Hi,

I’d like to please request unredacted versions of all the attached documents under the Official Information Act. Please get in touch if you’ve got any questions.

Thanks,
I refer to your request dated 25 February 2019, pursuant to the Official Information Act 1982, seeking

"...unredacted versions of all the attached documents under the Official Information Act."

The following documents fall within the scope of your request and are enclosed:

<table>
<thead>
<tr>
<th>Document Number</th>
<th>Title</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Funding Scenarios for GPS 2018</td>
<td>Released in full</td>
</tr>
<tr>
<td>2</td>
<td>Government Policy Statement on Land Transport 2018 Possible Changes - Responding to Submissions</td>
<td>Phone numbers withheld under section 9(2)(a)</td>
</tr>
<tr>
<td>3</td>
<td>Government Policy Statement on land transport (GPS) 2018 - Consultation with NZ Transport Agency Board</td>
<td>Phone numbers withheld under section 9(2)(a)</td>
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<tr>
<td>4</td>
<td>Nationally Significant Urban Corridors in Auckland</td>
<td>Phone numbers withheld under section 9(2)(a)</td>
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<tr>
<td>5</td>
<td>NZ Transport Agency’s proposal for nationally significant urban corridors in Auckland</td>
<td>Phone numbers withheld under section 9(2)(a)</td>
</tr>
<tr>
<td>6</td>
<td>GPS 2018 State highway funding ranges: Underlying assumptions</td>
<td>Phone numbers withheld under section 9(2)(a)</td>
</tr>
<tr>
<td>7</td>
<td>Auckland transport funding</td>
<td>Released in full</td>
</tr>
<tr>
<td>8</td>
<td>Implications of nationally significant urban corridors on the Government Policy Statement on land transport 2018 (GPS 2018)</td>
<td>Phone numbers withheld under section 9(2)(a)</td>
</tr>
<tr>
<td>9</td>
<td>Revised Auckland Transport Alignment Project funding gap</td>
<td>Phone numbers withheld under section 9(2)(a) and free and frank advice withheld under section 9(2)(g)(i)</td>
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<tr>
<td>10</td>
<td>Addressing the revised Auckland Transport Alignment Project funding gap</td>
<td>Phone numbers withheld under section 9(2)(a)</td>
</tr>
</tbody>
</table>

In regard to the information that has been withheld under section 9 of the Act, I am of the opinion that there are no countervailing considerations that make it desirable, in the public interest, to make the information available.

You have the right under section 28(3) of the Official Information Act to make a complaint about the withholding of information to the Ombudsman, whose address for contact purposes is:

The Ombudsman  
Office of the Ombudsmen  
P O Box 10-152  
WELLINGTON

The Ministry publishes our Official Information Act responses and the information contained in our reply to you will be published on the Ministry website. Before publishing we will remove any personal or identifiable information.

Yours sincerely

Bryn Gandy  
Deputy Chief Executive Strategy and Investment
MEMORANDUM

To: Hon Simon Bridges Minister of Transport
From: Helen White Policy Manager Programme
Date: 4 May 2017

Funding Scenarios for GPS 2018

You will recall you agreed to discuss any specific assumptions you would like us to include or exclude for funding scenarios for GPS 2018. This discussion is set for 8 May 2017. To aid this discussion we provide a chart showing the status quo situation (see appendix 1). The status quo chart shows expenditure over the next 30 years.

The expenditure includes:

- major projects (including completion of RONs, ATAP and inter-regional corridors) being delivered as currently signalled. Expenditure for major projects coming from the National Land Transport Fund (ATAP 51% from Auckland)
- BAU expenditure that is estimated to grow around 2% per annum in order to maintain existing levels of service.

Two revenue lines are provided:

- no change to FED and RUC rates so that revenue grows as a result of increased vehicle travel
- FED and RUC rates increase in line with changes in the Consumers Price Index (CPI), such that revenue grows around 3% (1% travel growth, 2% FED and RUC increases).

From the chart, it is clear that the expenditure in the status quo example cannot be met by revenue from current FED and RUC rates. Therefore, either major projects or BAU needs to be reduced.

Alternatively, where FED and RUC rates follow rises in the CPI means we can fund BAU and major projects in the first 10 years (with a few tweaks), but will leave us with large surpluses of revenue beyond that.

Possible options

We can provide a range of revenue options from reduce to increase in line with CPI and beyond. We can also model changes in funding to Auckland.

Are there any revenue options you want to include or exclude?

We can provide options that consider different levels of expenditure for business as usual and major programmes around delaying or speeding up major programmes and about alternative funding or financing for major projects.

Are there specific expenditure options you would like us to consider or not consider?

To consider

To determine how various funding scenarios might support GPS 2018 some aspects to consider how to:

- Deal with projects that create funding humps (changing timing, or using financing).
- Provide headroom to allow for future unknown projects (gives flexibility but reduces value for money push)
- Use alternative financing (such as PPPs, value added) and alternative funding such as crown funding.
- Recognising and using the current flexibility of the NLTP to drive value for money.
Appendix 1: ‘Status quo’ expenditure, 2016 to 2045

Notes:
- ATAP is delivered to recommended timing and Auckland provides funding at the current financial assistance rate of 51%.
- Inter-regional corridors are delivered to the timing discussed with Business Growth Agenda Ministers. 22 inter-regional projects: 12 completed in the first decade (by 2027/28) and 10 in the second decade.
- Housing Infrastructure Fund is assumed at $750m and drawn down over 5 years.
- The peak around years 2022-23 is a result of SH1 Auckland-Whangarei and the East-West Link.
Appendix 2: What mix of expenditure on BAU and major projects is possible with different revenue options

Key: Reduce (R), Delay (D), Status quo with financing (SQF), Status quo as per Appendix 1 (SQ), Increase (I)

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Expenditure – first 10 years</th>
<th>Expenditure – over 30 years</th>
<th>Notes (text in bold shows extra options available as compared to the previous revenue option)</th>
</tr>
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<tbody>
<tr>
<td>Reduce</td>
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<td>Reductions to FED and RUC rates provide for:</td>
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<td></td>
<td>in the first 10 years:</td>
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<td>• status quo expenditure on BAU only if there are reductions on major projects, or</td>
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<td>• status quo expenditure on major projects only if there are reductions on BAU</td>
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<td>over 30 years:</td>
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<td></td>
<td></td>
<td></td>
<td>• reductions in expenditure on BAU and major projects</td>
</tr>
<tr>
<td>Status quo</td>
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<td></td>
<td>Maintaining FED and RUC rates provide for:</td>
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<td>in the first 10 years:</td>
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<td>• status quo expenditure or even increases on BAU if expenditure on major projects is</td>
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<td>• status quo expenditure or even increases on major projects if expenditure on BAU is</td>
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<td>over 30 years:</td>
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<td>• status quo expenditure on BAU if expenditure on major projects is reduced, or</td>
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<td>• status quo expenditure on major projects if expenditure on BAU is reduced</td>
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<td>but not increases in either</td>
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<tr>
<td>Less than</td>
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<td>No easing FED and RUC rates by about 1% per year provides for:</td>
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<td>CPI</td>
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<td>in the first 10 years:</td>
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<td>• status quo expenditure or even increases on BAU if expenditure on major projects is</td>
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<td>reduced, or</td>
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<td>• status quo expenditure or even increases on major projects if expenditure on BAU is</td>
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<td>over 30 years:</td>
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<td></td>
<td>• status quo expenditure on BAU if expenditure on major projects is financially or</td>
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<td>delayed, or</td>
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<td>• status quo expenditure on major projects if expenditure on BAU is delayed</td>
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<td></td>
<td>• increases in either BAU or major projects if there are reductions or delays in the other</td>
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<tr>
<td>Increasing</td>
<td></td>
<td></td>
<td>Increasing FED and RUC rates by 2% per year provides for:</td>
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<tr>
<td>FED and RUC</td>
<td></td>
<td></td>
<td>in the first 10 years:</td>
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<td></td>
<td>• status quo expenditure if expenditure on major projects is financed, delayed, or</td>
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<td></td>
<td>reduced, or</td>
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<td></td>
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<td>• status quo expenditure on major projects if expenditure on BAU is delayed or reduced</td>
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<td></td>
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<td>• increases in either BAU or major projects if there are reductions in the other</td>
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<td></td>
<td>over 30 years:</td>
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<tr>
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<td></td>
<td></td>
<td>• increases in expenditure on both BAU and major projects</td>
</tr>
<tr>
<td>Fitted</td>
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<td></td>
<td>A fitted revenue line has FED and RUC rates adjusted to meet revenue needs at the time.</td>
</tr>
<tr>
<td>revenue line</td>
<td></td>
<td></td>
<td>To achieve status quo expenditure on BAU and major projects, this would require increases in FED and RUC faster than CPI for the first five years to get over the expenditure hump, a large reduction around year 6, and slight increases in following years.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>This would introduce variability into FED and RUC rates, and equity issues (drivers in the peak expenditure period in the first five years paying higher taxes than those in subsequent time periods).</td>
</tr>
</tbody>
</table>
Government Policy Statement on Land Transport 2018
Possible Changes - Responding to Submissions

Reason for this briefing
We are preparing the GPS for release in August 2017. This paper outlines key points raised in submissions on the draft GPS and seeks decisions from you on proposed changes to ensure the final GPS reflects our priorities.

Action required
This briefing has been divided into four sections and seeks decisions from you to enable the GPS 2018 to be finalised:

- Section 1: Stakeholder submissions and proposals to change GPS 2018
- Section 2: Issues highlighted by the NZ Transport Agency
- Section 3: Investment signals - options for activity class funding ranges.
- Section 4: Next steps and recommendations

Deadline
Friday 2 June 2017.

Reason for deadline
We intend to provide you with a draft final GPS 2018 in mid June. Receiving your feedback by 2 June 2017 will help us update the draft GPS 2018 and ensure we are on track to release the final in August 2017.

Contact for telephone discussion (if required)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Direct line</th>
<th>Telephone After hours</th>
<th>First contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>David Eyre</td>
<td>Principal Advisor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gareth Chaplin</td>
<td>General Manager Sector Performance</td>
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</tbody>
</table>

Minister’s Comments: withheld under section 9(2)(a)

Date: 26 May 2017
Briefing number: OC05037
Attention: Hon Simon Bridges (Minister of Transport)
Security level: In-Confidence

Minister of Transport’s office actions
☐ Noted ☐ Seen ☐ Approved
☐ Needs change ☐ Referred to
☐ Withdrawn ☐ Not seen by Minister ☐ Overtaken by events
Section 1: Stakeholder submissions and proposals to change GPS 2018

1. The Ministry received 125 submissions from local authorities, stakeholder groups and individuals. We have prepared a summary of submissions that we propose to publish when the final GPS 2018 is released. The summary of submissions is attached to this briefing for your information.

2. The following section is a summary of stakeholder views and our recommendations for improving clarity in the final GPS. The main feedback was on the strategic direction elements of the GPS 2018 (the priorities and objectives) and on the technology and ‘one transport system’ themes. The following section covers these issues:

<table>
<thead>
<tr>
<th>GPS element</th>
<th>Emerging signals from stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth and Productivity</td>
<td>Clarity on how to interpret the economic growth and productivity strategic priority, including how investments within this priority should be prioritised, and expectations for investment in urban areas</td>
</tr>
<tr>
<td>Safety</td>
<td>Providing a stronger response for safety</td>
</tr>
<tr>
<td>Value for Money</td>
<td>Being transparent about value for money</td>
</tr>
<tr>
<td>Transport Choice</td>
<td>Responding to social accessibility issues</td>
</tr>
<tr>
<td>Environment</td>
<td>Show we are responding to our climate change obligations</td>
</tr>
<tr>
<td>Themes – technology and one transport system</td>
<td>Understanding how these concepts will be implemented</td>
</tr>
</tbody>
</table>

Interpreting economic growth and productivity, especially in metropolitan areas

3. Submitters supported the three main priorities (economic growth and productivity, safety and value for money). There is strong support, from the regions especially, for an increased focus on tourism and regional economic development. Both are considered key aspects of economic growth and development.

4. The majority of submitters welcomed an objective dedicated to resilience, although some would like a dedicated activity class or a wider definition of resilience. Some submitters propose that resilience should include long-term network concerns, such as environmental concerns and demographic changes.

5. Many submitters (particularly those from metropolitan areas) considered that the draft GPS focused primarily on private vehicle travel and that roads (and in particular, State highways) were given preference over other modes. Public transport received the highest number of comments from submitters, the majority of which called for greater levels of funding and more emphasis on supporting public transport initiatives.

6. Some submitters considered that the benefits of walking, cycling and public transport had been downplayed. Submitters see these transport modes as crucial in reducing congestion and carbon emissions and that they should be a genuine transport alternative for everyone, not just those without a private car. They sought more explicit support for these modes in the GPS. In some cases, submitters suggested significant reductions in State highway spending and significant increases in public transport spending.
7. The Automobile Association and Road Transport Forum (while agreeing public transport, and walking and cycling are needed in high growth areas) reinforced the concept that cars and trucks pay transport taxes and, therefore, should be the primary beneficiary of the expenditure.

8. Submitters also asked for clear signals about demand management and its role in GPS 2018. A number of submitters also considered that all objectives should be weighted evenly, or that an explanation should be given as to why the environmental and transport choice objectives have “less focus.”

Suggested response: We recommend clarifying the priority rankings within economic growth and productivity, and explain the GPS 2018 signals around high growth areas (especially the topics of public transport, walking and cycling, and demand management).

**Ranking within economic growth and productivity**

9. The Ministry’s suggested ranking within the economic growth and productivity priority is given below for your consideration.

<table>
<thead>
<tr>
<th>Table 1: Proposed ranking within economic growth and productivity</th>
</tr>
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<tbody>
<tr>
<td><strong>Highest ranking</strong></td>
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<td><strong>Second ranking</strong></td>
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<td><strong>Third ranking</strong></td>
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<tr>
<td><strong>Fourth ranking</strong></td>
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</tbody>
</table>

Suggested response: We recommend amending the strategic direction section of GPS 2018 to reflect the rankings above. This would include providing more detail on signals for high growth areas as discussed below.
Clarifying expectations in urban areas

10. Within the second ranking it is important to clarify expectations on how to respond to growth and the roles of public transport, demand management and walking and cycling.

11. Responding to growth requires an appropriate mix of transport modes and technology to respond to a region’s needs. In high growth urban areas, which are important from a national as well a regional perspective, we need to find an appropriate transport mix based on meeting both national and regional needs. A practical example of this occurring is in the Auckland Transport Alignment Project (ATAP).

12. We provide a proposed emphasis on public transport, walking and cycling, and demand management below.

Public transport emphasis

13. The intent of the draft GPS 2018 was to recognise that public transport is a viable transport choice and an important part of the operation of metropolitan areas, especially high growth areas. We propose to change the wording in the GPS 2018 to clarify this intent. In the next draft of the GPS 2018, we also suggest that the GPS 2018 supports removing barriers to new business models and technologies that allow alternatives to single occupancy vehicles, e.g. ride share, automated vehicles (e.g. mobility as a service).

14. An ongoing difficulty concerning public transport is that there is not an agreed level of service for different urban areas. For sealed roads, the One Network Road Classification has made it clear what the appropriate level of service is for each type of road, making it easier to identify investment needs. We recommend the GPS 2018 propose that work begins on a similar level of service system for public transport.

15. Another difficulty with expanding public transport capacity is that public transport has different systems (e.g. public transport operating system) and in some cases different ownership (e.g. rail). A possible solution is improved collaboration as part of the One Transport System concept discussed later.

Suggested response: We recommend that GPS 2018 clarify that public transport is an important part of transport in metropolitan areas and propose that levels of service for public transport be developed.

Demand management

16. Demand management is supported by the National Infrastructure Plan and by the ATAP. However, in the submissions there is a wide range of definitions and expectations around demand management. These include information, promotion, encouragement and road pricing.

17. The proposal for GPS 2018 is that where there is major investment, it makes sense to provide information on the availability of the new infrastructure and services. Some submitters want to go further and change incentives and pricing to target specific modal shifts (particularly towards public transport).

18. The Ministry recommends clarifying that GPS 2018 supports the provision of information about major transport investments to encourage cost effective use of the transport system. It also supports the investigation of road pricing for demand management as part of ATAP (Auckland’s Smarter Transport Pricing Project). The Ministry also recommends that GPS 2018 remains mode neutral and does not support the idea of demand management to drive towards specific mode targets.

19. Note: that the proposed Ministry position appears to be different from the NZ Transport Agency’s focus area ‘Target rapid growth’, which includes incentivising significant modal shifts.
Walking and cycling

20. GPS 2018 supports the continued completion of urban cycleway networks. The activity class funding ranges (funding ranges) in the National Land Transport Fund (NLTF) are based on this expansion. However, the current level of expansion has relied on additional funding from the Urban Cycleway Fund.

21. An ongoing concern of many local government submitters is that the National Land Transport Programme (NLTP) does not cover maintenance for footpaths or cycleways. Many local authorities consider this an anomaly as the maintenance of roads is covered and, on this basis, there are arguments to support footpath and cycleway maintenance from within the NLTF. Resolving this issue has been problematic as there is no reliable evidence base about levels of service upon which to base decisions about NLTF coverage of footpath and cycleway maintenance. We consider that this issue should be resolved as part of GPS 2021.

