

Regulatory Impact Statement for Auckland Transport Governance

Executive Summary

1. The eight existing Auckland local authorities are scheduled to be replaced by a single Auckland Council on 1 November 2010. The Royal Commission on Auckland Governance (the Royal Commission) recommended that transport functions be split between the Auckland Council (funding and neighbourhood streets) and a Regional Transport Authority (arterial roads and public transport).
2. It is proposed that local roads and the public transport network be managed by a single entity as issues of access, mobility and local amenity are present across the entire network and are best managed by a single transport entity.
3. The government has decided in principle that a Regional Transport Authority (RTA) should manage all local authority transport responsibilities in Auckland. The Minister of Transport is seeking to confirm that decision on the basis that a RTA will provide greater focus on transport issues and continuity of decision making than could be provided by the Auckland Council.

Adequacy Statement

4. This statement has been prepared according to the Regulatory Impact Statement guidelines. The Regulatory Impact Analysis Unit has reviewed the regulatory impact statement (RIS) and considers the RIS is adequate according to the adequacy criteria.

Status Quo

Royal Commission

5. The Royal Commission recommended an RTA be established with responsibility for public transport and arterial roads. It also recommended the establishment of a joint management structure with the NZ Transport Agency for national land transport funding and State highways, and with the New Zealand Railways Corporation for passenger rail.

Auckland Council

6. The Local Government (Auckland Council) Bill 2009 was introduced on 14 May 2009 and has been referred to the Auckland Governance Legislation Committee for a Select Committee process. The Bill proposes a unitary Auckland Council, one mayor with powers, 20–30 local boards, and integration of water functions under a single council-controlled organisation. It also provides for the Local Government Commission to determine regional boundaries and the boundaries, membership and the number of local boards—decisions are given effect through Orders in Council. Boundaries have to be determined by 9 April 2010 for elections in October 2010.
7. Management of local roads and the public transport network will be a key function of the Auckland Council and is likely to account for approximately 30 percent of total Auckland Council expenditure.

Central Government

8. Under the Land Transport Management Act 2003, there is a well established national framework for the prioritisation and allocation of central government transport funds to local roads and public transport by the NZ Transport Agency. Central government funding accounts for approximately 60 percent of total transport expenditure in Auckland.

Transport Functions

9. Cabinet has:
 - 9.1 agreed in-principle to the consolidation of responsibility of all Auckland local authority transport functions under an RTA;
 - 9.2 invited the Minister of Transport to report back to Cabinet by 27 April 2009 with detailed advice on the implications of including local roading functions within the RTA, particularly during the transition period; and
 - 9.3 agreed that the proposals for transport recommended by the Royal Commission on Auckland Governance be simplified by:
 - 9.3.1 Ensuring the Auckland funding framework is consistent with the national funding framework; and
 - 9.3.2 Maintaining the current structural relationship between national and regional functions with respect to roads and rail, although with mechanisms for improved coordination [CAB Min (09) 12/7 refers].
10. Cabinet subsequently invited the Minister for Economic Development, the Minister for the Environment and the Minister of Transport to report back separately to AGR on the issues raised in the submissions relating to their respective portfolios, as soon as possible [CAB Min (09) 16/11 refers].

The Problem

11. The core policy question under a single-city model is whether transport decisions are best made by elected representatives within a multi-purpose entity (the Auckland Council) or whether some types of decision are best made by a single-purpose entity (an RTA) with an appointed board.
12. If an RTA is preferred, then a decision is required about the best way to allocate the transport functions between the two decision-making bodies, the relationship between the various statutory instruments and the composition of the RTA Board.

Objectives

13. The transport objectives are common to any regional transport governance model:
 - 13.1 To improve service standards across the regional network (efficiency and effectiveness);

