities

JOG proposed that Auckland TLAs could raise funding from a range of sources: development levies, parking charges and rates. JOG modelled the additional TLA funding as a 5% rates increases from 2006/07, however, it would be up to individual TLAs as to how this revenue would be sourced.

ARC

In developing estimates of existing sources of funding, JOG, removed all ARC funding derived from rates increases as set out in the ARC LTFS. In considering, new funding sources JOG included funding from the ARC LTFS rates increases as a potential funding source. Note, that ARC funding and Auckland Governance issues are been addressed in a separate workstream led by Department of Internal Affairs.

Tolls/Road Pricing

JOG recommended in-principle approval of comprehensive (i.e. including existing roads) road pricing and moving early to toll new roads (now enabled by LTMA). JOG estimated that comprehensive tolling could raise significant new revenue of between \$100 to \$200m per annum, however this revenue is highly uncertain (depends on road pricing scheme and public response) would not available for 4 to 6 years. Tolling new

² For the purposes of estimating funding pathways, JOG assumed the fuel tax is to increase from July 2005.

³ IA funding has annualised over 10 years, however it can be spent as required.

roads has the potential to raise \$15 to \$20m by 2008; depending on timing of completion of new roads i.e. no revenue until a new road is completed. Transit advice that it is unlikely that any new roads will be able to be fully funded from tolls i.e. part funding from Transfund required.

Transit Estimate of Tolling potential of new Auckland roads in the next 10 years

Transit has made some preliminary estimates of potential revenue from tolling new roads in the Auckland region. Transit has not provided the detailed workings or assumptions used in the analysis. Neither Treasury nor the Ministry of Transport have undertaken an independent assessment of Transit's modelling.

Road	Targeted completion date	Construction cost \$	Subsidy required pa (range) over 35 years	Subsidy midpoint (expressed as up front grant)	Projected daily traffic volumes	Potential annual revenue (\$m) from tolls	Up front grant as a % of construction costs
ALPURT B2	2008	145m	\$0.0 -6.3m	\$39m	17,000	19	27
Mt Roskill	2009	139m	Not available	Not available	50,000	7	Not available
Hobsonville SH 18/16	2011	183m	\$0.7-\$7.3m	\$65m	33,000	12	35
Manukau extension SH1/20	2013	145m	\$7.9-\$11.2m	\$108m	14,000	6	74

Notes:

Notes: Transit have not analysed Mt Roskill to the same extent as the other projects but have indicated that the Manukau extension results are likely to provide an indication of the likely results for Mt Roskill.

Information contained in this table is based on preliminary work undertaken by Transit in September 2002, using assumptions developed in June 2002. Substantial further work will be required, and consequently, the final numbers may be quite different from those in this table.

The table above suggests that ALPURT and Hobsonville are the only new roads that are able to make significant contributions to their capital cost. We understand that low tolls have been assumed for Mt Roskill and Manukau extension on the basis of existing alternatives roads.

Debt Finance

Most JOG illustrative funding pathways assume the use of debt to fund increased spending. Sources of funding for serving and repayment were not specifically identified, although road pricing was considered a likely source and the IA grant of \$140m is available to service debt.

Tolling revenue provides the potential to borrow for road construction and repay debt with toll revenue. This effectively makes Transfund funding available for other uses. On the basis of the table above, this suggests that about \$100m of the cost of ALPURT could be funded from tolls and about \$120m of the cost of Hobsonville SH18/16.

[withheld s9(2)(f)(iv) and s9(2)(g)(i)]

Increases in Projected Existing Funding

Since the JOG work on existing funding has been completed, the projected revenues from fuel excise duty, RUC and motor vehicle levies has been reforecast for the October baseline update. This has resulted in the following changes to the appropriation for Transfund

Vote Transport	2003/04 \$m	2004/05 \$m	2005/06 \$m	2006/07 \$m	2007/08 \$m	GST
Purchase or Development of Capital Assets by the Crown: roading Capital Improvements- Transfund	129.700	74.500	90.300	108.700	168.100	GST incl

This funding will be available for increased spending on roading across New Zealand i.e. also for additional spending outside Auckland and for other priorities such as improving safety.