A stronger response for safety

22. While the majority of submitters supported the continued focus on the Safer Journeys Action Plan, some felt that the safety priority did not have sufficient focus and was being overlooked in favour of economic growth and productivity. Many submitters are concerned with the road safety trend and felt the wording of GPS 2018 and the proposed funding ranges did not indicate an increase in effort to reduce deaths and serious injuries.

23. The intent of the draft GPS 2018 was to signal an increased effort for road safety. This included advancing the road safety action plan including safer roads and roadsides, smart and safe choices (technology, speed management plan) and safer vehicles.

24. We propose the wording of GPS 2018 be strengthened to clarify the intent to increase the road safety effort. This may include messages about other efforts to address the rising road toll including the non-funding responses. In addition, later there are options that consider increasing funding for safety activities.

Be transparent about value for money

25. While submitters supported the value for money objective, many questioned its integrity. Individuals, District Health Boards and local authorities alike argued that State highway projects receive high levels of funding despite low benefit-cost ratios, while public transport and active modes do not, in their view, receive fair consideration. In addition, in the listening sessions and submissions there was a concern that the NZ Transport Agency’s process (Investment Analysis Framework (IAF) and associated business cases process) will not accurately reflect the intent behind GPS 2018.

26. Stakeholders will be unaware, but we have been working with the NZ Transport Agency to align the draft GPS 2018 and the draft IAF. The draft GPS 2018 makes it clear that projects with low benefit cost ratios may be necessary to advance government policies. This should only occur when there is a clear
government policy and there should be transparency about the reasons for the decision (i.e. these decisions need to be documented and reported).

27. The draft IAF now has a much stronger focus on benefit-cost analysis in its prioritisation process.

28. The Ministry will continue to work with the NZTA to review and provide comment on the IAF to ensure the intent behind the GPS 2018 is delivered. We also intend to hold annual meetings with the NZTA and engage with local government to discuss progress and better understand their views on how the GPS intent is being delivered.

Suggested response: We recommend that there be no changes to GPS 2018 although details could be included in GPS 2018 questions and answers.

Show we are responding to our climate change obligations

29. Many submissions called for more priority for increasingly mitigating the effects of land transport on the environment. Submitters argued the draft GPS 2018 does not go far enough to reach New Zealand’s commitments under the Paris Agreement.

30. Significant mitigation already occurs as part of transport improvement projects to meet Resource Management Act requirements. Where there are significant current environment impacts (e.g. noise, harmful emissions) GPS 2018 supports managing environment impacts by including “increasingly” in the GPS 2018 objective for environmental mitigation.

31. The Government has signed up to the Paris Agreement and the GPS 2018 mentions CO₂ reductions. As there is not yet an action plan to indicate transport’s actions to reduce CO₂, the GPS 2018 does not state any specific actions. However, we can note the Government’s commitment, and note the first actions in transport (being the Electric Vehicles Programme) and that further actions are being considered. The further action could include considering improving the vehicle fleet for safety and environmental reasons.

Suggested response: We recommend clarifying the environment objective by referencing the government’s commitment and noting that, outside of the GPS 2018, the first transport response is the electric vehicle programme.

Increase transport choice to respond to social accessibility issues

32. Submitters such as local authorities and District Health Boards want GPS 2018 to place greater emphasis on both the social issues of accessibility of transport, such as transport choice, and on the health benefits of walking and cycling.

33. Transport choice involves ensuring there is adequate choice or alternatives to private vehicles (e.g. public transport, walking, cycling and on demand services (such as total mobility)). This is particularly important in cities and for those without a private vehicle (including disabled people). GPS 2018 provides for increased public transport and cycling routes in urban areas (particularly in areas where there is growth). It also provides for maintaining the current level of public transport services for off peak transport and for non-growth urban areas.

Suggested response: We have worked with the Department of Health and disability groups. We recommend leaving the levels of support for this area similar to the draft GPS 2018.
GPS 2018 themes

34. During engagement (including the submissions) on the draft GPS 2018, it became obvious that the two themes of GPS 2018 of One Transport System and technology were either not picked up or not well understood.

GPS 2018 theme: One Transport System

35. Local authorities and District Health Boards are particularly supportive of the One Transport System (OTS) approach outlined in the draft GPS. However, the majority requested guidance as to what an OTS approach looks like and how it would work in practice. In relation to enabling an OTS approach, some submitters commented that siloed approaches to activity classes do not allow flexibility or encourage multi-modal solutions.

36. Some went further and requested that passenger and freight rail be funded from the NLTF. They also recommended that the Ministry take greater strategic leadership of rail, possibly by including key points from KiwiRail’s strategy documents in the GPS or bringing road and rail into a common funding model.

One Transport System

37. The draft GPS 2018 proposed that GPS led investment takes an OTS approach. An OTS approach means finding the best transport solution considering all modes (including those the GPS does not fund) and investing where the solution is within the scope of GPS activity class definitions or, where feasible, co-investing in that solution.

38. We are proposing to make adjustments to the GPS 2018 text to:

38.1. highlight OTS as a theme of GPS 2018
38.2. clarify the role of OTS
38.3. identify OTS related results
38.4. identify how GPS 2018’s increased flexibility enables an OTS approach
38.5. indicate that the Ministry/NZ Transport Agency will continue to work towards removing barriers to creating the best transport solutions. This could include considering the overall throughput in a transport network and how modes integrate.

39. Note: that the OTS fits strongly with the NZ Transport Agency’s focus area ‘Shape the Land Transport System’ that intends to move towards a situation where key land transport partners have an aligned view on the pressures, states and responses required.

Rail

40. The funding options for both rail passenger services and freight are currently under review. Results from these reviews will not be available before GPS 2018 is finalised. GPS 2018 will reflect the current state where urban rail passenger services are subsidised through the public transport activity class and rail freight remains outside the GPS 2018.

41. Rail is a hot topic with local authorities. They argue that it is difficult to plan and operate their transport system without funding certainty for rail capital over the longer term. Including stronger statements in the OTS area of the in GPS 2018 about the desire to solve some of the critical barriers affecting coordination could reduce some of this concern.
42. We are also considering how the GPS 2018 or other communications can provide clarity on how rail and road can work together to solve transport issues.

Suggested response: We recommend that the final GPS 2018 clearly highlights the One Transport System theme and its role in the GPS 2018 as suggested above.

GPS theme: Technology

43. The intent of the draft GPS 2018 was to highlight the importance of technology to transport.

44. We are proposing to make adjustments to the GPS 2018 text to:

44.1. highlight technology as a theme of GPS 2018

44.2. adjust the wording of some of the short and medium term results to better support the ITS action plan

44.3. include, as a Ministerial expectation, that the NZ Transport Agency will take a lead role in advancing technology and innovation to deliver the best transport solution. This could include demonstration of results such as trials completed

44.4. suggest that technology solutions are considered as part of all major NLTP business cases

44.5. support the collection of important transport data and transport data to be open source to enable the best transport solutions. (Transport data can provide real time information and enable the integration of digital technology).

45. Note: NZ Transport Agency’s focus areas ‘Deliver Connected Journeys’ has a strong technology focus ‘to deliver innovative solutions that enhance transport system experiences’.

Suggested response: We recommend that the final GPS 2018 clearly highlights the technology theme and its role in the GPS 2018 as suggested above.
Section 2: Issues highlighted by the NZ Transport Agency

46. There are some issues that are particularly important for the NZ Transport Agency. The following section responds to the NZ Transport Agency request for clarity about:

46.1. flexibility to allow the most appropriate transport intervention
46.2. an additional activity class
46.3. responding to wider government priorities
46.4. signals about alternative funding and financing

Provide flexibility to allow the most appropriate transport intervention

47. The NZ Transport Agency (and some submitters) want more flexibility from GPS 2018. By flexibility they mean the ability to fund the most appropriate intervention across the entire land transport system, rather than being restricted by activity classes definitions or funding ranges.

48. There is a balance between giving flexibility (i.e. delegating authority) and providing more clear direction from government. The Land Transport Management Act 2003 (the Act) makes it clear that the government provides high level signals and the NZ Transport Agency makes investment decisions on individual projects based on Government direction and cost benefit analysis.

49. We consider the GPS 2018 provides sufficient flexibility. The activity class definitions are broad and there are wide funding ranges. The NZ Transport Agency has the ability to complete short term borrowing.

50. In addition, the draft GPS 2018 already increases flexibility by linking the results to the objectives (and not to activity classes). On the surface this may seem trivial. However, it allows for significantly more flexibility to determine which activity class (or group of activity classes) provides the best solution to achieve GPS objectives and results.

51. We have been concerned about the quality of reporting on the outcomes of GPS 2012/GPS 2015 and before considering amendments to the activity classes we would need to see significantly stronger reporting against GPS results. This will provide a level of assurance that the appropriate consistency, accountability and transparency is in place. This strengthening is proposed as part of GPS 2018.

52. We will consider providing more flexibility when setting the funding ranges (to ensure they are wide enough to cover contingencies) and by considering if any of the activity class definitions are too restrictive given GPS 2018 investment signals.

Suggested response: Highlight areas where GPS 2018 has increased flexibility and consider changing activity class definitions (where the definitions contain any significant and unnecessary impediments) and varying the funding ranges to provide more flexibility.

Are more activity classes required?

53. The NZ Transport Agency (and other submitters) raised the issue of projects that might not fit within the current activity classes but do fit within the intent of GPS 2018. One example is where the prime benefit does not accrue to GPS-led investment but does provide significant benefits for the transport system. Rail is often given as an example. If, say, 40 percent of the benefits of a project are for road and 60 percent are for rail, then, considered from the perspective of the separate investors, the project would probably not stack up for either KiwiRail or for the NLTF. However, from a whole New Zealand perspective it might deliver the best transport solution for the best cost.
54. There could be an activity class that enables these types of projects. This could include co-funding to support multi-modal or cross modal issues. The Ministry recognises that such an activity class would reduce concerns about flexibility. It would also further support the implementation of the OTS. However, it risks opening up the NLTP to projects that overstretch the intent of GPS 2018.

**Suggested response:** We do not recommend creating an additional activity class. However, if a decision is made that OTS is vital and that barriers to its implementation need to be removed, then an activity class could be created. Risks could be managed by having a small fund (say $5 million to $10 million) with a clear, restrictive definition guiding its use.

Responding to wider government priorities

55. The NZ Transport Agency is very interested in signals about wider government outcomes and their role in implementing them. The NZ Transport Agency is often asked by other government departments to be involved in, and even fund, aspects of their work. In addition, the NZ Transport Agency’s focus area ‘Keep people safe’ includes a coordinated programme of high impact interventions to significantly improve safety, public health and environmental outcomes (i.e. more broadly than currently the case for GPS-led investment in land transport).

56. The draft GPS 2018 identifies the high level government priorities relevant to transport. Where there is a specific objective that is advancing these policies, this is mentioned in the GPS 2018 (e.g. reference is made to ATAP, the Housing Infrastructure Fund, the tourism strategy etc). In this way if there is a specific high level government direction or policy, it can be referenced and supported in the GPS 2018.

**Suggested response:** We recommend that only the high level government directions are included in GPS 2018. This means that if other government departments ask for GPS related support that is not directly linked to high level government directions, then the NZ Transport Agency would be required to check with you before committing resources (particularly NLTF resources) to the activity.

Provide signals about alternative funding and financing

57. The NZ Transport Agency is seeking clear direction about exploring alternative funding and financing sources. The draft GPS 2018 sets out principles to guide the use of alternative financing sources by the NZ Transport Agency. You have requested the Ministry investigate potential alternative funding and financing options (including value capture). Given this work is not complete there is no certainty about signal for GPS 2018 at this stage therefore no changes are proposed at this stage.

**Suggested response:** We do not intend to make any changes to Section 4 Funding Sources and Management of Expenditure at this stage. However, if you wish we can later provide a signal in the Letter of Expectation to the NZ Transport Agency Board if you want it to more actively pursue alternative funding and financing.
Section 3: Investment signals – options for funding ranges

58. Investment signals are provided in the strategic direction section of GPS 2018. These signals can be supported by the level of the funding for each activity class. The draft GPS 2018 provides funding ranges for 3 years but the final GPS 2018 requires 10 year funding ranges.

59. The Ministry at this stage cannot provide final advice on funding ranges. This section therefore:

59.1. provide three illustrative revenue and expenditure options that respond to the strategic direction of GPS 2018 and feedback from submitters and the NZ Transport Agency.

59.2. suggest a base case funding range to provide in the draft GPS 2018 to the NZ Transport Agency.

59.3. proposes working with the NZ Transport Agency to amend the base case funding range.

**Base case: support ATAP and inter-regional corridors**

60. This option provides a basic level of business as usual expenditure and sufficient funding for the indicative programme for ATAP and the inter-regional corridor programme (on current timing). This responds to concerns about funding for ATAP and for State Highway regional development.

61. Note: this level of funding will be considered insufficient to meet submitters and NZ Transport Agency expenditure requests beyond the major projects. Increased expenditure to consider these requests is in Option 2 and 3.

62. Figure 1 below shows expenditure in this scenario:

62.1. a revenue increase of 1.4 percent in 2018/19 (a CPI level increase in 2018/19 with no further changes) is required to deliver basic business as usual, ATAP and inter-regional corridors.

62.2. there is a deficit of $270 million in 2021/22 and $116 million in 2022/23 that could be managed by the NZ Transport Agency by a shift in the timing of business as usual or major projects.

62.3. this base case assumes the majority of uncommitted expenditure is directed to State Highway improvements as new expenditure. This allows the funding ranges for State Highway Improvements to remain at similar levels to those forecasted in GPS 2015. In the last four years of GPS 2018 over $900 million a year is available for new expenditure.
Figure 1: Expenditure to support ATAP and inter-regional corridors

63. Figure 1 splits expenditure into ATAP and inter-regional corridors and business as usual activities. To give you an understanding that there is some flexibility in business as usual expenditure, this is split into three categories:

63.1. Primary: includes such as partly completed projects, debts and liabilities where there is a contractual obligation (no flexibility).

63.2. Secondary: includes set programmes such as maintenance and public transport that are required to maintain the current level of service (some flexibility about size of expenditure).

63.3. Tertiary: includes safety (road safety promotion and road policing) and the management of the NLTP (investment management).

Funding for Auckland

85. The “ATAP” expenditure covers the NLTF share of the full ATAP indicative package. It assumes financial assistance consistent with current policy - 100% for State Highways, and 51% for eligible local projects (like local roads, public transport and maintenance).

86. This means that all funding scenarios for GPS 2018 provide funding certainty for the Government’s share of the first ten years of the ATAP indicative package (excluding Crown-funded rail components). Note: you will receive revised funding estimates for Auckland based on updated cost information for major projects and the revised population projections for Auckland in the next month.

87. However, delivering the full ATAP indicative package will depend on Auckland Council providing funding for their share of local projects - both to fully leverage available NLTF co-funding for eligible projects, and to pay for projects which are exclusively Auckland Council’s responsibility (like footpaths).

88. Discussions about addressing the ATAP funding gap (which largely lies with the Auckland Council) are ongoing.
Inter-regional corridors

89. The ‘inter-regional corridor’ expenditure covers eight key inter-regional routes. Together these business cases comprise around $4.5 to $7.0 billion of proposed investment over the next 30 years. The NZ Transport Agency is working with regional stakeholders to further develop the business cases and no commitment has been made to fund the implementation of these corridors.

Base Case: Funding ranges

90. The expenditure shown in Figure 1 has been used to model funding ranges (see Table 1) that could be included in the final GPS. Key changes from the draft GPS 2018 are:

90.1. State highway improvements for 2018/19 to 2021/22 is $400 million more than expected from the draft GPS 2018. Given submitters feedback this may attract some concern

90.2. there are significant increases in local road improvement, and public transport driven by ATAP

90.3. business as usual expenditure is forecasted increase over years 4 to 10 by between 2 to 3 percent a year

90.4. regional development is much lower than in the draft GPS 2018 because regional State highways are included in State highway improvements activity class. This makes it clear the level of expenditure on state highways. In setting the final funding ranges, we will probably include regional state highway projects (where they are a regional not a national priority) in the regional improvements activity class to indicate the level of expenditure in the regions.

Suggested response:

Revenue in GPS 2018 should at least indicate a CPI increase (1.4% increase) in 2018/19. Whether further increases are indicated depends on your preference regarding timing of projects and whether Crown loans to delay NLTF expenditure can be considered

GPS 2018 should provide funding certainty for Government’s share of the first ten years of the ATAP indicative package. We also recommend to wait until Auckland Council has given any indication of likely transport funding to be made available through their 2018-2028 Long Term Plan (Budget) (likely to be later in 2017) before making any further Auckland funding decisions

91. Funding has been set as a range around forecasted expenditure. The ranges are wider for an activity class that has less certain or lumpier expenditure (e.g. 15 percent for State Highway Improvements and 5 percent for Road Safety Promotion).

92. the minimum funding range is low in some cases to reflect concern that there might not be sufficient high value projects to progress in some activity classes (e.g. local road improvements).
## Table 2: Base Case activity class funding ranges ($m)

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Expenditure varies to provide for ATAP and inter-regional corridors and some smaller projects.

Expenditure increases, but variably, to provide for ATAP and 2.0% growth in other regions.

Expenditure increases 2.0% per annum.

Expenditure allowed to be higher in 2018/19 to 2020/21 to complete Urban Cycleways.