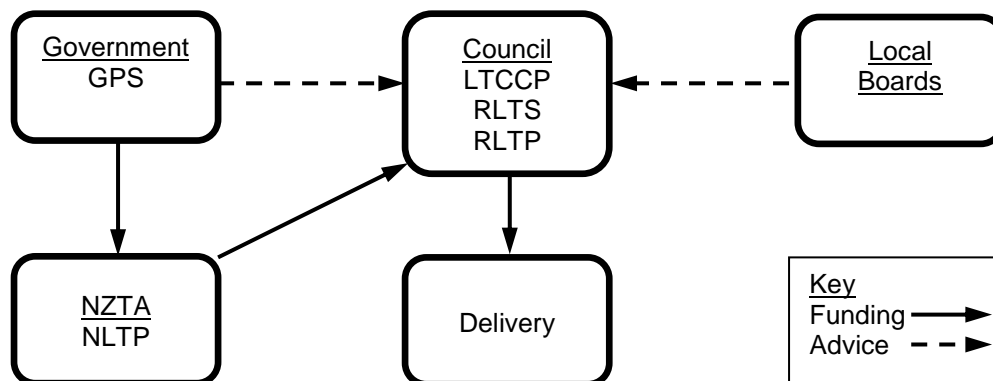
- 13.2 To improve alignment of decision making at the regional and local levels (integration);
- 13.3 To maintain high levels of accountability for public expenditure (accountability);
- 13.4 To improve alignment between regional revenue and expenditure policy (funding); and
- 13.5 To provide an environment that is supportive of high quality transport advice (expertise).

Alternative Options

14. Five leading governance options have been identified:

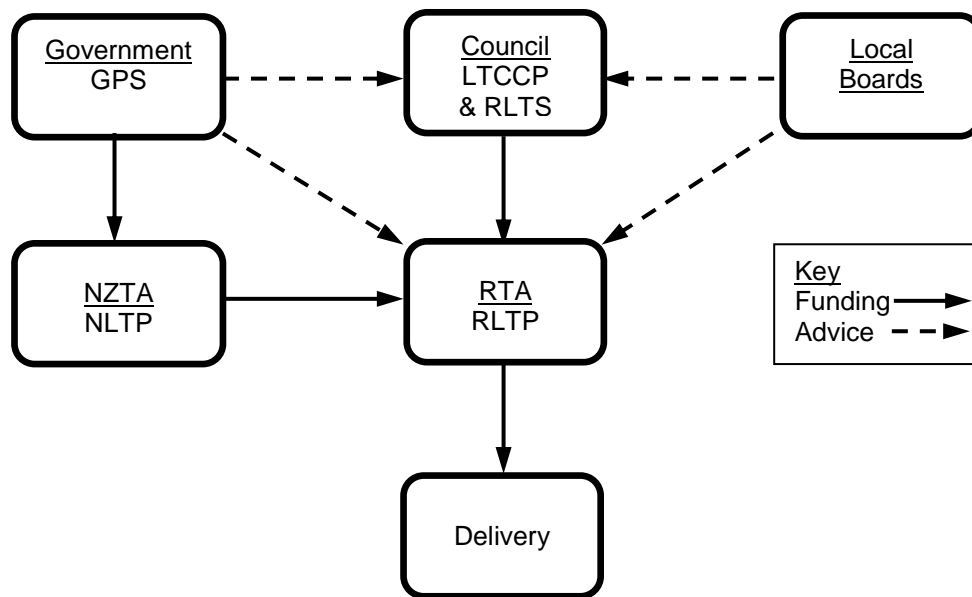
- Option One: *Auckland Council* – allocate local road and public transport functions to the Auckland Council, enabling the Council to decide if an RTA is required;
- Option Two: *Auckland Council and a Regional Transport Authority* – allocate local road and public transport functions to a RTA, with the Auckland Council providing funding;
- Option Three: *Auckland Council and a statutory Public Transport Authority* – allocate public transport functions to an RTA and local road and funding functions to the Auckland Council;
- Option Four: *Auckland Council and a statutory Arterial Roads-Public Transport Authority* – allocate arterial roads and public transport functions to an RTA, and remaining local road functions to the Auckland Council (the Royal Commission’s model); and
- Option Five: *Joint Venture Entity* – establish a statutory joint venture with a board appointed by the government and the Auckland Council, with responsibility for some or all of Auckland’s State highways, local roads, rail and public transport.

