

Ministry of Transport: Aide Memoire

To: Hon Phil Twyford

From: ██████████ Withheld to protect privacy of individuals

Date: 18 December 2018

Subject: Advice on the Governance Group's revised Let's Get Wellington Moving proposal

OC Number: OC181225

Purpose of this aide memoire

1. The Let's Get Wellington Moving (LGWM) Governance Group has prepared a revised proposal to present to you at your meeting with the Governance Group on 19 December.

Your preferred approach

2. You met with the LGWM Governance Group on 4 December 2018 and presented your preferred approach to the first phase of LGWM. This approach is outlined in Table 1 below.

Table 1 – preferred option (first phase) with proposed central/local government funding split¹

Programme element	Capex \$m	Local share (\$m)	Central share (\$m)
<i>Projects to be funded under current FAR (51%)</i>			
A Walkable city	84	41	43
Connected cycleways	36	18	18
Public transport (City and North)	324	159	165
Smarter transport network	36	18	18
Smarter pricing	36	18	18
<i>Projects to be funded 100% by central government</i>			
Rapid transit Railway Station – Newtown	1,188	0	1,188
<i>Projects to be funded 100 percent by local government</i>			

¹ The figures in these tables do not account for inflation or financing costs.

Unblocking the Basin Reserve	156	156	0
Second Mount Victoria Tunnel and four laning at Ruihine Street	577	577	0
Total	2,436	987	1,450

3. The funding split between central and local government works out at around 60 percent and 40 percent respectively.
4. You indicated that the Wellington region will receive no more than its 'population share' (10 percent) of the National Land Transport Fund over the next thirty years. Table 2 below shows that there would be a \$1.2 billion shortfall in the Wellington region's population share at the end of thirty years. This assumes that the rapid transit component of the package will be debt funded, and the other projects funded on a PayGo basis.

Table 2 – 10 percent 'population share'

Funding approach	Decade 1	Decade 2	Decade 3	Total (\$m)
Fully PayGo	-670	-746	686	-730
Rapid transit debt-financed, others PayGo	-66	-990	-195	-1251
Fully debt funded	107	-1194	-350	-1437

Local government has a number of concerns with your preferred approach

5. Officers from Wellington City Council (WCC) and Greater Wellington Regional Council (GWRC) have highlighted the following concerns with your preferred approach:
 - there is a \$1.2 billion shortfall at the end of thirty years which means there is no NLTF revenue available to contribute to the second phase of LGWM
 - modelling of local funding streams indicates that there will not be sufficient revenue for local government to fund their share of the first phase, and there will not be sufficient revenue available to commit to the second phase
 - they are not comfortable funding the entire cost of state highway projects, which are usually funded, owned and operated by the New Zealand Transport Agency (NZTA)
 - their preference is that both sections of light rail are included in the first phase
 - their preference is that there will be commitment to the entire LGWM programme, including the second phase, and that this should be a core component of any public announcement.

Revised proposal

6. The revised proposal that the Governance Group plans to discuss with you is detailed in Table 3 below. The components that have changed are highlighted in blue. The key changes are:

- some Wellington regional projects have been reprioritized to reduce the amount of funding assumed for other regional projects
- the local commitment has been increased to support up to \$1.5 billion of capital expenditure for the entire programme – this will require the previously assumed cordon charge, a 10 percent targeted rate in the mass transit and Te Aro areas and a 1 percent per annum general rates increase (for 13 years, rather than the originally proposed 10 years)
- commitment to a 30 year programme (including phase two):
 - complete mass transit to the airport as part as the first phase (phase one is assumed to take around 18 years to complete)
 - down-scale the state highway projects in Te Aro and the Terrace Tunnel/Ngauranga – Aotea with a nominal capital envelope of \$800 million – the proposal is that the funding for this will be split 50/50 between central and local government
- adjustments to the funding shares to highlight the central/local government partnership approach.

Table 3 – Governance Group proposal

Programme element	Capex \$m	Local share (\$m)	Central share (\$m)
<i>Projects to be funded under current FAR (51%)</i>			
A Walkable city	84	41	43
Early improvements	36	18	18
Connected cycleways	36	18	18
Public transport (City and North)	324	159	165
Smarter transport network	36	18	18
Smarter pricing	36	18	18
<i>Projects to be funded with an alternative FAR</i>			
Rapid transit Railway Station – Newtown, and Newtown to Airport	1,728	432 (25%)	1,296 (75%)
Unblocking the Basin Reserve	156	78 (50%)	78 (50%)
Second Mount Victoria Tunnel and four laning at Ruihine Street	577	289 (50%)	289 (50%)
Total	3,013	1,075	1,935

Ministry comment on the above proposal

7. Under this proposal, the funding split between central and local government for the first phase is around 64 percent and 36 percent. If the second phase is included, the funding split for the whole project is 61 percent and 39 percent between central

and local government. For the first phase, this is greater than the proportion of NLTF funding that was proposed for LGWM in your preferred approach.

8. Our view is that the second phase could potentially be signaled as part of a long term plan, but a funding commitment should not be made at this stage. We also consider that the mass transit component should be split into phases to minimize exposure to cost escalation and demand side risks.

9. [REDACTED]

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10. You should also be aware that, aside from increases in vehicle kilometres travelled, any increase in NLTF revenue will be through raising the rates of NLTF revenue streams such as petrol excise duty and road user charges.

11. We have also been unable to clarify what is involved in “early improvements”.

12. The proposal is to scale down the Te Aro and the Terrace Tunnel/Ngauranga – Aotea projects by \$1 billion. This is a significant cost reduction and we have not seen any supporting evidence or assumptions around this. We would need to engage with GWRC and WCC to better understand the approach to scaling back this component to be able to provide you with clear advice.

13. If both phases go ahead, this will commit the NLTF and local government to repaying debt for LGWM for 50 years. The financial modelling shows that there is very little leeway in the Wellington region’s ‘population share’ of the NLTF and local government’s assumed revenue. This presents a large risk if costs escalate. Central government would likely be asked to pay for additional costs if local government is not able to.

14. It is also important to note that the inclusion of any of the LGWM projects in the National Land Transport Programme is subject to approval by the NZTA Board.

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