Expenditure increases 2.0% per annum. Expenditure higher in 2018/19 for restoration following the Kaikoura earthquake.

Expenditure increases, but variably, to provide for ATAP and 2.0% growth in other regions.

Expenditure increases 2.0% per annum.

Expenditure increases 2.0% per annum.

Expenditure increases 1.5% per annum. Expenditure higher in 2018/19 to complete implementation of the Business Number.
Figure 2: Base Case activity class funding ranges ($m)

Re-timing and alternative funding

93. Submitters and the NZ Transport Agency requested increased expenditure beyond the base case focus on major projects (e.g. public transport). To respond to these concerns requires more expenditure in the next 10 years than in the base case, this can be provided in three ways by raising further taxes, changing the timing of major projects or by providing Crown loans.

CPI taxes increases

94. Continuing CPI increases over the first 6 years would provide around $200m per annum for the first 6 years (rises over time).

Delay inter-regional corridors by 5 years

95. This frees up $500 million per year to enable an increased focus on other options. It would enable a new major programme to commence after the other is ramping down (e.g. Roads of National Significance, then ATAP then inter-regional corridors). It also has the benefit of allowing more time to finalise details of the inter-regional corridor business cases. The major downside is that regions may be concerned that their large scale regional projects are not getting sufficient attention.

Finance a selection of major projects through loans

96. This would free up $500 million a year to enable increased focus on other investments. This option enables all the major projects to advance and provides regions with inter-regional corridors on the current timing discussed. This option reduces the amount of flexibility in future years, as funding is required for loan repayments. It will mean significant construction expenditure (raising questions about the capacity of the industry to meet demand) and could affect value for money.
97. Four projects financed in this scenario: ATAP - East West Link, SH20, Inter-regional corridors - SH1 Auckland to Whangarei, and the Tauriko network plan.

98. Note: that the Ministry is working on other financing and funding options (e.g. value capture), which may provide other options in the period of GPS 2018.

**Suggested response:** Given transport taxes have increase by 40 percent since 2008, we propose tax increases should be limited by considering timing and Crown loans.

We suggest the funding ranges provided to the NZ Transport Agency for consultation on GPS 2018 include only a one off CPI increase of 1.4 percent. If you wish we can work with the NZ Transport Agency to consider options regarding changing timing of major projects and use of Crown loans to meet any further increase expenditure.

However, if you want to accelerate major projects you may want to send a different signal and indicate support for more tax increases or Crown loans.

**Option 2: Urban growth and maintenance**

99. This illustrates an option that utilises the additional $500 million funding discussed above to respond to submitters concerns that urban growth is not modally balanced and NZ Transport Agency’s concern there insufficient maintenance funding to maintain the current level of service. The funding levels are indicative but based on assumptions on what is required to meet submitters needs:

99.1. increased public transport (about $50 to $60 million per year) and walking and cycling ($40 million a year). This will enable additional public transport funding (for operational expenses) beyond Auckland and accelerate the completion of urban cycleway networks. Note: this still leaves questions about public transport capital (e.g. train and bus infrastructure)

99.2. increased State highway maintenance (about $50 to $60 million per year). This responds to the expansion of the network (e.g. Waterview tunnel)

99.3. increase road safety promotion or road policing (about $20 million in total) to increase focus on safer behaviour and provide for alcohol interlocks

100. The remaining funds could be used non-major state highway improvements if the full $500 million was utilised

**Option 3: Safety, resilience**

101. This illustrates an option that utilises the additional funding to enhance safety and resilience. Submitters are concerned there was insufficient funding for resilience and safety. The benefits for resilience and safety come from maintenance, road improvements, road policing and road safety promotion. Also, the NZ Transport Agency was concerned that there would be insufficient funding to provide State Highway improvements beyond the major projects.

102. Possible changes include:

102.1. increased funding for state highways maintenance (about $80 million) and local road maintenance (about $30 million) to allow for more maintenance activities that support safety and resilience

102.2. increase state highway improvements (about $200 to $300 million) to complete projects that improve safety and resilience
102.3. increased road safety promotion/road policing (about $20 million) to increase focus on safer behaviour and alcohol interlocks.

103. The remaining funds could be used for non-major state highway improvements if the full $500 million was utilised.

**Suggested response:** Work with the NZ Transport Agency to amend the base case funding ranges to respond to submitter’s concerns (e.g. public transport, safety, resilience) and the NZ Transport Agency’s concerns (e.g. State highway maintenance).

**Work with the NZ Transport Agency to amend the base case funding ranges**

104. The GPS 2018 provided to the NZ Transport Agency’s Board for formal consultation must provide 10 year funding ranges. We propose that these funding ranges provide signals that we are responding to submitter’s and NZ Transport Agency’s concerns but that limit tax increases and retain a value for money emphasis.

105. Once we have your responses to the recommendations in this paper we will work with the NZ Transport Agency to amend the base case funding ranges to reflect the issues identified below. This will enable us to provide an indicative funding range in the draft GPS 2018 we provide the NZ Transport Agency for formal consultation. We will not get the NZ Transport Agency’s final position until after formal consultation.

106. We propose the funding ranges are based on:

106.1. low revenue increases: a CPI increase (1.4%) 2018/19 (as per option 1) or with further increases in 2019/20 if you wish.

106.2. considering how financing and timing options can be used to reduce tax increases

106.3. the base case funding ranges but amended following discussions with the NZ Transport Agency. These discussions are to provide rationales to increase the funding ranges over the base case to support the objectives of GPS 2018. Possible areas to increase that respond to submitter’s and the NZ Transport Agency’s concerns are:

- public transport and walking and cycling
- road safety promotion to cover alcohol interlocks but also consider more promotion activities that support Safer Journeys Action Plan
- State highway and local road maintenance to support maintaining the current level of service and enhancing safety and resilience
- State highway improvements are increased over and above delivery of ATAP and inter-regional programmes to support enhanced safety, resilience and regional development.
Section 4: Next steps and recommendations

Next steps

107. The timeline below summarises the key milestones to ensure the GPS 2018 is ready for release in August 2017. We broadly have three phases of work left in GPS 2018 development:

107.1. Understanding your views and priorities. This briefing provides advice on the key points raised in submissions and how these matters can be reflected in the final GPS 2018. Once we receive your feedback on this briefing, and any other preferences you wish to signal in GPS 2018, we will update the GPS accordingly.

107.2. Consulting with the NZTA Board. We intend to provide you with a revised GPS in the week commencing 12 June 2017. If you are comfortable with this version, it can be sent to the NZ Transport Agency Board for consultation as required by the Land Transport Management Act 2003. This is the final round of consultation required on the GPS.

107.3. Finalising the GPS for Cabinet consideration. By mid-July we expect to have considered and incorporated (where appropriate) the NZ Transport Agency’s feedback into the GPS. You will receive the final GPS and if you are comfortable, it can be lodged with Cabinet office for discussion with your colleagues.

Table 3: Revised timeline for pre-election GPS 2018 release

| May  |
|---|---|---|---|---|---|---|---|---|---|
| 22.26 | 29.2 | 5.9 | 12.16 | 19.23 | 26.30 | 3.7 | 10.14 | 17.21 | 24.28 | 31.4 | 7.11 | 14.18 | 21.25 |

- Briefing seeking potential changes to GPS 2018 (Current Briefing)
- Revised GPS and briefing seeking agreement to consult with NZTA
- NZTA consultation
- Ministry to Revise GPS 2018
- Departmental consultation
- Revised GPS 2018 following feedback
- NZTA consultation
- Ministry to Revise GPS 2018
- Lodge cabinet office & GPS 2018
- Final cabinet paper & GPS 2018
- EGI
- Cabinet
- GPS ready for release
Recommendations

108. The recommendations are that you:

(a) **support** the proposed changes to the draft GPS 2018 to:

- clarify the priority rankings within economic growth and productivity and enhance GPS 2018 signals around high growth areas (especially the topics of public transport, walking and cycling, and demand management) as suggested in this paper
  
  Yes/No

- change the safety objective wording to make it clearer that an increased effort is required
  
  Yes/No

- no changes to value for money although details could be included in GPS 2018 questions and answers
  
  Yes/No

- strengthening the environment objective by referencing the government’s commitment and noting that transport’s current response is the electric vehicle programme
  
  Yes/No

- leave the levels of support for social accessibility at similar levels to GPS 2015
  
  Yes/No

- clearly highlight the OTS and technology themes and explain their role in the GPS as suggested in this paper
  
  Yes/No

- highlight areas where GPS 2018 has increased flexibility and consider changing activity class definition (where the definitions contain any significant and unnecessary impediments) and the activity class funding ranges.
  
  Yes/No

- do not create additional activity classes
  
  Yes/No

- include only high level government directions in GPS 2018
  
  Yes/No

- no changes to the alternative funding and financing sections of GPS 2018
  
  Yes/No
(b) note the timing of the next steps
(c) note the attached summary of submissions

David Eyre
Principal Advisor

Gareth Chaplin
General Manager Sector Performance

MINISTER’S SIGNATURE:

DATE:
Government Policy Statement on land transport (GPS) 2018 - Consultation with NZ Transport Agency Board

Reason for this briefing
A final GPS 2018 is attached for your consideration and agreement to commence formal consultation with the NZ Transport Agency Board (the Board).

The final GPS 2018 includes amendments following our discussion on 30 May 2017. It includes 10-year funding ranges, reporting measures, revised Ministerial expectations, and other minor amendments.

Action required
Refer the final GPS 2018 to the Board to meet the consultation requirements of the Land Transport Management Act 2003.

Deadline
By 23 June 2017.

Reason for deadline
We intend to provide you with a final GPS for lodging with Cabinet in mid-July 2017. Receiving your feedback by 23 June 2017 will enable a 2-week consultation period with the Board and ensure we are on track to release the final GPS in August 2017.

Contact for telephone discussion (if required)

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<td>David Eyre</td>
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<td>Gareth Chaplin</td>
<td>General Manager Sector Performance</td>
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MINISTER’S COMMENTS: withheld under section 9(2)(a)

Date: 14 June 2017
Briefing number: OC05091
Attention: Hon Simon Bridges (Minister of Transport)
Security level: In-Confidence

Minister of Transport’s office actions
☐ Noted
☐ Seen
☐ Approved
☐ Needs change
☐ Referred to
☐ Withdrawn
☐ Not seen by Minister
☐ Overtaken by events
Purpose of report

1. This briefing provides a revised GPS 2018 for your consideration and seeks your agreement to consult with the Board.

2. Attached to this briefing are two copies of the final GPS 2018. One copy highlights the changes that have been made from the draft GPS 2018. The other copy is for forwarding to the Board for formal consultation, if you agree.

Background

3. Since our discussion with you on 30 May 2017, we have made significant progress finalising GPS 2018 to reflect your priorities.

4. This briefing focuses on three new elements that are now reflected or updated in GPS 2018:

   4.1. 10-year funding ranges for activity classes

   4.2. GPS reporting

   4.3. Ministerial expectations.

5. The briefing also outlines other minor changes to GPS 2018 and the process for consulting with the Board.

10-year funding ranges have been developed

6. As discussed with you on 30 May 2017, we have included 10-year funding ranges for GPS 2018 (see Table 1). The funding ranges are based on:

   6.1. **Revenue increases to fuel excise duty and road user charges at CPI levels for the first three years of GPS 2018** (that is from 2018/19 through to 2020/21). There are no further increases in revenue after 2020/21.

   The NZ Transport Agency have noted that they would prefer CPI adjustments over the full GPS 2018 (that is, across the 10 years). We have included a 3-year CPI increase given our discussions with you and our intention to maintain an emphasis on value for money.

   6.2. **Funding for Auckland Transport Alignment Project (ATAP) is included in the funding ranges.** The ranges include sufficient funding to provide for the Government’s share of ATAP (based on the indicative ATAP case) at current funding assistance rates of 51 percent. ATAP expenditure is reflected in the funding ranges for State highway improvements, local road improvements, public transport, and walking and cycling improvements.

Highlights from activity class funding ranges

7. **State highway improvements** has increased compared to GPS 2015 (an increase of around $300 million to $400 million a year). The ranges allow for funding to complete the
Roads of National Significance (RoNS), and ATAP. There is also substantial funding available (from $330 million in 2018/19 up to $615 million in 2027/28) that can be used to advance other important State highways projects, including commencing inter-regional routes.

8. **State Highway maintenance** has an additional $50 million per annum to cover increased renewals activity. The NZ Transport Agency had reduced maintenance expenditure over the last three years to test the appropriate minimum level of maintenance. This approach has created a need to do more renewals work now.

9. **Regional improvements** has an upper range of $140 million to allow for approximately $40 million of local road expenditure and $100 million of regionally important State highways each year (exact numbers will be determined through the NZ Transport Agency’s assessment process).

**Timing of major projects**

10. While the State highway improvement funding range is substantially higher than GPS 2015, it is lower than outlined in our briefing on 27 May 2017. The NZ Transport Agency are concerned with delivering projects at this significantly increased level of expenditure.

11. The NZ Transport Agency’s concerns are:

11.1. the capacity of the existing construction sector to provide substantial new projects alongside completing the RoNS and ATAP. The capacity constraints may result in limited competition and construction price spikes.

11.2. the inability to quickly advance large infrastructure projects through the Resource Management Act 1991 requirements. A cross-government review is being undertaken into these planning processes. However, any findings would not be implemented in time for the first years of increased GPS 2018 State highway improvement funding.

11.3. the ability for the NZ Transport Agency and local authorities to complete business case development and cost benefit analysis for this scale of large infrastructure projects in time to match the increased funding.

12. We also consider that the capacity of the NZ Transport Agency to deliver projects at this scale is a risk. The NZ Transport Agency appears to be operating at significant stretch to complete the current programme of RoNS projects and to deliver on ATAP expectations.

13. After discussions with the NZ Transport Agency, we have smoothed the State highway improvement funding ranges over the first few years of GPS 2018. This means that not all of ATAP and inter-regional can be delivered within the current indicative time frame.
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<tbody>
<tr>
<td>Upper</td>
<td>2,000</td>
<td>1,900</td>
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<td>1,650</td>
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<td>1,650</td>
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<td>1,650</td>
<td>The funding ranges enable the completion of the NoNS, progression of ATAP, commencement of inter-regional routes with some delays and smaller projects that achieve GPS results.</td>
</tr>
<tr>
<td>Lower</td>
<td>1,200</td>
<td>1,100</td>
<td>1,100</td>
<td>1,100</td>
<td>1,000</td>
<td>950</td>
<td>950</td>
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<td>Additional funding is available in the following years:</td>
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<td>- $310 million per year (years 1-3)</td>
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<td>- $390 million per year (years 4-6)</td>
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<td>- $615 million per year (years 7-10)</td>
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<td>Upper</td>
<td>200</td>
<td>300</td>
<td>320</td>
<td>380</td>
<td>440</td>
<td>470</td>
<td>480</td>
<td>480</td>
<td>480</td>
<td>400</td>
<td>The funding ranges enable the delivery of ATAP. An additional $30–$35 million is available per year for projects in other metropolitan areas, in line with past expenditure levels.</td>
</tr>
<tr>
<td>Lower</td>
<td>40</td>
<td>60</td>
<td>80</td>
<td>130</td>
<td>140</td>
<td>170</td>
<td>150</td>
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<td>140</td>
<td>145</td>
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<td>145</td>
<td>145</td>
<td>145</td>
<td>145</td>
<td>145</td>
<td>145</td>
<td>The funding ranges are higher than GPS 2015 and consistent with the draft GPS 2018.</td>
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<tr>
<td>Lower</td>
<td>30</td>
<td>30</td>
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<tr>
<td>Upper</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>The funding ranges are set to continue past expenditure trends without the Urban Cycleway Fund. This enables a 2 percent increase per year in business as usual activities.</td>
</tr>
<tr>
<td>Lower</td>
<td>20</td>
<td>20</td>
<td>20</td>
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<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>The funding ranges are lower than those included in the GPS 2015 and the draft GPS 2018 as decisions to extend the Urban Cycleway Programme have not been taken. Without additional funding, we assume expenditure will reduce.</td>
</tr>
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<tbody>
<tr>
<td>Upper</td>
<td>700</td>
<td>710</td>
<td>730</td>
<td>740</td>
<td>760</td>
<td>770</td>
<td>800</td>
<td>820</td>
<td>830</td>
<td></td>
<td>The funding ranges increase to enable a 2 percent increase per year in business as usual activities.</td>
</tr>
<tr>
<td>Lower</td>
<td>560</td>
<td>570</td>
<td>580</td>
<td>600</td>
<td>610</td>
<td>620</td>
<td>630</td>
<td>650</td>
<td>660</td>
<td>670</td>
<td>An additional $80 million per year is available:</td>
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<td>- $50 million will address increased renewals activity during GPS 2018 to maintain customer levels of service on State highways;</td>
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<td>- $30 million per year for maintenance activities that improve resilience and safety.</td>
</tr>
</tbody>
</table>

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1 Given historic under-spending in this activity class, the lower band has been reduced. It was $120 million in the draft GPS 2018.