Option One: Auckland Council Transport Governance Framework



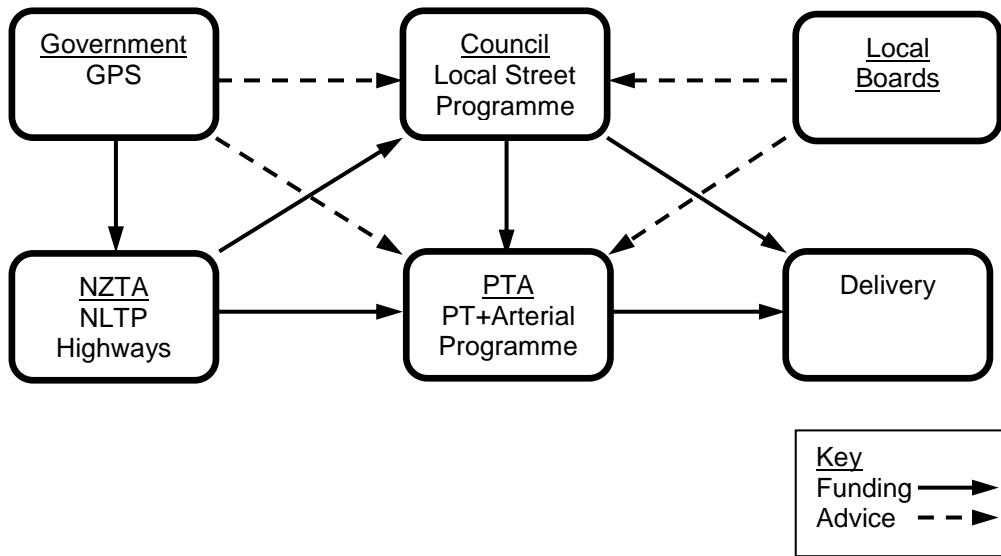
15. Under the Auckland Council option, transport governance would follow the model applied to other unitary authorities. The Auckland Council would set transport rates and decide how those rates are spent through the Long-Term Council Community Plan (LTCCP) process. The Auckland Council would be responsible for strategic planning through the Auckland Regional Land Transport Strategy (RLTS) and operational planning through the Auckland Regional Land Transport Programme (RLTP). The NZ Transport Agency would inform the Auckland Council's transport decision-making through membership of the Auckland Regional Transport Committee.

Option Two: Regional Transport Authority Governance Framework



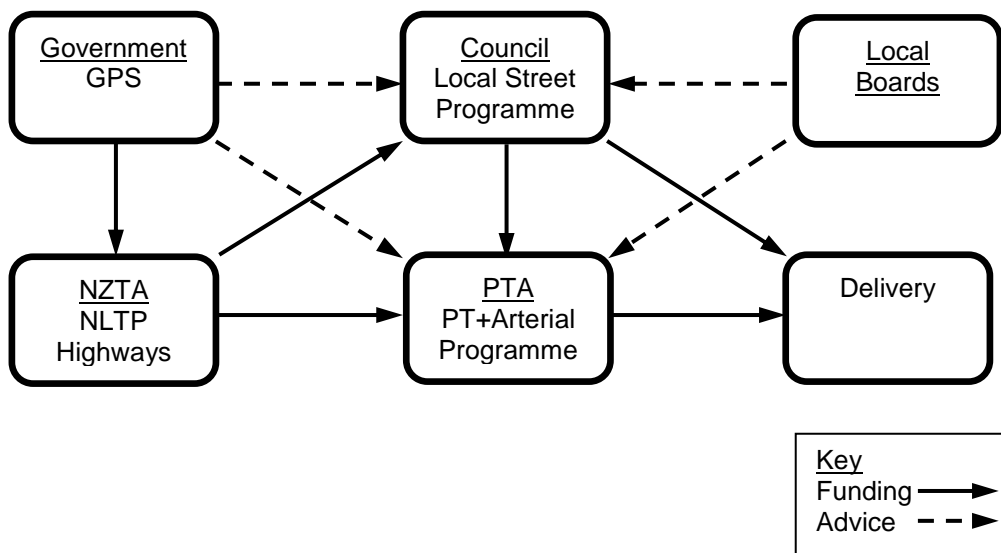
16. The RTA model involves allocating transport functions between the Auckland Council and the RTA. The Auckland Council would set rates and decide how those rates are spent through the LTCCP process. The Auckland Council would also be responsible for strategic planning (RLTS). However, the RTA would be responsible for operational planning (RLTP). The NZ Transport Agency would inform decision-making through membership of the RTA and any Auckland Council committee considering the RLTS.

Option Three: Public Transport Authority Governance Framework



17. The Public Transport Authority (PTA) model involves allocating roading to the Auckland Council and public transport to the RTA. The Auckland Council would set rates and allocate funding between its own road functions and the public transport function of the RTA through the LTCCP. The Auckland Council would be responsible for strategic planning through the RLTS and road planning. The RTA would plan public transport. The NZ Transport Agency would inform transport decision-making through membership of the RTA and any Auckland Council transport committee.

