

Ministry of Transport: Aide Memoire

To: Hon Phil Twyford

From: [REDACTED] Withheld to protect privacy of individuals

Date: 5 March 2019

Subject: Request for advice on Let's Get Wellington Moving

OC Number: OC190204

Purpose of this aide memoire

1. You requested advice on a revised package for Let's Get Wellington Moving (LGWM). You asked for the package to be based on the following assumptions:
 - the Wellington region receives 11 percent of National Land Transport Fund (NLTF) Revenue
 - the costs of the package are split 60/40 between central and local government
 - the package is funded over 30 years
 - allowance is made for some other regional projects including Melling interchange improvements, Petone to Grenada link road and Otaki to Levin.
2. You indicated that the priorities for the LGWM package are:
 - light rail to Newtown
 - light rail to the Airport
 - unblocking the Basin Reserve
 - a second Mount Victoria tunnel and four laning at Ruahine Street.
3. As per your request, we have modelled two scenarios:
 - A. a package that includes all four priorities and makes allowance for other regional projects including Melling, Petone to Grenada and Otaki to Levin
 - B. a package as above, but without the inclusion of light rail to the Airport.
4. Both scenarios will need to include the operating cost component of \$27 million per year for the public transport improvements (City and North). This is because operating costs required to manage the public transport network are included in the public transport (City and North) component in the financial model. These public transport operating costs are considered essential for the following reasons:

- the current public transport network is expected to reach capacity by 2023, even without LGWM
- public transport demand will further increase because construction of light rail requires mode shift to remove traffic from the road and light rail removes road corridor space
- the commuter rail projects that are currently underway will require additional operating expenditure.

Cost of other transport projects in the Wellington region

- The indicative cost¹ of the other transport projects for the Wellington region that you have highlighted are as follows:
 - Melling interchange improvements - \$120 - \$175 million
 - Petone to Grenada link road - \$600 million - \$1 billion
 - Otaki to Levin - \$750 million (not including rail improvements) - \$1.2 billion (including rail improvements).
- The costs above do not include operating costs and assume that the projects will be funded on a PayGo basis. Financing will add additional costs.
- When modelling scenarios A and B, we have made allowance for \$25 million per year of NLTF investment in the Wellington region on top of what will be required to deliver these projects. This will provide some revenue for the associated operating costs for the above three projects, and very minor safety or other improvements.

Scenario A

- Table 1 shows the projects that would be funded in the Wellington region under Scenario A.

Table 1 – Scenario A²

Projects	Capex (\$m)	Central government share		Local government share	
		\$m	%	\$m	%
Light rail: Railway Station – Newtown	1,188	760.3	64	427.7	36
Light rail: Newtown – Airport	540	345.6	64	194.4	36
Unblocking the Basin Reserve	156	79.6	51	76.4	49
Second Mount Victoria Tunnel and four laning at Ruahine Street	577	293.8	51	282.2	49
Total	2,460	1479.0	60	981.0	40

¹ These are the costs that were signalled in the state highway re-evaluation paper that went to the New Zealand Transport Agency Board.

² All costs in this table are uninflated and do not include operating expenditure.

<i>Non-LGWM projects³</i>					
Melling interchange improvements	120 – 175	120 – 175	100	0	0
Petone to Grenada link road	600 – 1,000	600 – 1,000	100	0	0
Otaki to Levin	750 – 1,200	750 – 1,200	100	0	0
Allowance	500 ⁴	500	100	0 ⁵	0
Total excluding LGWM	1,970 – 2,875	1,970 – 2,875	100	0	0
Total including LGWM	4,430 – 5,335	3,449 – 4,354	N/A	981	N/A

9. Scenario A has an NLTF shortfall between \$1.19 billion and \$2.53 billion at the end of 30 years.

Scenario B

10. Table 2 shows the projects that would be funded in the Wellington region under Scenario B.

Table 2 – Scenario B⁶

Projects	Capex (\$m)	Central government share		Local government share	
		\$m	%	\$m	%
Light rail: Railway Station – Newtown	1,188	760.3	64	427.7	36
Unblocking the Basin Reserve	156	79.6	51	76.4	49
Second Mount Victoria Tunnel and four laning at Ruahine Street	577	293.8	51	282.2	49
Total	1,920	1,133.4	60	786.6	40
<i>Non-LGWM projects</i>					

³ The financial modelling assumes expenditure on these projects will occur in the second and third decades as there is no room in the first decade.

⁴ Assumes \$25 million per year for 20 years.

⁵ As the projects have not yet be defined, we cannot say what the local share is. It depends on the funding assistance rate of the projects that are funded.

⁶ All costs in this table are uninflated and do not include operating expenditure.

Melling interchange improvements	120 – 175	120 – 175	100	0	0
Petone to Grenada link road	600 – 1,000	600 – 1,000	100	0	0
Otaki to Levin	750 – 1,200	750 – 1,200	100	0	0
Allowance	500	500	100	0	0
Total excluding LGWM	1,970 – 2,875	1,970 – 2,875	100	0	0
Total including LGWM	3,890 – 4,795	3,103.4 – 4,008.4	N/A	786.6	N/A

11. Scenario B has an NLTF shortfall between \$623 million and \$1.96 billion at the end of 30 years.

Options to deliver the package

12. There is a funding shortfall under both scenarios A and B. You have a number of options available to you to address the shortfall, including:
- increase NLTF revenue over the funding period
 - seek Crown funding
 - reduce the size of the package
 - ask for local government to contribute a greater proportion of funding.

Removing the base package has implications for the LGWM programme

13. The 'base package' for LGWM consists of the following projects:
- a walkable city
 - connected cycleways
 - public transport (City and North)
 - smarter transport network
 - smarter pricing
 - unblocking the Basin Reserve.
14. The LGWM package should be an integrated programme, and it is likely to be detrimental to the project to remove certain projects without understanding the implications for the wider programme objectives.

15. The public transport component (City and North) is a good example of the integrated nature of the wider LGWM programme. To deliver light rail between the Railway Station and Newtown, and Newtown and the Airport requires some significant interventions within the central city and on other parts of the public transport network.
16. In particular, accommodating light rail through the city centre will necessitate the development of a second 'spine' route, enabling the light rail and remaining bus services to use both the Golden Mile and waterfront routes. The LGWM programme has assumed that light rail would use a second spine route along the waterfront, and that remaining bus services would continue to use the Golden Mile route.
17. The waterfront route would require existing road space along the waterfront quays to be reallocated from general traffic, and this in turn requires an increase in the public transport offering from other parts of the region (especially from the North) to take up the demand from this diversion, and future demand growth. This means that improved public transport along the lines that we have specified in the programme is a very important pre-requisite to light rail, and is seen as a core element of the LGWM programme.
18. Similarly, the other components of the base package are all necessary to provide additional travel choices into and within the city centre, and to enable the network changes that will be needed for light rail.

Committing 11 percent of NLTF revenue has implications for GPS 2021

19. You should consider LGWM alongside your other priorities, as the Wellington Region receiving 11 percent of NLTF revenue could diminish the ability for the NLTF to pay for projects outside of Wellington and Auckland. This is important to consider in light of the Government Policy Statement on land transport (GPS) 2021.
20. We will provide you with further advice on the future demands on the NLTF by the end of the month.

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