2 Given uncertainty surrounding changes to the activity class funding support, the lower band has been reduced. It was $70 million in the draft GPS 2018.
<table>
<thead>
<tr>
<th></th>
<th>Upper</th>
<th>690</th>
<th>710</th>
<th>720</th>
<th>740</th>
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<th>770</th>
<th>780</th>
<th>800</th>
<th>810</th>
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</thead>
<tbody>
<tr>
<td><strong>Local road maintenance</strong></td>
<td>Lower</td>
<td>580</td>
<td>560</td>
<td>570</td>
<td>580</td>
<td>590</td>
<td>600</td>
<td>620</td>
<td>630</td>
<td>640</td>
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</table>

The funding ranges increase to enable a 2 percent increase per year in business as usual activities. The 2018/19 upper band is slightly elevated to provide funding for emergency works following the Kaikoura earthquake.

<table>
<thead>
<tr>
<th></th>
<th>Upper</th>
<th>430</th>
<th>470</th>
<th>500</th>
<th>530</th>
<th>600</th>
<th>630</th>
<th>780</th>
<th>800</th>
<th>820</th>
<th>750</th>
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<tbody>
<tr>
<td><strong>Public transport</strong></td>
<td>Lower</td>
<td>330</td>
<td>360</td>
<td>370</td>
<td>400</td>
<td>430</td>
<td>450</td>
<td>510</td>
<td>530</td>
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<td>430</td>
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</table>

An additional $35–$30 million per year is provided to fund public transport outside of Auckland (and ATAP-related expenditure).

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<tr>
<th></th>
<th>Upper</th>
<th>350</th>
<th>360</th>
<th>370</th>
<th>380</th>
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<th>390</th>
<th>400</th>
<th>410</th>
<th>410</th>
<th>420</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Road policing</strong></td>
<td>Lower</td>
<td>310</td>
<td>320</td>
<td>320</td>
<td>330</td>
<td>340</td>
<td>340</td>
<td>350</td>
<td>360</td>
<td>370</td>
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Funding ranges increase to enable a 2 percent increase per year in business as usual activities.

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<th>Upper</th>
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<th>44</th>
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<th>49</th>
<th>49</th>
<th>49</th>
<th>54</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Road safety promotion</strong></td>
<td>Lower</td>
<td>35</td>
<td>35</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
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</table>

An additional $4 million per year is provided to cover the costs associated with the alcohol interlock subsidies.

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<th></th>
<th>Upper</th>
<th>70</th>
<th>65</th>
<th>65</th>
<th>70</th>
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<th>70</th>
<th>70</th>
<th>70</th>
<th>75</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment management</strong></td>
<td>Lower</td>
<td>55</td>
<td>50</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td>60</td>
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</tr>
</tbody>
</table>

Funding ranges increase to enable a 1.5 percent increase per year in business as usual activities.

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4 In addition to the additional funding provided for the alcohol interlock subsidy, the NZ Transport Agency has requested an increase of $5–$6m per year to fund safety-related activities. We have not included this request in the proposed funding ranges.

4 The NZ Transport Agency is seeking an additional $1 million per year rising to $5 million per year to cover increases in transport planning. We have not included this request in the proposed funding ranges.
GPS 2018 reporting has developed and will continue

14. The GPS leads a significant level (approximately $4.0 billion) of investment per annum. The reporting framework needs to reflect the scale and breadth of this investment.

15. An effective and meaningful monitoring and reporting framework is critical as it:

15.1. enables the NZ Transport Agency to inform the Government about the GPS results achieved and how much this has cost

15.2. provides information for decisions about future GPS investment

16. The Ministry has worked with the NZ Transport Agency to develop high-level GPS 2018 reporting measures that appear in Table 1 of the GPS 2018. These measures most closely relate to the long term GPS results.

17. The high-level measures provide key indicators for reporting (e.g. network throughput) and signal how this information may be provided (e.g. by mode, region or time). This is a helpful starting point and provides sufficient signals to local authorities on the results expected from GPS 2018. However, we intend to continue working with the NZ Transport Agency to further develop the reporting measures.

18. We consider that additional detailed measures are needed to specify what the NZ Transport Agency will report on to ensure adequate and consistent reporting throughout the GPS 2018 period. The detailed measures will be complete before 1 July 2018 when GPS 2018 comes into effect, and can be published alongside GPS 2018.

Ministerial expectations have been updated

19. The draft GPS included Ministerial expectations. The attached GPS 2018 includes three amendments to ensure signals throughout the GPS are considered by the NZ Transport Agency. The following changes are included:

19.1. a new expectation to require the NZ Transport Agency to take a lead role in advancing technology and innovation to deliver the best transport solutions

19.2. an amendment to the current expectation around integrated planning to clarify how the ‘one transport system’ theme should be considered by the NZ Transport Agency

19.3. an amendment to the current expectation around value for money to require more transparency on NZ Transport Agency decision-making process. This will enable decision-makers to find, understand and use reported information.

20. The NZ Transport Agency is required to report on both the GPS 2018 results and the Ministerial expectations. We expect a stand-alone annual GPS 2018 report will be issued in addition to any other reporting provided. For example – a complete GPS report would still be required even if the NZ Transport Agency decided to include some elements of GPS reporting within its Crown entity reporting.

Other minor amendments to GPS 2018

21. The attached GPS 2018 has been updated to reflect the changes discussed above. Other minor amendments have been made, and are outlined on the page overleaf.
<table>
<thead>
<tr>
<th><strong>GPS Section</strong></th>
<th><strong>Detail</strong></th>
<th><strong>Change</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic direction</strong></td>
<td>Technology and 'one transport system'</td>
<td>Two text boxes have been included in the strategic direction section to clearly explain the themes and their expected impact for land transport investment.</td>
</tr>
<tr>
<td></td>
<td>Economic Growth and Productivity</td>
<td>Clarification on what is required to deliver high quality transport connections (including in high growth areas).</td>
</tr>
<tr>
<td></td>
<td>Road Safety</td>
<td>Some wording changes, however, the emphasis remains to implement Safer Journeys.</td>
</tr>
<tr>
<td><strong>National land transport objectives</strong></td>
<td>System that address current and future demand for access to economic and social opportunities</td>
<td>Clarification on what is required to deliver high quality transport connections (including in high growth areas). Additional text to indicate that regional development is important, noting the Government’s commitment to regional development and tourism investment.</td>
</tr>
<tr>
<td></td>
<td>System that is resilient</td>
<td>Reference to long-term gradual risks is included alongside references to other network access disruptions. Reference to low frequency and high cost events.</td>
</tr>
<tr>
<td></td>
<td>System that provides appropriate transport choice</td>
<td>Reference to transport choice providing both for those who do not have access to the system (e.g. disabled people and transport disadvantaged groups) as well as enabling the land transport system to be well used (e.g. public transport, walking and cycling) even when the user has access to other forms of transport.</td>
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<tr>
<td></td>
<td>System that increasingly mitigates the effects of land transport on the environment</td>
<td>Reference to the Paris Agreement on climate change and Government support of electric vehicles.</td>
</tr>
<tr>
<td></td>
<td>System that delivers the right infrastructure and services at the right level and at the best cost</td>
<td>Additional text to note that rigorous, fit-for-purpose cost benefit analysis is needed to ensure delivery of the right infrastructure and services at the best cost. This section also emphasises that, while good progress has been made improving returns from road maintenance, continued progress is required.</td>
</tr>
<tr>
<td><strong>Investment in and transport</strong></td>
<td>Activity classes</td>
<td>A new paragraph identifies the flexibility available within the GPS 2018 (for example, the ability to use more than one activity class to achieve GPS results). No new activity classes have been created. Activity classes retain their current funding scope. However, some definitions have been updated within current GPS parameters (e.g. “service levels” have been amended to “levels of service” to reflect the more common usage in land transport).</td>
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</table>
22. In addition to the changes above, while the GPS 2018 now contains provision for ATAP, we have not included reference to the inter-regional routes as policy decisions have not yet been taken. However, the funding ranges outlined earlier in the briefing advised how a programme of inter-regional routes, if agreed, can be accommodated.

**Formal consultation with the NZ Transport Agency Board is required**

23. Before you can issue a GPS, you are required by section 67(4) of the Land Transport Management Act 2003 to consult with the Board on the proposed GPS. Typically, this has involved the Board receiving a copy of the GPS and an invitation to the Board to provide comment.

24. Attached, if you agree, is a letter to the Board Chair forwarding the final GPS 2018 and inviting the Board to respond with any comments before 7 July 2017.

25. In the attached letter to the Board, the importance of consultation on the GPS 2018 has been emphasised as a critical strategic contact point. It involves the Government communicating its priorities for land transport investment, and the Board taking into account a whole of GPS 2018 view across the land transport investment portfolio. This is intended to assist the Board to focus its attention on strategic, rather than managerial issues, relevant to the successful implementation of the GPS 2018.

**Next steps**

26. A timeline for completing GPS 2018 so that it is ready for you to issue in August 2017 is shown below. This timing aims for the final GPS 2018 to be considered by EGI at its last meeting on 2 August 2017, and for Cabinet consideration on 7 August 2017.

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<thead>
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<th>June</th>
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<td>6-9</td>
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<td>26-30</td>
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<td>7-11</td>
<td>14-18</td>
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- Consultation with NZ Transport Agency Board and government department
- Revise GPS 2018 based on feedback
- Final Cabinet paper on GPS 2018 to Minister
- Lodge paper with Cabinet
- EGI
- Cabinet
- GPS 2018 issued

27. Our next advice to you (in mid-July 2017) will include a Cabinet paper and final GPS 2018 for lodging with Cabinet Office. The July 2017 version of the GPS 2018 will be designed and look similar to the draft GPS 2018 used for engagement.
Recommendations

28. The recommendations are that you:

(a) **approve** the final GPS 2018 for consultation with NZ Transport Agency Board  
   Yes/No

(b) **sign** the attached letter referring the final GPS 2018 to the NZ Transport Agency Board, seeking their comments by 7 July 2017  
   Yes/No

(c) **note** that we will send the final GPS 2018 to government departments at the same time as the Board consultation

(d) **note** that the Ministry is preparing the following documents to support the release of GPS 2018 in August 2017:
   - a Cabinet paper and speaking notes
   - a Ministerial foreword to GPS 2018
   - communication materials (e.g. Questions and answers, media release).

David Eyre
Principal Adviser

Gareth Chaplin
General Manager, Sector Performance
MINISTERIAL BRIEFING NOTE

Subject: Nationally Significant Urban Corridors in Auckland
Date: 25 July 2017
Briefing number: BRI – 1107

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Direct line</th>
<th>Cell phone</th>
<th>1st contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fergus Gammie</td>
<td>Chief Executive</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>Peter Clark</td>
<td>Senior Advisor</td>
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Contact(s) for telephone discussion (if required)

withheld under section 9(2)(a)

Action taken by Office of the Minister

- Noted
- Seen by Minister
- Agreed
- Feedback provided
- Forwarded to
- Needs change [please specify]
- Withdrawn
- Overtaken by events
Minister of Transport

Nationally Significant Urban Corridors in Auckland

1. The purpose of this briefing is to recommend you consider providing additional funding to enable the New Zealand Transport Agency (NZTA) to progress significant improvements to three Auckland urban corridors.

2. The NZTA is proposing to recognise the nationally significant function of three Auckland corridors and therefore take a greater role in the delivery of these corridors. The ability of the NZTA to deliver significant improvements within the next decade is currently constrained by funding availability.

Auckland Transport has requested the New Zealand Transport Agency take a greater role in delivering some key urban corridors in Auckland

3. The Auckland Transport Alignment Project (ATAP) collaboratively developed an approach to the development of Auckland's transport system. This included developing an indicative investment package incorporating indicative priorities for major investments over the next 30 years. Underpinning this package is agreement on the shape of the strategic public transport and road networks.

4. Progress is being made on implementing ATAP recommendations. A large programme of infrastructure projects is progressing and the Smarter Transport Pricing Project is now underway.

5. However recent growth projections are higher than used in ATAP. Compared to the earlier projection, around 100,000 more people are now expected in Auckland by 2028, approximately four years earlier than previously forecast.

6. Recently Auckland Transport has requested the NZTA take over responsibility for delivering some corridors (including funding) and to provide greater funding assistance; specifically, North-Western Mass Transit Corridor, Mill Road, Penlink and the Auckland Manukau Eastern Transport Initiative (AMETI).

We developed an evidence based framework and applied it to the requested corridors

7. To consider this request in a robust and systematic way, the NZTA developed a framework to assess the significance of key urban corridors. At the top of this framework is a set of principles underpinning the rationale for identifying nationally significant urban corridors. These principles are:
   a. Demonstrate a clear link to the government’s wider outcomes, key transport priorities, objectives and identified challenges
   b. The government should have a key role in delivering urban corridors that are nationally significant
   c. Take a national, system and long-term view.

8. From the principles, criteria and thresholds were developed to identify the relative merits of specific corridors. The criteria are:
a. Connect and enable development of key existing or potential economic and social places

b. High volume movement of people and goods

c. Closely connect with the national inter-regional State Highway Network or Rapid/Strategic Public Transport Networks

d. Provide a key resilience function in relation to the national network.

9. To be considered nationally significant, corridors need to meet three out of four criteria, have significant scale improvements required and be a high priority under the NZTA’s investment assessment framework.

10. The NZTA applied this framework to the four corridors that were raised by Auckland Transport, and also tested other urban corridors to ensure the robustness of the results.

11. The assessment concluded that three corridors are of national significance, as well as being first decade priorities identified by ATAP. Attachment 1 includes further details on these three corridors. We also examined which organisation should be responsible for delivering the improvements in the corridors, taking into account proposed funding commitments as well as managing the risks and opportunities. Table 1 identifies the three corridors and the proposed delivery organisation.

<table>
<thead>
<tr>
<th>Nationally Significant Corridor</th>
<th>Recommended delivery organisation and rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>North-Western Mass Transit</td>
<td>NZTA has expertise from delivering the Northern Busway and has detailed knowledge of the North-western (SH16) corridor. As the project is also in the early stages of planning, it is considered that the NZTA is best placed to manage the delivery risks and opportunities.</td>
</tr>
<tr>
<td>Mill Road</td>
<td>NZTA has significant expertise in delivering new large scale road improvements. Combined with the project being in the early stages of planning, it is considered that the NZTA is best placed to manage the delivery risks and opportunities.</td>
</tr>
<tr>
<td>AMETI – Panmure to Botany</td>
<td>Auckland Transport has already delivered significant elements of AMETI, including the Panmure Station, and adjacent Te Horeta Road tunnel and has significant knowledge and local relationships. Combined with much of the corridor already being at or near the point of delivery, it is considered that Auckland Transport is best placed to continue to manage the delivery risks and opportunities.</td>
</tr>
</tbody>
</table>

12. The Penlink project does not meet the criteria for a nationally significant urban corridor.
A consequence of the NZTA taking greater responsibility for the above three corridors is a significant investment implication.

13. It is proposed that for the above three corridors cost-sharing arrangements would need to be agreed with Auckland Transport that reflects the national and local benefits of each corridor.

14. The basis for the proposed cost sharing arrangements is:

   a. The cost sharing arrangements relating to the Northern Busway were that the National Land Transport Fund (NLTf) provided 100% of the busway component and the standard funding assistance rate for the stations and park and ride facilities (currently of 51% for Auckland Transport).

   b. These cost sharing arrangements would provide a basis for the North-Western Mass Transit Corridor and the bus components of AMETI Panmure to Botany projects.

   c. Cost sharing arrangements for Mill Road and the Reeves Road component of AMETi are proposed around 80% funding from the NLTf and 20% from Auckland Transport to reflect local access benefits.

15. The funding impacts of the above cost sharing arrangements on the NLTf are shown in Table 2 below. The NZTA would require approximately an additional $700 million from the NLTf in the next decade for the timings aligned with ATAP. If the projects were funded 100% from the NLTf, this would increase to approximately $900 million. It is important to note that these costs are not the total costs of the projects, only the additional funding required in Decade 1 to change from the standard funding assistance rate for Auckland Transport (currently 51%) to the proposed share.

16. New information has become available since ATAP was completed, including higher than expected population growth. At the request of Ministers, the ATAP agencies have undertaken to update the indicative package of investment, and associated funding gap, to take account of these implications. While this work is still in progress, it is likely that the southern section of Mill Road will be re-prioritised to the first decade (along with a selection of other projects and initiatives). If both sections of Mill Road are included, the NZTA would require approximately an additional $1125 million from the NLTf in the next decade. If the projects were funded 100% from the NLTf, this would increase to approximately $1450 million.

Table 2

<table>
<thead>
<tr>
<th>Project</th>
<th>Decade 1 Cost</th>
<th>Current Assumed NLTf Cost</th>
<th>Proposed Additional NLTf Cost</th>
<th>Additional NLTf Cost if funded at 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>North-Western Mass Transit (Stage 1)</td>
<td>835</td>
<td>425 (51%)</td>
<td>340 (91%)</td>
<td>410 (100%)</td>
</tr>
<tr>
<td>Mill Road (Northern Section in Decade 1)</td>
<td>415</td>
<td>210 (51%)</td>
<td>120 (80%)</td>
<td>205 (100%)</td>
</tr>
<tr>
<td>Project</td>
<td>Approximate Increase required to Fuel Excise Duty / Road User Charges</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>-----------------------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North-Western Mass Transit (Stage 1)</td>
<td>0.7 cents/litre</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mill Road (Northern Section in Decade 1)</td>
<td>0.2 cents/litre</td>
<td></td>
<td></td>
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<tr>
<td>AMETI – Panmure to Botany</td>
<td>0.5 cents/litre</td>
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<tr>
<td>Sub-Total</td>
<td>1.4 cents/litre</td>
<td></td>
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<tr>
<td>Mill Road (Southern Section in Decade 1)</td>
<td>0.9 cents/litre</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total</td>
<td>2.2 cents/litre</td>
<td></td>
<td></td>
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</tbody>
</table>

1. Due to rounding, numbers may not exactly add
It is recommended that you:

1. **Note** the NZTA's decision to take a greater role in delivering nationally significant urban corridors; and

2. **Agree** to consider funding options for the NZTA to progress delivery of the three Auckland urban corridors identified.