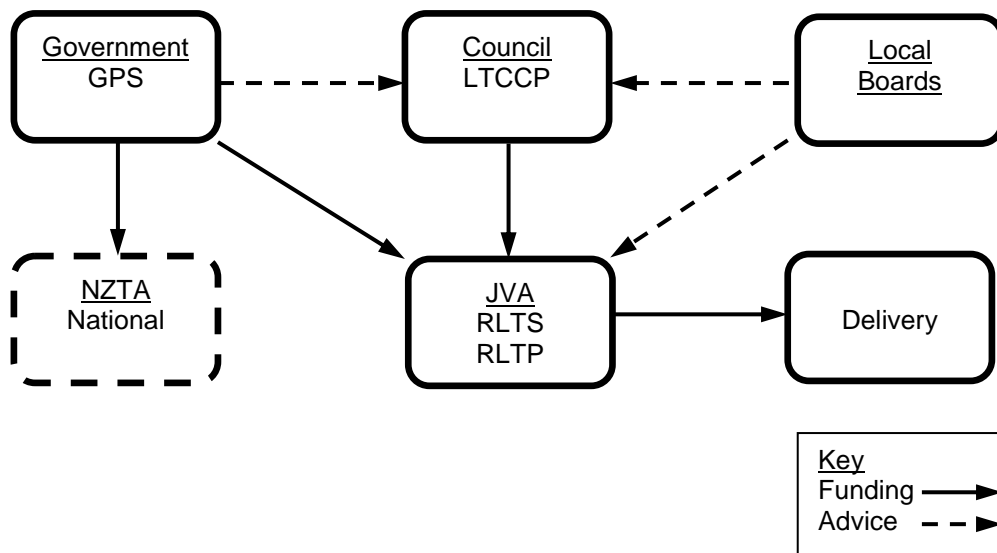
Option Four: Arterial Roads-Public Transport Authority Governance Framework



18. The Arterial Roads-Public Transport Authority (ATA) model involves allocating neighbourhood streets to the Auckland Council and arterial roads and public transport to an ATA. The Auckland Council would set rates and allocate funding between its own neighbourhood streets and the ATA functions through the LTCCP. The NZ

Transport Agency would inform transport decision making through membership of the ATA and any Auckland Council transport committee.

Option Five: Joint Venture Authority Governance Framework



19. The Joint Venture Authority (JVA) model involves consolidating all roading and public transport responsibility with the new entity, including State highways and railways within the Auckland region. The JVA would be headed by a Board jointly appointed by the Auckland Council and government. Funding for the JVA would also be jointly determined by the government and the Auckland Council. The JVA would carry out all strategic (RLTS) and operational (RLTP) transport functions.

Existing RTA Models

International Examples

20. The international RTA examples studied by the Royal Commission have been re-examined.
21. There are interesting examples of RTAs in London and Vancouver, although both involve governance arrangements across multiple local authorities which will not apply in Auckland when the unitary Auckland Council is established.
22. Single-city administrations such as those in Brisbane, Ottawa and Calgary, typically provide for arms-length ownership and operation of public transport but do not generally provide for allocation of public funds by an RTA type structure.
23. No international examples of a single-city and an RTA were identified.

Local Examples

24. Locally there are several relevant examples. The Auckland Regional Transport Authority (ARTA) is the only example of a statutory regional transport entity. ARTA was, however, largely a product of Auckland’s fragmented local governance structure.

25. The Auckland Traffic Management Unit, that operates the automated traffic light and camera monitoring system on behalf of Auckland road controlling authorities, offers an example of the improved service levels that can be achieved through consolidation of network management.
26. There are other examples of joint ventures at an operational level in Marlborough, Rotorua and the Bay of Plenty that suggest some economies-of-scale can be secured, but the size and scope of these examples is limited and not directly comparable with the Auckland local transport network.

Representations

27. A range of parties have provided their own representations on the value of an RTA. Two relatively clear alternative positions emerge from the submissions:
 - 27.1 The Committee for Auckland, the New Zealand Council for Infrastructure Development and ARTA support an appointed decision-making body, suggesting it would provide a focused, business-like approach that would provide continuity and reduce political interference; and
 - 27.2 The Auckland Regional Council, the Auckland City Council, the Manukau City Council and Infratil support an elected decision-making body, suggesting transport decisions will inevitably be a key focus for the Auckland Council and should be closely integrated with Council regulatory planning decisions.
28. The evidence offered in the representations is inconclusive:
 - 28.1 A Board may in theory be capable of delivering greater focus and continuity than a council. However, in practice any board is dependent on the emergence of a stable long-term political consensus about transport priorities and secure funding; and
 - 28.2 A single council should in theory be capable of delivering more effectively than the current multiple council and ARTA model. However, the unitary council model is currently limited to largely rural regions such as Gisborne and Tasman and is unproven in a major urban context.

Common Issues

Local Roads

29. The argument for separate management of arterial roads and neighbourhood streets is that Auckland's arterial network needs the focus of a single purpose agency while local communities should have direct influence over the access and amenity issues that arise on neighbourhood streets.
30. The argument for integrating arterial road and neighbourhood street management is that access, mobility and amenities are intermixed across the network and are best managed together. Arterial roads pass through shopping centres that are often the main focus of local communities. Additionally, intersections that connect arterial roads

and neighbourhood streets are critical to the effective operation of both the arterial and neighbourhood parts of the network.

31. A single agency is needed to balance the competing demands on transport resources and allocate resources where they are most needed. Generally, the options that consolidate decision-making (Options One, Two and Five) are preferable to those that spit decisions between multiple agencies (Options Three and Four).

Compliance Costs

32. There will be additional compliance costs incurred under any of the options that involve an additional entity accountable to the Auckland Council (Options Two to Five). These costs will mainly relate to the operation of the Board, the need for agency front-office, call-centre, administrative and communication systems and additional staff in the Auckland Council to monitor the activities of the RTA.
33. These additional costs cannot be quantified with confidence in advance of decisions about the nature of the front and back-office facilities and how these might be shared with the Auckland Council. However, additional governance costs under any RTA are likely to be at least as much as those associated with ARTA. ARTA governance costs are in the order of \$1–\$2 million per year.¹ This compares with a total regional local government transport budget of over \$1.1 billion per year.²

Transition

34. Management of local roads during the transition period is fundamentally similar to any other council function. The existing functions are distributed between the seven road controlling authorities, with programming and bidding responsibilities resting with ARTA. These agencies are well placed to continue service provision until the Auckland Council and new RTA replace them.

Option Evaluation

Efficiency and Effectiveness

35. Managing the local authority component of the regional transport network as a single network would most closely align governance with the way the network is used. Under a single agency, investment in the network would be able to follow actual use with resources prioritised to where they are most needed.
36. The Auckland Council and JVA models would minimise the governance boundaries within the network and maximise the flexibility with which resources are deployed across the network.
37. The RTA, PTA or ATA models would be able to focus exclusively on delivering transport outcomes within their scope without being diverted by other functions.

¹ Source: NZ Transport Authority administrative funding for ARTA.

² Source: Statistics NZ 2008 Local Government Survey data supplied by DIA

38. They would, however, replace the spatial boundaries associated with multiple local authorities with functional boundaries. There would be greater transaction costs in aligning funding and provision (RTA), or roads and public transport (PTA and ATA) than under the Auckland Council or JVA models which internalise these costs.
39. Some flexibility in allocation of resources would be lost under the PTA and ATA models.

Integration

40. Integration is most critical where different components of the network overlap. These overlaps include transfers from walking to a bus at a bus stop, movements from a neighbourhood street onto an arterial road at an intersection or the space allocation between sidewalk cafés, pedestrian movement and vehicle space through a shopping centre.
41. An additional point of overlap is between transport and land use policy. There is an iterative relationship between these two local government functions. The locational and lifestyle choices of households and businesses generate trips that need to be accommodated on the transport network. These choices are influenced by what is permitted under zoning rules and the capacity of the transport network.
42. The Auckland Council option would be well placed to develop a transport and land use policy that integrate decision-making across the network and between transport and other council functions.
43. The RTA and JVA options would be able to align operational decision-making across the network.
44. The PTA and ATA options would compartmentalise transport decision-making and these entities would not be well placed to integrate their decision-making with other council functions.