Yes / No

Fergus Gammie
Chief Executive

Hon Simon Bridges, Minister of Transport
Date: 2017
North-Western Mass Transit Corridor

The North-Western Mass Transit Corridor is a key project to unlock growth in the north-west and ensure the benefits of the Western Ring Route are achieved.

The North-Western Mass Transit Corridor will provide capacity to move large numbers of people on a key corridor. It connects the growth area of the north-west (including Westgate) with the City Centre. The north-west growth area will accommodate 30,000 new households and 13,000 new employment opportunities - much of which is currently under development.

Providing mass transit will also contribute to improved resilience of the national State Highway network and ensure benefits of the Western Ring Route are achieved.

The corridor was identified as an early priority in ATAP as it improves transport accessibility for the north-west and increases public transport mode share on a congested corridor.

The location and proposed staging is shown in the figure below. The first stage of the corridor is being proposed to address the greatest problems and deliver the highest benefits first. This involves mass transit sections between Lincoln Road and Te Atatu; Point Chevalier to Karangahape Rd and stations.

Timing / Staging

- Stage 1: By early 2020s: Lincoln Rd to Te Atatu busway; Westgate Station; Lincoln Rd Station; Te Atatu Station
- Stage 1: By early/mid 2020s: Point Chevalier to Karangahape Rd busway via SH16; new stations at Point Chevalier, Western Springs, Arch Hill
- Stage 2: By 2035: Westgate to Lincoln Rd busway; Royal Rd Station

The recommended solution for the Te Atatu to Point Chevalier (causeway) section is to use the existing bus shoulder lanes until the mid-2040’s.
Cost

- The indicative cost (subject to peer review) of the emerging preferred option is around $2B (P50) to $2.4b (P95) – un-escalated. Note this doesn’t include the cost for a busway between Westgate and Kumeu.
- The emerging preferred option for a staged approach can help spread this cost over time.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Decade 1 (2018-28)</th>
<th>Decade 2 (2028-38)</th>
<th>Decade 3 (2038-48)</th>
<th>Running Totals (P50)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1</td>
<td>$835M</td>
<td></td>
<td></td>
<td>$835M</td>
</tr>
<tr>
<td>Stage 2</td>
<td></td>
<td>$545M</td>
<td></td>
<td>$1,380M</td>
</tr>
<tr>
<td>Stage 3</td>
<td></td>
<td></td>
<td>$620M</td>
<td>$2,000M</td>
</tr>
</tbody>
</table>

- ATAP included a cost for the busway of about $1.4B (P50) – Westgate to City, of which $650M related to the first decade (Westgate to Te Atatu). There was a further $300M to extend the Busway from Westgate to Kumeu. The Indicative Business Case (IBC) now recommends including the Pt Chevalier to Karangahape Rd section in the first decade, but not the section between Westgate and Lincoln. This is a reason why the first decade cost is different. The IBC also proposes an off-line busway across the causeway in the long-term which was not included in ATAP.
Mill Road Project

Mill Road is a key corridor to unlock growth in the south and is important to delivering the benefits of the Southern Corridor improvements.

The Mill Road corridor will provide additional north-south capacity in the growing area of South Auckland. Around 42,000 new households and 19,000 employment opportunities will be created in the southern growth area – much of which is under development now.

The corridor would also provide a significant contribution to the resilience of the national State Highway network. The full resilience benefits arise on completion of the whole corridor.

The corridor was identified as a priority in the ATAP as it enables housing and commercial development in the southern greenfield area.

The upgrade of the road corridor includes a 4-lane road and upgraded intersections, improved public transport infrastructure and services, on-road cycle lanes and shared path facilities.

There are two key stages of the Mill Road corridor:

- A northern section from State Highway 1 at Manukau to the intersection of Mill Road and Popes Road.
- A southern section from the Mill Road/Popes Road intersection to Papakura and Drury.
Timing

- December 2016 - Northern section: Environment Court confirms all appeals have been resolved and the designation is now final.
- Late 2017 - Northern section: Negotiations for the purchase of the affected partial properties.
- Around 2020 - Northern section: Phased construction scheduled to begin along Redoubt Road, Mill Road and Murphy's Road, but depending on funding availability, these works could start earlier.
- 2023 - Northern section construction expected to be completed.
- Southern Section – Part of Supporting Growth Programme. Identified as Decade 2 priority in ATAP.

Cost

- The indicative cost is around $955M (P50) to over $1.1B un-escalated. It is important to note this is for an arterial standard route.

<table>
<thead>
<tr>
<th>Section</th>
<th>Decade 1 (2018-28)</th>
<th>Decade 2 (2028-38)*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern</td>
<td>$415M</td>
<td>-</td>
<td>$415M</td>
</tr>
<tr>
<td>Southern</td>
<td>-</td>
<td>$540M</td>
<td>$540M</td>
</tr>
<tr>
<td>Total</td>
<td>$415M</td>
<td>$540M</td>
<td>$955M</td>
</tr>
</tbody>
</table>

The above timings are consistent with ATAP, however the first decade cost has increased from $290M to $415M (increased property costs).

*As previously noted, ATAP agencies are currently considering accelerating the Mill Road Southern Section to Decade 1.
Auckland Manukau Transport Initiative – AMETI

The Auckland Manukau Eastern Transport Initiative (AMETI) is a group of projects in southeast Auckland which provides access for significant numbers of people and movement of goods.

Major transport improvements have already been made with the opening of the new Panmure Station and Te Horeta Road.

The corridor between Panmure and Botany connects with strategic networks and two metropolitan centres. The Panmure to Botany portion of AMETI meets the criteria of a nationally significant corridor, notwithstanding that it also provides local access.

AMETI is identified as a 1st decade priority in ATAP.

A map of the AMETI initiatives is below.

Timing

- AMETI is being delivered in several stages. The first stage in Panmure is complete. The next stage from Panmure to Pakuranga is currently in the Notice of Requirement (NoR) process.
- AMETI was prioritised by ATAP for substantial completion in the first decade.
Cost

- The indicative cost remaining to deliver the Panmure to Botany components of AMETI is approximately $615M.

- This cost includes:
  - Reeves Road Flyover
  - Bus priority and bus stations
  - Intersection improvements

This cost does not include works on Mt Wellington Highway or Panmure North.
NZ Transport Agency’s proposal for nationally significant urban corridors in Auckland

Reason for this briefing
On 25 July 2017, you met with the NZ Transport Agency (NZTA) and requested advice on the funding implications for delivering nationally significant urban corridors in Auckland over the next decade. The NZTA has provided you with its advice. This paper provides our preliminary analysis of the NZTA’s proposal.

Action required
Consider this briefing in conjunction with the NZTA’s 25 July 2017 briefing “National Significant Urban Corridors in Auckland”

Deadline
As soon as practicable.

Reason for deadline
As a matter of priority, we will complete additional modelling to consider whether GPS 2018 requires an update depending on decisions you may take around the Auckland urban corridors. We will provide you with more detailed advice as soon as this work is complete. We are aiming to enable you to lodge GPS 2018 with Cabinet Office on 3 August 2017 and still release in advance of Parliament rising on 21 August 2017.

Contact for telephone discussion (if required)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Direct line</th>
<th>After hours</th>
<th>First contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gareth Chaplin</td>
<td>General Manager Sector Performance</td>
<td>-</td>
<td></td>
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<tr>
<td>Joanna Gordon</td>
<td>Contractor</td>
<td>-</td>
<td></td>
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</tr>
</tbody>
</table>

MINISTER’S COMMENTS: withhold under section 9(2)(a)

Date: 26 July 2017

Attention: Hon Simon Bridges (Minister of Transport)

Minister of Transport’s office actions

- [ ] Noted
- [ ] Seen
- [ ] Approved
- [ ] Needs change
- [ ] Referred to
- [ ] Withdrawn
- [ ] Not seen by Minister
- [ ] Overtaken by events

Briefing number: OC05249

Security level: In confidence
Purpose of report

1. The New Zealand Transport Agency (NZTA) has responded to your request for information on additional funding to progress improvements to Auckland urban corridors.

2. This report provides preliminary advice on the implications of the NZTA’s proposal to support your decisions on additional funding.

Assumptions in the NZTA proposal

3. It is not clear what assumptions the NZTA have used for their modelling and what model they used to develop the advice. The assumptions made in the NZTA proposal could be material. We intend to work with the NZTA to understand these assumptions and the implications for GPS 2018.

4. We suggest that you direct the Ministry and the NZTA to jointly form a view on the minimum necessary funding changes (if any) required before GPS 2018 is lodged for Cabinet consideration.

The NZTA’s proposal

5. The NZTA’s proposal uses the NLTF to progress a selection of projects that Auckland Transport has asked it to consider fully funding. Three of these projects (North-Western Mass Transit, AMETI and the Mill Road Northern section) were included in the indicative Auckland Transport Alignment Project (ATAP) first decade package of investments. The remainder (Mill Road Southern section and Penlink) are being considered as part of a refresh of the ATAP funding gap and are likely to be proposed as first decade investments.

6. The NZTA has considered North-Western Mass Transit, Mill Road (Northern and southern sections) and AMETI to be nationally significant. (The NZTA does not consider Penlink to be a nationally significant urban corridor.) The NZTA have estimated that for the NLTF to fully fund these projects (i.e. with no local Auckland share) a 2.2 cent/litre increase in fuel excise duty would be required. This assumes the NZTA continues all other planned expenditure with no changes in timing.

7. The NZTA’s proposal appears to be an increase of 2.2 cent/litre increase in 2018/19 (i.e. a 3.7 percent increase in FED and RUC in 2018/19), and ongoing CPI increases. This is very different from GPS 2018 revenue assumptions which assumes CPI for three years, with no further increases.

Material issues that need to be resolved

8. There are a number of material issues that should be considered prior to making a final decision on how to respond to the NZTA’s advice. This includes:

   8.1. potential double-counting in the model

   8.2. whether and when additional funding is required

   8.3. the significance of the proposed rate changes

   8.4. whether the projects fall within the scope of GPS 2018.

9. These critical matters are discussed below.
Is additional funding required?

10. The NZTA’s proposal is based on no changes being made to the National Land Transport Programme (NLTP) to re-scope, re-phase or reprioritise the programme. Any proposed tax increase needs to consider whether that these projects need to be fully funded rather than part funded or reprioritised.

11. It is not clear whether the Board has considered reprioritisation within GPS 2018 funding ranges. There is substantial funding available in GPS 2018 (from $330 million in 2018/19 up to $615 million in 2027/28) that can be used to advance State highways projects.

12. It is also not clear when the proposed projects will be consented and therefore, when expenditure needs to be provisioned for in GPS 2018. This will have a material effect on GPS 2018 funding ranges.

13. As part of the joint work with the NZTA, we will consider whether small adjustment might be made to the upper band for State highways improvements (for example $50 million in 2018/19 and $80-100 million in 2019/20 and 2020/21) to take some pressure of the extent to which re-prioritisation may be required once decisions are made on ATAP. This would enable the GPS 2018 to be issued in August, as proposed. If needed (and it may not be, given the flexibility in GPS 2018 and the actual timing of these projects), then any necessary amendments for accelerated ATAP can be made to the GPS 2018 in 2018 or 2019.

14. We will provide you with options on how best to fund any additional increment.

There may be double-counting of projects

15. All three projects in the NZTA proposal have been included in the modelling used to establish the funding ranges for GPS 2018, with the exception of the Mill Road Southern section from the second into the first decade of ATAP projects (i.e. into GPS 2018).

16. The draft GPS 2018 included provision for what was known of the ATAP priorities at a 51 percent funding assistance rate (FAR). The NZTA has elevated this to between 80 and 100 percent effective FAR. Potentially some of the NZTA projects in its proposal are already be provisioned for within GPS 2018 funding ranges.

17. The NZTA’s estimate of the required tax increases may be too high if there is double-counting of projects already allowed for in the GPS 2018 funding ranges. We will work with the NZTA to further model their assumptions and possible implications for GPS 2018 funding ranges.

Additionality of the investment

18. As the NZTA proposal does not contain any reciprocal obligations on Auckland, it would be important to invite the Board to identify how the criteria developed for these projects ensures that additional high value investment in land transport in Auckland is taking place, and that the proposal is not merely substituting investment. You may also wish to invite the Board to pay very close attention to price pressures (in Auckland and associated areas), as these are also potentially material.
Rate changes are significantly different from those signalled for GPS 2018

19. In addition to the concerns outlined above, the proposal invites you to consider an additional 2.2 cents per litre FED and RUC increment above the 1.4 percent increase (1 cent per litre)\(^1\) that was signalled to colleagues and stakeholders in the draft GPS 2018, and what appears to be ongoing CPI increases thereafter. If this is the case, this would be a material change to what has been signalled for GPS 2018. The implications are illustrated in the figure below.

![Graph showing petrol excise duty and consumer price index]

Do the projects fall within the scope of GPS 2018?

20. It is not clear in the NZTA’s briefing that the Investment Assessment Framework, which covers both strategic alignment and value for money, has been applied and that the Board has concluded that these projects are the highest priorities to deliver on Auckland’s transport needs.

21. There are also some second order matters that will need to be clarified. This includes the mechanism needed to take responsibility for projects and the necessary verification that appropriate Board decision-making processes have been documented.

Next steps

22. We propose that you direct the Ministry and the NZTA to confirm the modelling assumptions and identify what, if any, changes may be required to GPS 2018, including any consequential revenue implications.

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\(^1\) The current FED rate is 59.5 cents per litre. The proposed GPS 2018 rate is 60.5 cents per litre. The NZTA proposed rate would take that to 62.7 cents per litre (a 3.7 percent increase in 2018).
23. Our earlier GPS 2018 advice sought your agreement to lodge the GPS 2018 with Cabinet Office on 27 July 2017 to enable release before Parliament dissolves. You still have the opportunity to do this as you can lodge the GPS 2018 with Cabinet Office on 3 August 2017. This provides planning certainty for local government. It still enables the Government to consider the implications of ATAP for the GPS 2018 and, if it is needed, for the GPS 2018 to be amended.

24. The modelling work needs to be undertaken as a matter of priority for this to happen. The Ministry will be able to provide you with more detailed advice on the NZTA’s proposal, once this modelling work has been completed.

Recommendations

25. The recommendations are that you:

(a) **note** that the NZTA proposal for nationally significant corridors will result in the NLTF fully funding nationally significant urban corridors in Auckland

(b) **direct** the Ministry and the NZTA to confirm the modelling assumptions and what changes, if any, may be required to GPS 2018 so the GPS 2018 paper can be lodged with Cabinet Office at the latest on 3 August 2017

(c) **agree** that GPS 2018 should continue to be launched in August 2017 before the Parliament dissolves

Joanna Gordon
Contractor

Gareth Chaplin
General Manager Sector Performance

**MINISTER’S SIGNATURE:**

**DATE:**
Ministry of Transport: Aide Memoire

To: Hon Simon Bridges (Minister of Transport)
From: David Eyre
Date: 27 June 2017
Subject: GPS 2018 State highway funding ranges: Underlying assumptions
OC Number: OC05177

Purpose of this aide memoire

1. This memo provides additional clarity on the underlying assumptions used to determine GPS 2018 State highway funding ranges. This update follows feedback from the NZ Transport Agency on the proposed funding ranges.

Funding range assumptions

2. The 10-year funding ranges are set using revenue that includes CPI increases to fuel excise and road user charges for the first three years of GPS 2018.

3. The funding ranges also take into account forecasted expenditure assuming delivery of:
   - all currently committed projects (including Roads of National Significance components that have begun)
   - the Auckland Transport Alignment Project (ATAP) on the indicative timeline at current funding assistance rates of 51%
   - State highways for regional economic development
   - a similar level of core capital expenditure as GPS 2015 of around $300 million per annum. This would cover smaller improvement projects like bridge upgrades for High Productivity Motor Vehicles, and resilience and safety projects.

4. The proposed 10-year funding ranges allow for inter-regional corridors and major uncommitted projects to be delivered as follows:
   - delivery of inter-regional corridors starting in 2023/24
   - delivery of other major uncommitted projects from 2024/25

5. In practice, there is flexibility to deliver some of the inter-regional and other major uncommitted projects earlier. The NZ Transport Agency has the ability to use:
   - the $300 million per annum capital expenditure for other projects

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1 For your information, the major uncommitted projects include some Roads of National Significance (RoNS) that are uncommitted. For example: Wellington RoNS airport to Mount Victoria Tunnel and the Terrace tunnel duplication.
• unallocated funding of around $40 million per annum in years 4 - 6 and $215 million per annum in years 7-10
• the NZ Transport Agency using its borrowing facility.

NZ Transport Agency feedback

6. The NZ Transport Agency has provided initial feedback that indicates it can deliver expenditure on State highways that is $200 million higher per annum (from 2021/2022) than in the funding ranges provided in the draft GPS 2018. They argue this would make it possible to deliver inter-regional and major uncommitted projects earlier.