Accountability

45. Public accountability is a key element in the transport decision making system. Accountability ensures decision makers have strong incentives to select projects that people will use and ensure projects are undertaken in a way that does not waste public funds.
46. Public accountability is generally at its strongest where elected representatives raise funding and set expenditure policy.
47. The Auckland Council would be clearly accountable for the expenditure of public funds it has raised. The same agency would be responsible for setting transport rates and spending those rates.
48. Under the RTA, PTA and ATA models public accountability depends on the governance mechanism provided under the model. In each case this would include Auckland Council membership of the Board, the ability to appoint and dismiss board

members and the Statement of Intent and Annual Report processes. Accountability would, therefore, be less direct than under the Auckland Council model.

49. Under the JVA model, governance would need to be shared in a way that reflects financial contributions to maintain public accountability.

Funding

50. Aligning revenue and expenditure policy is an essential element of an effective transport system. Worthwhile transport expenditure almost invariably exceeds available funding and rationing decisions are needed between competing interests. These rationing decisions become more challenging where the funding comes from multiple sources and more than one agency has expenditure aspirations.
51. Regional funding would mainly be sourced from rates set by the Auckland Council through the LTCCP process and grants by the NZ Transport Agency where the proposals meet national funding criteria. This national funding allocation process under the National Land Transport Programme prioritises the expenditure aspirations of multiple agencies to align with available funding. All of the options will need to work within this national funding framework.
52. Under the Auckland Council and JVA options, all subsidised and unsubsidised work would be combined into a single programme. The same agency that sets the strategic direction (RLTS) would also be responsible for the programme that implements that direction (RLTP). The two main funding bodies would be directly represented on the Board.
53. Under the RTA option, the strategic and implementation functions would be split between the Auckland Council and RTA.
54. Under the PTA and ATA options, the implementation function would be split between the Auckland Council and the transport entity.
55. Regional strategic planning and operational planning would be easiest to align under the Auckland Council and JVA approaches, albeit that the latter has consequential governance implications.

Expertise

56. There are three types of 'expertise' that need to be considered. The expertise of the decision-making board. The expertise of the managers who support the board. The expertise of the professional staff that advice the board.
57. Under the Auckland Council model the expertise of the decision makers would depend on the skills of those elected. Management expertise would tend to be provided by managers with experience in local government management. Professional expertise would be consolidated within a transport department with the ability to support a full range of specialist advice.
58. Under the RTA, PTA and ATA models the expertise of the decision makers would potentially draw on a wider pool of governance expertise than the Auckland Council

option alone. Managers with experience beyond the public sector may also be interested in these entities which would be reasonably large by New Zealand standards. Professional expertise, would however, have to be split between the Auckland Council and the transport entity reflecting the split in transport responsibilities involved.

59. The JVA would offer potentially greater governance expertise than the Auckland Council option alone, and would also be attractive to managers with experience beyond the public sector. In contrast to the other transport entity options, it would also keep the professional expertise consolidated and support a full range of specialist advice.
60. The RTA options create the opportunity to extend the governance and management expertise available to support transport decision-making, albeit at some risk of fragmenting the professional support between multiple agencies.
61. The JVA increases the potential pool of governance and management expertise while also keeping the professional support consolidated, but does involve significantly increased levels of government intervention in regional decision-making.

Preferred Option

62. The central choice is between decision-making by a single elected entity and decision-making by a combination of elected and appointed entities.
63. Officials consider that managing Auckland's local transport networks in an integrated way and in a way that aligns well with how they are used is highly desirable. Approximately 80 percent of Auckland public transport is road based. Consequently, consolidated public transport and roading decision making is desirable compared to a split model. Furthermore, splitting the roading network further between State highways, arterial roads and access streets would create artificial divisions across what, from a user's point of view, is a single network. Consequently, officials continue to strongly favour the consolidation of regional transport functions.
64. Therefore, separating public transport decision-making from roading decisions (Option Three) and splitting roading into three networks (Option Four) are not desirable. Pursuing a formal joint venture would further complicate an already challenging reorganisation (Option Five) and it represents a step-change from the current national funding system. Officials consider that full regionalisation of expenditure without regionalisation of revenue is potentially problematic and would be premature.
65. The choice between the remaining options depends on the weight given to the comparative simplicity, integration and direct accountability offered by an elected unitary Auckland Council (Option One) and the focus, continuity and expertise offered by an appointed RTA Board (Option Two).
66. The Minister of Transport favours an RTA (Option Two) to bring a greater focus on transport delivery than the Auckland Council with its multiple functions and responsibilities could provide. The Minister also considers that an RTA Board would provide a degree of continuity in decision-making that is less likely to occur with an

elected council. An arms-length entity may also draw on a wider pool of experience than a council transport department. In the Minister's view, these benefits will outweigh any additional compliance costs associated with an RTA.