7. The Ministry has estimated the level of tax increases required to provide $200 million State highway improvements over GPS 2018 levels. Table 1 shows indicative levels of tax increase. A five cent increase in petrol excise duty in 2018/19 then CPI increases from 2019/20 would be needed to provide sufficient revenue to deliver the additional $200 million State Highway expenditure.

Table 1: Changes to the level of petrol excise duty (PED)

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</thead>
<tbody>
<tr>
<td>59.5 cents per litre</td>
<td>CPI for 3 years</td>
<td>60.6</td>
<td>61.6</td>
<td>63.0</td>
<td>63.0</td>
<td>63.0</td>
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<td>63.0</td>
<td>63.0</td>
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<td>63.0</td>
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<tr>
<td></td>
<td>CPI every year</td>
<td>60.6</td>
<td>61.6</td>
<td>63.0</td>
<td>64.4</td>
<td>65.7</td>
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<td>5 cents then</td>
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Ministry advice

8. We note that the level of State highway expenditure in the draft GPS 2018 is already large compared to GPS 2015. Given this, we recommend that before considering further increases in the State highway funding ranges (over that in the draft GPS) the following issues should be investigated:

• the ability of the industry to deliver this scale of construction
• whether these additional State highway improvements provide sufficient value for money
• possible impacts on the other funding activity classes

9. We can provide further advice on the possible implications of a larger State highway programme if you require this.

Contact
David Eyre, Principal Advisor

withheld under section 9(2)(a)
Executive Summary

a) The Auckland Transport Alignment Project (ATAP) report of September 2016 set out an agreed strategic approach for the development of Auckland’s transport system over the next 30 years, including an indicative $24 billion investment package for the 10 years from 2018. It also identified that funding in current central and local government plans was $4 billion short of this.

b) New information has become available since ATAP was completed, including higher than expected population growth and revised forecasts, updated cost information, and recent Auckland Council funding decisions. This new information suggests the funding gap is likely to be substantially higher in the first three years than the $380 million anticipated by ATAP, even before addressing faster growth.

c) With Auckland’s population now projected to reach two million by 2029 rather than 2033, there is in principle agreement some additional investment is likely to be required to deliver the performance levels envisaged by ATAP. An initial desktop exercise undertaken by Auckland Transport suggests this may be in the order of $3 billion. However, further analysis is required before we can agree the quantum and timing of additional investment.

d) Auckland Transport and the NZ Transport Agency are now developing their detailed programmes to inform statutory funding decisions. Indicative programmes will be available by September this year while a draft Regional Land Transport Plan 2018-2028 and a funded Long-term Plan 2018-2028 consultation document need to be approved by December for public consultation commencing in February 2018.

e) We will be in a position no later than September to provide more detailed advice on the funding requirements of these documents, and plan to provide a further joint memo to you at this point.
Purpose

1. This memo provides our updated understanding of the nature and timing of the funding gap for transport in Auckland, since ATAP’s completion in September 2016. It also provides further detail on the transport funding situation for both the Council and Government and clarity on potential revenue levers available for addressing the funding gap.

2. This is a joint and agreed memo, prepared by officials from the Ministry of Transport and Auckland Council, with input from the Treasury, the New Zealand Transport Agency (NZTA) and Auckland Transport, as at June 2017.

Background

3. ATAP set out an agreed strategic approach for the development of Auckland’s transport system over the next 30 years, as well as an indicative package of investment to illustrate the type and quantum of investment likely to be required to deliver the strategic approach.

4. The indicative package of investment focussed on the 10 years from 2018 due to higher confidence in assumptions and to inform the next round of statutory transport planning and funding documents, which are currently in development.

5. ATAP concluded that around $24 billion was needed for the 10 years from 2018, compared to around $20 billion available under current funding plans, leaving a $4 billion funding gap. ATAP noted that under current funding arrangements this gap largely lies with the Council.

Auckland’s Recent Growth

Revised population projections

6. Auckland’s population grew by over 43,000 people in each of the years to June 2015 and 2016, up from an average of 15,000-20,000 people between 2006 and 2013. This high growth rate is expected to have continued in the year to June 2017.

7. Reflecting this recent acceleration of growth, Stats NZ released new population projections in February 2017. A comparison of the new projections (both a medium and high growth scenario) against the population projections that underpinned ATAP is shown below:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2018</th>
<th>2023</th>
<th>2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Stats NZ medium projections (ATAP)</td>
<td>1,493,200</td>
<td>1,646,500</td>
<td>1,767,500</td>
<td>1,890,900</td>
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<td>2017 Stats NZ medium projections</td>
<td>1,493,200</td>
<td>1,699,900</td>
<td>1,859,300</td>
<td>1,990,100</td>
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<tr>
<td>2017 Stats NZ high projections</td>
<td>1,493,200</td>
<td>1,736,200</td>
<td>1,936,500</td>
<td>2,113,200</td>
</tr>
</tbody>
</table>

8. Compared to the earlier projection, around an additional 100,000 people are expected in Auckland by 2028, with 90 percent of this increase expected by 2023. After 2023, projections show average growth slowing to around 23,000 per annum. Overall, Auckland is running around four years ahead of the population projections used in ATAP.

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1 ATAP’s estimate of $20 billion being available in “current funding plans” was based on planned investment out to 2025 in the Regional Land Transport Plan (RLTP), the Council’s 2015 Long-term Plan (LTP) and NZTA’s National Land Transport Programme. The 2025-28 period was an extrapolation of these plans.
Transport implications of faster growth

9. Rapid population growth in recent years is having a significant effect on the performance of Auckland’s transport network. Despite strong growth in public transport use, private vehicle travel has increased substantially in recent years. Based on recorded travel demand and average trip lengths, we estimate there are now approximately 360,000 more daily vehicle trips in Auckland than three years ago.

10. The scale and pace of Auckland’s current growth is outpacing efforts to improve Auckland’s transport system, resulting in growing congestion and declining travel speeds.

- The proportion of Auckland’s arterial road network experiencing morning peak congestion2 has increased from 18 percent during the December 2014 quarter to 24 percent during the December 2016 quarter. 33 percent of the network was congested during the March 2017 morning peak.
- Congestion is spreading throughout the working day, with 11.2 percent of the arterial road network experiencing inter-peak congestion in the year to March 2017, up from 8.8 percent the year before.
- Arterial road travel speeds have decreased by 5.6 and 7.7 percent for the morning and afternoon peak periods respectively over the year to March 2017 compared to the previous year.
- Auckland State highway travel speeds have decreased on average 2-5 kilometres per hour on parts of the network in the peak periods over the year to March 2017.

11. These figures indicate greater transport costs for Aucklanders, especially when travelling to work, along with the increasing difficulty and unreliability of business and freight travel during the inter-peak period. Overall, although Auckland’s gross labour force grew by around 7.5 percent in 2016, declining travel speeds will result in much smaller actual increases in access to employment, a key driver of improved economic productivity.

Expenditure

Updated cost information

12. The cost information used in ATAP was pulled together in mid-2016. Since that time further work has increased the City Rail Link’s (CRL) anticipated cost but also identified potential savings on road renewals.

13. ATAP assumed a total project cost for CRL of around $2.5 billion, including approximately $1.9 billion of investment from July 2018 onwards. More detailed CRL costs will not be known until tenders are completed, but recent funding agreements between the Council and Government are sufficient to fund a cost of up to $3.4 billion for the whole project, evenly split between the two parties.

14. ATAP identified the need for Auckland Transport and NZTA to agree appropriate levels of service and funding requirements for asset management investment, especially road renewals. While this work is ongoing, initial analysis has highlighted the potential for some significant cost savings in this area.

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2 Defined in this case as a median travel speed of lower than 50 percent of the speed limit – for example travelling at 48 kph on the motorway.
15. In general, New Zealand construction sector cost inflation is running higher than general CPI, while in Auckland, land costs have been a major factor in driving increased project costs. Both of these factors will put further pressure on transport funding.

*Updated programme sequencing*

16. Over the past few months Auckland Transport and NZTA have begun the process of refining their programmes as part of developing the 2018 RLTP. This process will continue through to approving a draft RLTP for public consultation in December this year.

17. Early work has identified that ATAP’s indicative programme sequencing significantly underestimated required funding for the first three years, and that faster than expected population growth means transport network performance will decline unless some investment is accelerated.

18. Accelerating investment would mean bringing investment forward into the first three years of ATAP’s first decade (2018-2020) and potentially bringing investment from ATAP’s second decade into the first.

19. In principle, we agree some acceleration of investment is required if the levels of network performance aspired to in ATAP are to be met. However, until further analysis occurs it is not yet possible to agree the quantum and timing of required accelerated investment.

20. The RLTP is the central process for determining the mix and timing of transport investment needed to support Auckland’s growth. Auckland Transport are currently developing 10-year expenditure scenarios based off different levels of assumed funding. This work will develop a range of scenarios including:

- What will be achieved under the agreed ATAP indicative package (a $24 billion programme)

- What could be achieved if the ATAP indicative package is accelerated to meet the demands of faster than expected population growth (cost to be determined, but a desktop exercise undertaken by Auckland Transport suggests this could be up to $27 billion).

21. This work will also identify what will not be achieved, relative to ATAP, if current funding levels are maintained, or the gap is only partially closed.

22. By September this year, Auckland Transport will have developed these programmes in more detail and NZTA will have undertaken a preliminary assessment of them. This will allow agreed high-level commentary on the likely network performance impact and comparative value of different levels of investment.
Revenue

Updated funding situation

23. The graph below shows Auckland’s transport funding picture, both looking back and looking forward under current assumptions. A key amendment to this picture recently agreed through the Council’s Annual Plan 2017/2018 is the decision to fund the Council’s share of the CRL independently of general transport investment. This means forecasts for the Council’s funding for transport from between 2018/2019 and 2027/2028 has in effect increased by at least $575 million. This is the result of timing changes and additional debt. The additional borrowing can be accommodated within the Council’s debt limits through the adoption of new targeted rates and the disposal of financial investments.

24. The above graph excludes the financing cost of Council borrowing to enable a like-with-like comparison with central government for transport funding on the ground, in any given year, as per ATAP’s methodology. However, it is important to note that financing costs are a real cash cost that the Council must fund from its revenue sources. The graph below shows Council finance costs since 2012/2013 and forecast to 2024/2025.

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3 For an explanation of the assumptions underlying this graph and table of figures see Annex 1. In particular note the negative figure for the council CRL contribution in 2017/2018 is due to Crown back payment for previous years of expenditure, and the negative figures for the council and Crown CRL contributions in 2024/2025 is due to land sales.
**Council funding pressures**

25. The Council’s key funding challenge over the next five years in particular is the limitation on additional borrowing to maintain its current credit rating. While the Council currently has some debt headroom, substantial forecast borrowing to fund the City Rail Link is restricting the ability to debt-fund transport investment over the next three years in particular. This has been partially alleviated in the 2015-2018 period (prior to the ATAP period) through the introduction of the Interim Transport Levy (raising $60m of revenue per annum).

26. The graph below illustrates how close the Council gets to its debt limits over the coming years, particularly up until 2024/2025 when significant borrowing is required to fund CRL.

![Debt to revenue ratio and limits graph](image)

27. As Auckland grows so too does revenue from rates, development contributions and other revenue sources. However, this revenue growth takes time and is already factored into the long-term financial forecasts.

28. Through development of the Long-term Plan 2018-2028 the Council will make decisions on revenue and investment levels for the next decade. The Long-term Plan will also include an infrastructure strategy that will look forward thirty years. This process will look at rating policy, potential new revenue sources and asset optimisation.

29. The below chart shows that the bulk of the Council’s forecast investment in new assets is in core infrastructure and that investment in other areas is projected to be at historically low levels.

![Council investment in new assets by theme](image)
Government funding pressures

30. In addition to the Government’s share of ATAP’s indicative package, the National Land Transport Fund (NLTF) has other significant funding pressures over the next decade, including a programme of inter-regional State highway improvements and the remaining Roads of National Significance.

31. As well as these funding pressures, the NLTF is forecasted to be close to the NZ Transport Agency’s self-imposed guideline of 10 percent of revenue that can be committed to servicing the cost of financing, including Public-Private Partnerships. Over the next decade this is forecasted to rise to 6 to 7 percent between 2021/2022 and 2023/2024, depending on decisions made in the final 2018 GPS and timing of repayments associated with the Housing Infrastructure Fund. This may constrain the willingness of the NZTA to raise further finance through loans or commit to other Public-Private Partnerships.

Revised funding gap

32. ATAP estimated a funding gap of $4 billion over the next 10 years, with an indicative expenditure profile suggesting the gap would be minimal before 2020 before increasing significantly from the early 2020s onwards. ATAP also noted that under current funding arrangements this gap largely lies with the Council.

33. Since the completion of ATAP, updated information on population growth projections, project costs, programme sequencing and revenue, indicate that the funding gap is likely to be higher than $4 billion, if the levels of network performance aspired to in ATAP are to be met.

34. Of particular note is that the funding gap is likely to be higher over the first three years (2018/19 to 2020/21), the period where funding needs to be effectively committed through the next round of statutory transport planning and funding documents, which are currently under development. ATAP’s preliminary funding gap over the first three years was around $380 million. Refined sequencing and accelerated recent growth suggest a much larger funding gap over the next three years.

35. As noted earlier, by September this year we will be in a position to advise in more detail what level of investment beyond the $24 billion ATAP programme may be appropriate, along with updated sequencing. This will enable a complete picture of the funding gap under current revenue assumptions.

Potential levers for addressing the gap

36. Both the Council and Government have a number of levers available to increase transport revenue to address the funding gap. The trade-offs within and between these various levers can be complex and will require further analysis and advice from both Council staff and government officials.

37. The following table outlines at a high-level some of the potential levers available to the Council through the long-term plan and the Government through the GPS and the Budget.

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4 Smarter transport pricing and regional fuel tax have not been included in this list as per previous correspondence to the Mayor from the Ministers of Finance and Transport.

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4 Smarter transport pricing and regional fuel tax have not been included in this list as per previous correspondence to the Mayor from the Ministers of Finance and Transport.
<table>
<thead>
<tr>
<th>Council levers</th>
<th>Government levers</th>
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<tbody>
<tr>
<td>• Reprioritise the budget towards transport</td>
<td>• Reallocate the National Land Transport Fund</td>
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<tr>
<td>• Increase general rates</td>
<td>or</td>
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<tr>
<td>• Apply more targeted rates</td>
<td>• Increase the National Land Transport Fund (Fuel Excise Duty and Road User Charges)</td>
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<tr>
<td>• Increase development contribution charges</td>
<td>and</td>
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<tr>
<td>• Asset sales</td>
<td>• Increase Crown Contributions</td>
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<tr>
<td></td>
<td>- increase the Council subsidy (financial assistance rates)</td>
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<td></td>
<td>- reclassify parts of the local network as national network (100% funded)</td>
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38. It is important to note that under current financial arrangements, addressing the funding gap will depend on the Council providing funding for its share of local projects - both to fully leverage available National Land Transport Fund co-funding for eligible projects, and to pay for projects which are exclusively the Council’s responsibility at present.

The role of financing

39. While additional funding is required to address the funding gap over the full 30-year ATAP period, new sources of financing can serve to spread the funding burden over time, particularly in the next 10 years.

40. Significant initiatives are underway to enable this, including the Housing Infrastructure Fund and developing work on a Special Purpose Vehicle model. Public Private Partnerships for appropriate projects, and Crown loans to the National Land Transport Fund are other potential financing options.

Next Steps

Process and timing for making revenue decisions

41. Auckland Transport and NZTA are continuing to develop their detailed programmes as part of the RLTP. Initial prioritisation and sequencing will be available by September to inform further funding discussions. The RLTP will be subsequently refined, leading up to a draft document being approved by the Regional Transport Committee in December 2017, for public consultation commencing in February 2018.

42. Before the RLTP is released for public consultation, substantive revenue decisions will need to have been made by both the Council and the Government through the Long-term Plan 2018-2028 consultation document (also released in February 2018) and the final 2018 Government Policy Statement on Land Transport (which may be released in August 2017). Importantly, as per the Office of the Auditor General’s direction, the long-term plan consultation document cannot rely on revenue assumptions that are not supported by definite funding commitments.

43. Between August and November 2017, the Council will have a number of workshops focussing on considering various revenue and expenditure scenarios for the Long-term Plan 2018-2028.
This will inform the Long-term Plan proposal the Mayor will put to the wider Council at the end of November 2017.

44. The diagram below sets out the timing of this process in more detail.

Further advice

45. We plan to provide you with a further joint memo no later than September 2017 which will provide:

- updated information on expenditure profiles for the agreed ATAP indicative package (a $24 billion programme) and an accelerated package to meet the demands of faster than expected population growth (cost to be determined)
- a high level commentary on the likely network performance impact and comparative value of these different levels of investment, as well as what will not be achieved if current funding levels are maintained
- information on how much additional funding for transport the Council and Government could make available under various revenue scenarios.

46. We suggest that you meet to discuss the content of the next joint memo soon after its receipt, to allow sufficient time for the outcome of this discussion to be communicated to the wider Council, before the Mayor’s Long-term Plan proposal is finalised by 30 November 2017.
Annex 1 – Assumptions underlying historic and forecast Auckland transport expenditure

All historic figures are in nominal terms and forecast figures in 2016 dollars.

Treatment of Council funding

1. Consistent with the approach ATAP agreed, Auckland Council figures from 2012/2013 onwards:
   1.1. remove the National Land Transport Fund contribution (for local roads/public transport subsidy)
   1.2. net off operating revenue sources (such as public transport fares and parking revenues)
   1.3. exclude depreciation
   1.4. exclude the financing cost of borrowings.

2. These exclusions account for the difference between the Auckland Council figures reported here and the Council’s published Annual Plan figures.

3. The forecasts for 2016/2017 and 2017/2018 are sourced from the Council’s Annual Plans for those years. Forecasts from 2018/2019 onwards are sourced from the Council’s Long-term Plan 2015-2025, noting revised City Rail Link costs. The period 2025/2026-2028/2029 was extrapolated from long-term plan figures.


Treatment of Government funding


6. 2016/2017 and 2017/2018 numbers are based on subsidy estimates from the Council’s Annual Plans, and high-level National Land Transport Programme forecasted State highway expenditure.

7. Forecasts for 2018/19 onwards are sourced from ATAP, which were derived from the 2015 Government Policy Statement on land transport and the 2015 National Land Transport Programme.

Treatment of rail expenditure

8. Crown rail expenditure excludes loans for the purchase of electric trains. The expenditure associated with paying back these loans is captured under the NZTA and Auckland Council lines respectively. Forecasts for 2018/2019 onwards assume the Auckland Rail Development Plan will be funded by the Crown (subject to Budget bids), consistent with current funding arrangements.

City Rail Link

9. City Rail Link forecasts are based on revised estimated costs for the project, split evenly between the Government and Auckland Council.
10. Crown funding commences in 2017/2018 ($296 million) comprised of expenditure ($76 million) and back payment of costs incurred by the Council from previous years ($220 million). Auckland Council contribution for 2017/2018 (-$144 million) is due to the Council's share of expenditure ($76 million) less the Crown payment for this year ($220 million). In 2024/2025, land sales contribute to both the Government and Auckland Council, hence a negative figure for this year ($108 million each).

11. Treatment of City Rail Link costs are responsible for the variance observed in the Government's and the Council's numbers from those provided previously. The Council will commit additional funding for the City Rail Link on top of figures budgeted for previously, rather than drawing these from its transport budget.
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<tr>
<td>(excluding City Rail</td>
<td>660</td>
<td>716</td>
<td>699</td>
<td>555</td>
<td>555</td>
<td>616</td>
<td>835</td>
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<td>296</td>
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<td>234</td>
<td>324</td>
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<td>-108</td>
<td>0</td>
<td>0</td>
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<tr>
<td>City Rail Link (Council contribution)</td>
<td>36</td>
<td>64</td>
<td>92</td>
<td>101</td>
<td>163</td>
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<td>295</td>
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<td>62</td>
<td>-108</td>
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<td>708</td>
<td>548</td>
<td>596</td>
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<tr>
<td>Government proportion of total</td>
<td>62%</td>
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<tr>
<td>Auckland Council proportion of total</td>
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Implications of nationally significant urban corridors on the Government Policy Statement on land transport 2018 (GPS 2018)

Reason for this briefing
To provide you with additional information on the implications of the New Zealand Transport Agency’s proposal for nationally significant urban corridors in Auckland. This advice will support your decision on whether to lodge GPS 2018 for consideration at the Economic Growth and Infrastructure Committee meeting on 9 August 2017.

Action required
Lodge the provided Cabinet paper and final GPS 2018 with Cabinet office by 3 August 2017.

Deadline
3 August 2017.

Reason for deadline
To enable the final GPS 2018 to be considered by the Cabinet Economic Growth and Infrastructure Committee on 9 August 2017. This will enable GPS 2018 to be published in August 2017 before the Parliament dissolves.

Contact for telephone discussion (if required)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Direct line</th>
<th>Telephone After hours</th>
<th>First contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>David Eyre</td>
<td>Principal Adviser</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Gareth Chaplin</td>
<td>General Manager</td>
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</table>

MINISTER’S COMMENTS: withheld under section 9(2)(a)

Date: 1 August 2017

Briefing number: OC05261

Attention: Hon Simon Bridges (Minister of Transport)

Security level: In-Confidence

Minister of Transport’s office actions
- Noted
- Seen
- Approved
- Needs change
- Referred to
- Withdrawn
- Not seen by Minister
- Overtaken by events
Purpose of report

1. To discuss the implications of the New Zealand Transport Agency’s (NZ Transport Agency) proposal for nationally significant urban corridors in Auckland (significant urban corridors).

2. This briefing discusses the material issues raised following the significant urban corridors funding proposal and provides advice to resolve those issues and the implications for GPS 2018 release.

Background to the nationally significant urban corridors

3. On 25 July 2017, the NZ Transport Agency responded to your request for advice on significant urban corridors in Auckland. Three corridors were identified by the NZ Transport Agency as nationally significant: North-Western Mass Transit, Mill Road (Northern and Southern sections), and AMETI – Panmure to Botany. Your agreement was sought to consider funding options to progress the delivery of these corridors.

4. We provided you with additional information on 26 July 2017 that highlighted the material issues to be resolved before additional funding support was considered.

5. We have been working with the NZ Transport Agency to consider these issues. This briefing:
   5.1. confirms the level of funding required and possible tax implications
   5.2. suggests next steps to agree funding for the urban corridors following consideration of the remaining material issues, alignment with broader Auckland Transport Alignment Project (ATAP) discussions, ability to influence the level of additional funding (including reprioritisation), considering the most appropriate funding sources, and reducing any future precedent created).

Confirmation of funding required and possible tax implications

6. We have confirmed there is no double counting between the NZ Transport Agency and the Ministry of Transport (the Ministry) figures used. The NZ Transport Agency estimates that an additional $1.1 billion to $1.4 billion is required over the 10 years of GPS 2018 to support the significant urban corridors. This funding is addition to that allowed for in the draft GPS 2018 because the proposal assumes an increase Financial Assistance Rate (FAR) for these corridors.

7. In the first three years of GPS 2018, around one-third of this funding ($300 million to $500 million) would be required while the remaining two-thirds is required in the last seven years.

8. If the additional expenditure is fully funded from the National Land Transport Fund (NLTF) and no reprioritisation occurs, a tax increase will be required. The NZ Transport Agency’s advice estimates a 2.2 cents per litre increase in year 1 followed by CPI increases in out years. This would generate $2.64 billion over 10 years (around $1.2 billion more than required).

9. We have run indicative analysis to consider options for amending fuel excise duty (and road user charges equivalent) that would generate funding to cover the $1.4 billion
required over 10 years. Two indicative options are outlined in the Table 1 below showing the cents per litre increase in fuel excise duty. We can provide further advice on the implications on tax increases as required.

Table 1: Revenue generated by indicative options

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<tr>
<td>Draft GPS 2018</td>
<td>1.03</td>
<td>1.09</td>
<td>1.39</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>NZ Transport Agency proposal</td>
<td>2.20</td>
<td>1.09</td>
<td>1.39</td>
<td>1.37</td>
<td>1.29</td>
<td>1.31</td>
<td>1.34</td>
<td>1.37</td>
<td>1.39</td>
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<tr>
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<td>2.25</td>
<td>2.25</td>
<td>2.25</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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<td>1.42</td>
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<td>1.39</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>1.47</td>
</tr>
</tbody>
</table>

Align the decision on significant urban corridors with ATAP

10. We recommend that the decision on whether to provide additional funding for these corridors be made as part of decisions on the accelerated ATAP. These significant urban corridors are part of ATAP but are proposed to be brought forward and to have an increased FAR. You will receive advice from ATAP parties on Friday 4 August 2017 that estimates the size of the funding gap for an accelerated ATAP.

11. Proceeding on this basis will:

11.1. Provide flexibility and create opportunities to ensure appropriate commitments from Auckland Council for the ATAP funding gap: You will receive advice on a proposed accelerated ATAP package and the related funding gap by 4 August 2017. After that, discussions will begin with Auckland Council about how funding can be raised to deliver an accelerated ATAP. By aligning your decision on the significant urban corridors with ATAP advice, you will have more information to make a decision based on the revised funding gap. It will also keep open the opportunity to ask Auckland Council about the funding commitments they are willing to make.

11.2. Enable further consideration of appropriate funding sources: We propose that further consideration should be given to how expenditure could be reprioritised within the National Land Transport Programme to reduce the additional funding required. Also to consider how alternative funding such as the Crown Infrastructure Partnership, could impact the additional funding sought1.

11.3. Enable criteria to be developed to limit possible precedent: An agreement to fund significant urban corridors from the NLTF may create a precedent for other local authorities to also request the same treatment. The NZ Transport Agency provided initial criteria in its briefing, but we consider NZ Transport Agency should further develop this to limit any precedent that may be established.

---

1 The Crown Infrastructure Partnership is set up to assist local authorities with their share of road investment. It also seeks to encourage funding from other investors who benefit from the transport investment.
The significant urban corridor approach also influences how the FAR is set. FAR is currently based on ability to pay. The urban corridor proposal changes the basis for FAR from an ability-to-pay basis to one that considers whether the benefits of the projects are local or national. This is moving towards an approach that considers payment from a benefit perspective.

Announcing the significant urban corridors

12. Any decision and subsequent announcement on additional funding support for the significant urban corridors would require:

   12.1. a signal on where the funding will come from (e.g. fuel excise duty and road user charges increases or Crown funding)

   12.2. confirmation from the NZ Transport Agency Board that the significant urban corridors fit with their NLTF decision-making process (you currently have the NZ Transport Agency’s proposal to recognise).

13. If the additional funding support is from the NLTF and consequential tax increases are required, (assuming reprioritisation is insufficient) then these tax implications should be reflected in the GPS 2018 either at the time it is released or though an amendment after it is released.

Next steps

14. Taking a decision on the significant urban corridors alongside broader ATAP discussions, would still enable the GPS 2018 to be released without change.

15. However, the funding ranges for local road improvements (the urban corridors are all local roads) could be increased by $50 million in 2018/19. This would create flexibility to ensure planning on the significant urban corridors could proceed for the first year of GPS 2018. Once decisions are made on ATAP, new expenditure amounts announced, and funding ranges confirmed the GPS 2018 could be amended.

16. If you take decisions on the significant urban corridors alongside ATAP discussions, and release GPS 2018 in advance of Parliament dissolving, no major changes are required to the GPS 2018 and the Cabinet paper for lodging on 3 August 2017. The minor changes would be to the local road improvement funding ranges in the GPS 2018 (if desired) and a possible update to the Cabinet paper to note the status of significant urban corridors.

17. Table 2 shows the timelines to proceed with lodging GPS 2018 for a late August 2017 announcement.

Table 2: GPS 2018 Timetable

<table>
<thead>
<tr>
<th>Date (2017)</th>
<th>Task</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 August</td>
<td>Final GPS 2018 and Cabinet paper provided to Minister. Lodge with Cabinet office.</td>
</tr>
<tr>
<td>9 August</td>
<td>EGI consideration</td>
</tr>
<tr>
<td>14 August</td>
<td>Cabinet consideration</td>
</tr>
<tr>
<td>14–21 August</td>
<td>GPS 2018 available for public release</td>
</tr>
<tr>
<td>21 August</td>
<td>10 copies of GPS 2018 provided to Bills office (in advance of Parliament dissolution on 22 August 2017)</td>
</tr>
</tbody>
</table>
18. If you want to announce the significant urban corridors before ATAP funding discussions are resolved we would be unable to address all the issues noted above but we could:

18.1. advise on the impact of possible funding mechanisms including changes to fuel excise duty and road user charges

18.2. provide a letter to the NZ Transport Agency’s Board to seek their confirmation these projects fit with their NLTF decision-making process

18.3. work with NZ Transport Agency to create criteria to ensure the precedent risk was reduced.

19. However, this process would not be able to be completed before 3 August 2017. In effect, a decision to announce nationally significant urban corridors would delay the issue of GPS 2018.

Recommendations

20. The recommendations are that you:

(a) note the additional funding support for the significant urban corridors is $1.1 to $1.4 billion over the 10 years of GPS 2018

(b) note if this additional funding comes entirely from the NLTF it will require increases in fuel excise duty and road user charges

(c) agree to decide on the significant urban corridors as part of the accelerated ATAP discussions Yes/No

(d) agree to release GPS 2018 with funding ranges as provided on 20 July 2017 Yes/No

OR

agree to release GPS 2018 but increase the local roads activity class by $50 million in 2018/19 Yes/No

(e) agree to lodge GPS 2018 on 3 August 2017 Yes/No

David Eyre
Principal Advisor

Gareth Chaplin
General Manager Sector Performance

MINISTER’S SIGNATURE:

DATE:
Revised Auckland Transport Alignment Project funding gap

Reason for this briefing
You have asked that the Auckland Transport Alignment Project (ATAP) agencies reconvene to refresh the ATAP indicative package and first decade funding gap, in light of recently revised population growth forecasts. We have worked with the ATAP agencies to develop the attached report that responds to your request. This briefing provides our covering advice, including around possible next steps.

Action required
Review the attached joint report, and direct officials on what further advice you wish to receive, if any, for discussion with the Mayor of Auckland.

Deadline
Week of 7 August 2017

Reason for deadline
We expect the Mayor of Auckland will want to discuss the joint report with you soon after receiving it and you may wish to have further advice ahead of that discussion.

Contact for telephone discussion (if required)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Telephone</th>
<th>First Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Martin Glynn</td>
<td>Director Auckland (MoT)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>David Taylor</td>
<td>Manager, National Infrastructure Unit (TSY)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jon Butler</td>
<td>Senior Analyst (TSY)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sam Ponniah</td>
<td>Senior Adviser (MoT)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

MINISTERS’ COMMENTS: withheld under section 9(2)(a)

Date: 4 August 2017

Briefing number: T2017/2089 (Treasury)
OC05220 (Ministry of Transport)

Attention: Hon Steven Joyce (Minister of Finance)
Hon Simon Bridges (Minister of Transport)

Security level: In-Confidence

Ministers’ office actions

☐ Noted
☐ Needs change
☐ Withdrawn
☐ Seen
☐ Referred to
☐ Not seen by Minister
☐ Approved
☐ Overtaken by events
Purpose of report

1. This briefing provides our advice on the joint report we have prepared with the Auckland Transport Alignment Project (ATAP) agencies that refreshes the ATAP first decade indicative package and funding gap. The briefing also provides our initial advice around next steps.

Process

2. At the end of June 2017, following discussions with the Mayor of Auckland, you asked that we update the ATAP first decade indicative package and funding gap in light of revised population growth forecasts since ATAP ended. Since then, we have worked with the ATAP agencies to identify the likely mix and scale of additional investment needed.

3. Due to the limited time available, we have relied primarily on qualitative assessments, informed by some modelling using Council’s updated land use assumptions about where future population and employment growth will occur (i.e. which growth zones are being brought forward/pushed back).

4. We have not undertaken any detailed modelling of the revised first decade package. As a result, there is an inherent level of uncertainty and need for ongoing work to ensure all investments deliver value for money. As with ATAP, the indicative package is not intended to be an investment programme, as all transport investments need to go through business case approval to proceed.

The revised first decade funding gap

5. The revised first decade funding gap has increased to $5.9 billion (an increase of $1.9 billion to ATAP’s original estimate). The funding gap over the first three years is $1.3 billion.

6. Depending on assumptions made about the extent of co-funding from the National Land Transport Fund (NLTF), between $2.8 to $4 billion of the original $4 billion funding gap was attributable to Auckland Council. We have not been able to apportion the updated funding gap due to the limited time available but will be able to provide this to you in any further advice. Preliminary estimates suggest that the vast majority of the additional funding gap lies with Auckland Council.

7. The projects that have been brought forward from the second decade, potential savings on renewals and likely revenue increases are detailed in the joint report. We have highlighted below the main challenges from additional growth and the investment that has been brought forward to address these challenges.

Growth in the North and South

8. Auckland Council’s re-sequencing of greenfield growth areas in the north and the south means that there will be additional pressure on the transport network in those areas. Around 30% of the extra growth is projected to occur in greenfields areas. The revised indicative package brings forward around $1.5 billion worth of investment to address this pressure.

9. This investment includes building and upgrading arterial roads to enable growth, a tolled two-lane (future-proofed for widening) Penlink in the North, minor upgrades to State Highway 1 between Albany and Silverdale (including bus shoulder lanes) and Mill Road in the South (which also improves network resilience in the South as an alternative corridor for SH1). The projects identified have reasonably strong benefit cost ratios (see Appendix 1 to the joint report).

---

1 The Ministry of Transport, Auckland Council, the Treasury, New Zealand Transport Agency (NZTA), Auckland Transport and the State Services Commission.
10. This investment is offset by around $150 million of investment that has been pushed out to the second decade due to a retiming of enabling infrastructure in the now slower growing Northwest.

Growth in central Auckland

11. The remaining 70% of the additional growth is projected to be in the existing urban area. This additional growth will exacerbate current constraints in high volume transport infrastructure, like major roads, rail and public transport corridors, in existing urban areas. Given these corridors are primarily in built up urban areas, there are limited opportunities for significant capital upgrades.