67. The Minister of Transport has, therefore, recommended that the Cabinet confirm the in principle preference for an RTA.

Implementation

68. An RTA would be implemented in a Bill amending the Local Government (Auckland Council) Bill 2009 which is expected to be enacted by the time the transport legislation is introduced toward the end of 2009.
69. Officials anticipate that the main features of the legislation to implement an Auckland RTA would involve the allocation of transport functions between the Auckland Council, local boards and an RTA, the establishment of the RTA Board and transitional measures:
 - 69.1 The Auckland Council would have responsibility for setting regional transport rates through the LTCCP and strategic planning through the RLTS;
 - 69.2 The RTA would have responsibility for operational planning through the RLTP and delivery as the road controlling authority and public transport regulator; and
 - 69.3 The local boards would be consulted on the RLTS and RLTP. Local boards would also be able to fund transport projects as part of local 'place-shaping' through their local board budget, with any transport expenditure co-ordinated through the LTCCP and RLTP process.
70. The RTA would be established and the Auckland Regional Transport Committee and ARTA consequentially disestablished. The RTA Board would:
 - 70.1 Consist of between six-and-eight members nominated by the Auckland Council and could include up to two serving councillors;
 - 70.2 Non-elected members would be appointed for their relevant expertise and would have a four-year term;
 - 70.3 The NZ Transport Agency could nominate a non-voting adviser to ensure good coordination between national and regional systems; and
 - 70.4 Be accountable to the Auckland Council in a similar way to a council-controlled organisation and would be appointed as soon as possible after the Auckland Council is elected.
71. Transitional powers would include provision for appointment of an interim Chief Executive Officer by the Auckland Transport Agency and measures to transfer all existing programmes and contracts to the new RTA.

Review

72. The primary responsibility for monitoring the performance of the RTA would fall to the Auckland Council. The RTA would be required to produce an annual Statement of Intent and Annual Report against that Statement, in a similar way to a non-statutory council-controlled organisation.
73. The dependence on the NZ Transport Agency and the Auckland Council for all the RTA's funding will provide significant financial monitoring of the RTA's activities over and above the annual monitoring cycle.
74. Members of the public are also likely to raise RTA performance issues with their local Auckland Councillor or the Mayor, providing strong signals to the Auckland Council about the responsiveness of the RTA to users.
75. Additionally, the transport performance of the Auckland Council and RTA will be monitored on behalf of the Minister of Transport by the Ministry of Transport, which maintains an ongoing presence in Auckland through its Auckland office.

Consultation

76. The Royal Commission undertook extensive public consultation before recommending the establishment of the Auckland Council and an RTA combining arterial road and public transport functions.
77. A number of organisations have made representations to the Minister of Transport following the Cabinet's in-principle decision following lodging of the Royal Commissions report and have been summarised in the Cabinet advice:
 - 77.1 The Auckland Regional Council, the Auckland City Council, the Manukau City Council and Infratil favoured the Auckland Council option; and
 - 77.2 The Committee for Auckland, the New Zealand Council for Infrastructure Development and ARTA favoured the RTA option.
78. The following organisations were aware of the Ministry of Transport's advice to the Minister of Transport on the Auckland transport options before preparation of the RTA Cabinet paper commenced:
 - 78.1 The Department of Internal Affairs, the Ministry for the Environment, the Treasury, the Ministry of Economic Development, the Ministry of Social Development, Te Puni Kōkiri, the Ministry of Pacific Island Affairs and the NZ Transport Agency; and
 - 78.2 The Department of the Prime Minister and Cabinet were also aware of the content of that advice.
79. The advice to the Minister of Transport was essentially similar to the substantive conclusions in this RIS.

80. The following government organisations have been consulted in the course of preparing the RTA Cabinet paper:
- 80.1 The Department of Internal Affairs, the Ministry for the Environment, the Treasury, the Ministry of Economic Development, the Ministry of Social Development, Te Puni Kōkiri and the Ministry of Pacific Island Affairs;
 - 80.2 The NZ Transport Agency, the New Zealand Railways Corporation and the Auckland Transition Agency have also been consulted in the preparation of the RTA Cabinet paper; and
 - 80.3 The Department of the Prime Minister and Cabinet has been informed about the RTA Cabinet paper.