12. However, more can be done to maximise throughput on existing routes by implementing minor capital improvements (e.g. intersection upgrades, minor road layout changes and traffic light optimisation). The updated indicative package includes a nominal $300 million figure to represent the likely scale of improvements needed to make a difference.

13. The package also includes an additional $700 million to complete some form of mass transit on the isthmus in the first decade, building on the $500 million already in the ATAP first decade for route protection and a construction start of a mass transit corridor.

Re-sequencing in the first three years from 2018-2021

14. Total expenditure over the first three years has increased from $6.5 billion to $8.3 billion. This includes cost increases and acceleration of some projects into the first three years, based on further work by the NZTA and Auckland Transport. This included work to identify how investments within the first decade could be sequenced to ensure a steady increase in construction activity over this period up to a feasible, buildable level.

15. There is already a significant state highway investment programme for the first three years so additional efforts should focus on advancing planning, design, consenting and land acquisition for later projects like the State Highway 16/18 interchange, Southern Motorway widening, improved Eastern Airport access (State Highway 20B) and the Northwestern busway.

16. Key initiatives from Auckland Transport’s programme that have been brought forward include the Auckland Manukau Eastern Transport Initiative (AMETI) Eastern busway, Mill Road, purchase of new electric trains and completion of key city centre bus lanes and interchanges.

[Redacted text withheld under section 9(2)(g)(i)]

[Redacted text]

[Redacted text]
Possible options to address the revised funding gap

27. We expect the Mayor will want to speak to you soon after receiving the report.

28. We have previously provided you with advice on possible options to address the ATAP funding gap (OC04527 / T2016/2412 refers). We have summarised these briefly below. We recommend that you discuss and indicate to officials which option(s) you would like to receive further advice on, for the purpose of discussions with the Auckland Mayor and Council.

29. The following advice does not take into account recent announcements of potential Crown funding for transport in Auckland.

Auckland Council levers

30. As previously advised, the best option for addressing the funding gap is increased Auckland Council funding as it presents the least disruption to the current funding framework.

31. Auckland Council will be developing its revenue and expenditure policy between August and November 2017 to inform the Long-term Plan proposal the Mayor will put to the wider Council at the end of November 2017. This will include its policy around targeted rates and development contributions and the allocation of transport expenditure.

32. For the purpose of discussions with the Mayor, we recommend that you continue to seek Auckland Council commitments to review its existing expenditure and revenue policy to make available a greater share of funding for transport investment than it currently has planned.

Government levers

33. As you are aware, the Government has already made financial support available for Auckland Council through the Housing Infrastructure Fund and Crown Infrastructure Partnerships.

34. The GPS 2018 is ready for release and as currently prepared, includes sufficient allocation for the NLTF share of the original ATAP funding gap. However, as noted above, between $2.8 to $4 billion of the original funding gap lies with Auckland Council.

35. We previously advised that beyond Auckland Council increasing its budget, the NLTF would present the next best option for additional funding. This would allow for a more rational allocation of funding against the Government’s land transport objectives.

36. A Crown appropriation potentially provides the opportunity for greater flexibility and control in how the Government could structure its funding, including specific conditions it could attach (e.g. specific projects). An NLTF solution would link more closely with the outcomes set out in the GPS.

Nationally significant urban corridors proposal

37. At your request, the NZTA has developed a framework to assess projects that the NLTF could fully fund as nationally significant urban corridors. This framework has identified Mill Road ($1 billion), AMETI ($650 million) and the Northwestern Busway ($850 million) as potential candidates from a list of 4 projects proposed by Auckland Transport. Penlink ($240 million) was the remaining project that did not satisfy the criteria. All four projects are in the revised first decade funding gap.

38. If the Government were to apply this approach, we would recommend a more robust framework be developed that can be applied not just in Auckland but nationally to assess future requests for full funding, and possibly operation, of local corridors, consistent with the NZTA’s existing investment assessment framework.
39. A key risk is the potential for future requests to be approved where the benefits are limited, for example mass transit to the airport where the volumes do not appear sufficient at this stage to justify a significant investment.

40. The Minister of Transport has been provided separate advice on how the approach above could be accommodated in the GPS, noting that the additional funding pressure on the NLTFR could be alleviated through either:

40.1. reprioritisation of expenditure in other areas (e.g. safety) or regions; and/or

40.2. increases in petrol excise duty and road user charges.

Recommendations

41. We recommend that you:

(a) note that the A TAP agencies have identified a revised first decade funding gap of $5.9 billion (an increase of $1.9 billion to ATAP’s original estimate), of which $1.3 billion (an increase of $900 million) falls in the first three years from 2018-2021

(b) [Redacted] withheld under section 9(2)(g)(i)

(c) note that we expect the Mayor will want to discuss the revised funding gap with you immediately

(d) indicate, for the purpose of discussion with the Mayor, whether you wish to receive further advice on:

i. using the National Land Transport Fund to increase funding for Auckland

   
   Yes/No   Yes/No
   
   Minister of Finance   Minister of Transport

ii. options for Crown funding for Auckland through Budget 2018

   
   Yes/No   Yes/No
   
   Minister of Finance   Minister of Transport

Martin Glynn
Director Auckland
Ministry of Transport

David Taylor
Manager, National Infrastructure Unit
The Treasury

MINISTERS’ SIGNATURES:

Steven Joyce
Minister of Finance

Hon Simon Bridges
Minister of Transport

DATE:   DATE:
ADDRESSING THE REVISED AUCKLAND TRANSPORT ALIGNMENT PROJECT FUNDING GAP

Reason for this briefing
We have provided you with a Cabinet paper setting out the revised Auckland Transport Alignment Project (ATAP) funding gap. You have also asked for further information around some options that could address the funding gap to support discussions with Cabinet and the Mayor of Auckland.

Action required
Consider this briefing.

Deadline
10am, Monday 14 August 2017

Reason for deadline
Cabinet is meeting at this time.

Contact for telephone discussion (if required)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Telephone</th>
<th>First contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Martin Glynn</td>
<td>Director Auckland</td>
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<tr>
<td>Sam Ponniah</td>
<td>Senior Advisor</td>
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MINISTER’S COMMENTS: withheld under section 9(2)(a)

Date: 11 August 2017

Attention: Hon Simon Bridges (Minister of Transport)

Security level: In-Confidence

Minister of Transport’s office actions
☐ Noted
☐ Seen
☐ Approved
☐ Needs change
☐ Referred to
☐ Withdrawn
☐ Not seen by Minister
☐ Overtaken by events
Purpose of report

1. This report provides you with information you have requested on some options that could address the funding gap. It builds on the draft Cabinet paper we provided to you on Thursday 10 August 2017 summarising the revised Auckland Transport Alignment Project (ATAP) funding gap.

You have asked for further information following receipt of the revised ATAP funding gap

2. The ATAP agencies provided you with a report on 4 August 2017 updating the ATAP first decade indicative package, in light of recently revised population growth forecasts. The report identified a revised first decade funding gap of $5.9 billion (an increase of $1.9 billion from ATAP’s original estimate). We advised you that most of this gap still lay with the Council under current funding arrangements.

3. After receiving the report, you asked for a paper to take to Cabinet on Monday 14 August 2017 noting its findings.

4. You also asked us to provide information on the following options to address the gap:

4.1. whether and how the draft 2018 Government Policy Statement on Land Transport (GPS) could provide for the National Land Transport Fund (NLTF) share of the revised ATAP funding gap along with other national priorities, and whether this would require increases to Fuel Excise Duty (FED) and Road User Charges (RUC).

4.2. what potential Auckland Council transport funding could be freed up and what projects it might choose to fund if the Government were to meet the full costs of Mill Road, the Northwestern Busway and a 75% share of the cost of the Auckland Manukau Eastern Transport Initiative (AMETI). (In July 2017, the New Zealand Transport Agency (NZTA) provided you with a proposed approach for how the NLTF could be used to fund these projects).

4.3. Auckland Council’s revenue options and what it could make available towards the funding gap.

Providing for the NLTF (Government) share of the revised ATAP funding gap

5. We have previously advised you that under the original $4 billion funding gap, around $2.8 - $4 billion of this amount lies with Auckland Council. The GPS as it is currently drafted provides for the Government’s share assuming all of the gap lies with Council.

6. Between $3.8 - $4.9 billion of the revised $5.9 billion funding gap lies with Auckland Council leaving $1 - $2.1 billion for the Government to provide.

7. This range reflects the fact that not all projects in ATAP’s indicative 10-year package are eligible for NLTF funding under current arrangements and some projects and activities may be low value. ATAP’s focus was on strategic investments but to develop the funding gap ATAP needed to include a very large number of small investments without scrutinising them.

8. To provide $1 - $2.1 billion additional NLTF funding toward the funding gap over the next 10 years would require a FED and RUC rate increases of between 3 - 4 cents per litre (in addition to the proposed CPI increases over the first three years). This would generate between $1.5 - $2 billion over 10 years.
9. Re-prioritisation of Auckland and other national GPS priorities could reduce the possible revenue increase.

Increased Government funding for selected projects

10. The costs and current funding assumptions for Mill Road, the Northwestern Busway and AMETI are shown in Table 1 below (based on the current financial assistance rate available for Auckland projects of 51%). The table also sets out the impact of an increased Government contribution to these projects consistent with your request.

<table>
<thead>
<tr>
<th>Project</th>
<th>Decade 1 cost ($m)</th>
<th>Assumed funding shares ($m)</th>
<th>NLTTF funding (%)</th>
<th>Auckland Council funding (%)</th>
<th>NLTTF funding (51%)</th>
<th>Auckland Council funding (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mill Road</td>
<td>955</td>
<td>487 (51%)</td>
<td>468 (49%)</td>
<td>955 (100%)</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>Northwestern busway</td>
<td>835</td>
<td>426 (51%)</td>
<td>409 (49%)</td>
<td>835 (100%)</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>AMETI</td>
<td>555</td>
<td>283 (51%)</td>
<td>272 (49%)</td>
<td>416 (75%)</td>
<td>139 (25%)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,345</td>
<td>1,196</td>
<td>1,185</td>
<td>2,206</td>
<td>139</td>
<td></td>
</tr>
</tbody>
</table>

11. The Government could provide funding for these projects through a Crown loan or grant. A loan would allow the Crown to bring forward these projects from when the NZTA is currently planning to do, and could be fiscally neutral if it is repaid within 10 years. A grant would potentially recognise the wider economic benefits these projects could provide for Auckland and New Zealand.

12. Funding these projects through the NLTTF would require FED and RUC increases of between 2 and 3 cents per litre.

13. The projects identified above are ATAP priorities for the first decade and have the potential to contribute significantly to congestion and access outcomes. As previously advised, our main concerns with funding these additional projects within the NLTTF are that it would set a precedent for further requests without providing a systematic and robust basis for selecting corridors/projects that could justify greater NLTTF funding.

14. The net impact of increasing the Government contribution to the above projects would be to reduce Auckland Council’s share of the funding gap by around $1 billion.

15. If Auckland Council were to reallocate this funding to transport priorities, in our view it is likely to favour light rail to the airport given its strong focus on public transport and the Mayor of Auckland (the Mayor’s) commitment to light rail.

Increased Auckland Council funding

16. We have attached information on Auckland Council’s potential options to increase its funding.

17. Based on the attached information, a very rough estimate of what Auckland Council could make available from its existing sources over the first decade, including the additional debt it could leverage, is between $700 million to $2.6 billion.
Table 2 – Possible increases in Auckland Council revenue (including debt) over the first decade

<table>
<thead>
<tr>
<th>Source</th>
<th>Description</th>
<th>Lower ($m)</th>
<th>Upper ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rates</td>
<td>Increase rates by an additional 1 to 3% per annum from current planned 2.5%</td>
<td>530</td>
<td>1,600</td>
</tr>
<tr>
<td></td>
<td>increases per annum</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim transport</td>
<td>Extend it by between 1 to 3 years</td>
<td>210</td>
<td>630</td>
</tr>
<tr>
<td>Levy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td>Increase revenue by up to 30% through more active pursuit of development</td>
<td>0</td>
<td>400</td>
</tr>
<tr>
<td>Contributions</td>
<td>contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset sales</td>
<td>We have not included an estimate of the likely impact as this would be subject</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>to political appetite and decisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>740</td>
<td>2,630</td>
</tr>
</tbody>
</table>

18. The higher end of the range and beyond would require more challenging longer-term political decisions from the Council (e.g. general rates increases, more targeted rates, sale or part-sale of Watercare and/or other assets).

19. The table illustrates the size of the task for Auckland Council as making greater use of its existing funding sources, providing Councillors agree, would not be sufficient to cover Council’s $3.8 billion to $4.9 billion share of the funding gap.

Next steps

20. As you are aware, Auckland Council will be developing its revenue and expenditure policy between August and November 2017 to inform the Long Term Plan (LTP) proposal the Mayor will put to the wider Council at the end of November 2017. The Council is expected to release the draft LTP for public consultation in December 2017. The Council’s Governing Body will make final decisions on the LTP in late May following public consultation in early 2017. The final LTP will be released on June 2018.

21. The LTP is required to present a balanced budget over the ten year period. The Office of the Auditor General requires Council to show firm and committed revenue sources to match proposed expenditure. This is underpinning the Mayor’s request for a letter or a commitment from the Government in writing to these revenue sources, ideally from his perspective, a commitment to new revenue sources.

22. Providing a Government commitment in September would provide early funding certainty for Auckland Council and Auckland Transport. However, if the Government were to make a commitment closer to November 2017, Auckland Council would still be able to reflect this in its consultation process. There will be greater difficulties with making a commitment once the LTP is out for consultation, albeit not insurmountable.

23. The Government may wish to consider providing a signal to the Mayor of the its funding commitment at a high level but make this contingent on certain conditions including Auckland Council providing a significant share of the funding gap. This approach could provide the Mayor with significant leverage and incentives to take back to Councillors to make difficult decisions around rating policy and other revenue levers to ensure Council is able to make its share of the funding gap available.

24. Alternatively, the Government may wish to encourage Auckland Council to focus on maximising the amount it can commit towards the funding gap before deciding what its funding commitment will be.
Recommendations

25. The recommendations are that you:

(a) **note** that to raise additional revenue over that proposed in the draft 2018 Government Policy Statement on Land Transport, Fuel Excise Duty and Road User Charges will need to be increased by:
   - 3 cents per litre to raise $1.5 billion over 10 years
   - 4 cents per litre to raise $2 billion over 10 years.

(b) **note** that if the Government were to fully fund Mill Road, the Northwestern Busway and the Auckland Manukau Eastern Transport Initiative, this would free up around $1 billion for Auckland Council and it is likely to prioritise it on mass transit to the airport.

(c) **share** a copy of this briefing with the Minister of Finance

Yes/No

Sam Ponniah
Senior Adviser
Ministry of Transport

Martin Glynn
Director Auckland
Ministry of Transport

MINISTER’S SIGNATURE:

DATE:
# Appendix – Auckland Council revenue levers

<table>
<thead>
<tr>
<th>Lever</th>
<th>Description</th>
<th>Likely contribution</th>
<th>Challenges</th>
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<tbody>
<tr>
<td><strong>Revenue options</strong></td>
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<tr>
<td>General rates</td>
<td>Primary revenue lever for Auckland Council, collected from Auckland households and businesses</td>
<td>1 per cent increase generates up to $53 million per annum (around $15 million revenue and $38 million debt)</td>
<td>Overall general rates increases of more than 3-5% per annum are likely to be difficult for Auckland Council to sustain politically</td>
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<td>Interim transport levy</td>
<td>Targeted rate implemented in 2015 to fund transport investment in Auckland</td>
<td>Currently raises $60 million per annum which could leverage around $150 million in debt</td>
<td>Seen by Councillors as a transport levy which expires in July 2018 pending new funding tools</td>
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<td>Targeted rates</td>
<td>Rates targeted for funding activities where the activity mainly benefits a specific group of ratepayers</td>
<td>Growth infrastructure targeted rate amount yet to be determined</td>
<td>New and underutilised funding tool for Auckland Council</td>
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<td>Auckland Council has recently introduced growth infrastructure targeted rates to levy those who benefit from growth infrastructure (through increases in adjacent land values)</td>
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<td>Development contributions</td>
<td>Levies for developers linked to bulk infrastructure costs</td>
<td>$130 million per annum ($30,000 on average per dwelling in existing urban areas and $45,000 in Greenfield areas)</td>
<td>Ongoing pressure to keep charges low to keep housing costs down</td>
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| Asset sales                | Sale of Auckland Council holding in commercial assets and also takes debt off Council’s books | Ports of Auckland - $1 billion, 100%-owned, dividend of $42 million
Auckland Airport – $1.7 billion, 22%-owned, dividend of $42 million
Watercare – total assets valued at $8.8 billion, revenue neutral | Loss of revenue stream
Watercare provides the greatest potential but also requires a substantial amount of work, including legislative change |

| Debt options                |                                                                              |                                                                                      |                                                                                                |
| Debt capacity post 2023     | Once the City Rail Link is complete, this would create significant headroom in the latter part of the first decade, increasing further in the second and third decades | Around $500 million made available following completion of CRL in 2024 and growing thereafter | There are additional costs associated with debt that will partly offset additional debt capacity |
| Crown Infrastructure Partnerships (CIP) | Crown company that frontloads investment (and risk) into greenfields areas and seeks to reclaim this in outyears through development contributions and targeted rates | Still being worked through | Implementation being worked through, including ability for company to levy rates and development contributions |