

Proposed work programme for Let's Get Wellington Moving

Reason for this briefing	This briefing responds to a request from the Minister of Transport for officials to develop a six week work programme for Let's Get Wellington Moving (LGWM). It outlines the Ministry of Transport and the Treasury's proposed work programme and next steps regarding LGWM.
Action required	Note the proposed work programme.
Deadline	NA
Reason for deadline	NA

Contact for telephone discussion (if required)

Name	Position	Telephone	First contact
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MINISTER'S COMMENTS:

Withheld to protect the privacy of individuals

Date:	24 October 2018	Briefing number:	OC180918
Attention:	Hon Grant Robertson (Minister of Finance) Hon Phil Twyford (Minister of Transport)	Security level:	In-confidence

Minister of Transport's office actions

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| <input type="checkbox"/> <i>Noted</i> | <input type="checkbox"/> <i>Seen</i> | <input type="checkbox"/> <i>Approved</i> |
| <input type="checkbox"/> <i>Needs change</i> | <input type="checkbox"/> <i>Referred to</i> | |
| <input type="checkbox"/> <i>Withdrawn</i> | <input type="checkbox"/> <i>Not seen by Minister</i> | <input type="checkbox"/> <i>Overtaken by events</i> |

Purpose of briefing

1. This briefing outlines the work that officials at the Ministry of Transport (the Ministry) and the Treasury will undertake to respond to the Minister of Transport's request for further advice on the LGWM programme and funding arrangements.

Background

2. LGWM is a joint project being undertaken by the New Zealand Transport Agency (NZTA), Wellington City Council (WCC) and Greater Wellington Regional Council (GWRC).
3. The Governance Group is the primary decision making body for the project and will need to support the package and the funding approach before any central government commitment to support the project is made. The Governance Group is made up of officials from NZTA, Councillors from WCC and GWRC, Wellington Mayor Justin Lester and Upper Hutt Mayor Wayne Guppy.
4. The Minister of Transport met with the LGWM Governance Group on 8 October 2018. At this meeting the Minister of Transport stated that more work needed to be done on the LGWM package and proposed funding arrangements before a public announcement on the LGWM vision can be made. He expects that such an announcement can be made in February 2019, rather than before Christmas 2018, which was what was originally expected by the Governance Group.
5. The Minister of Transport also indicated that he would like the LGWM partners to consider splitting the package into two phases, and that more work needs to be done around identifying viable funding sources for the local share. Especially since he has stated that Wellington will not to receive approval to implement a regional fuel tax.
6. After the meeting, the Minister of Transport also requested that the Treasury undertake further work on LGWM, particularly in regard to:
 - 6.1. reviewing the proposed funding and financing arrangements
 - 6.2. assessing the strengths and weaknesses of using a special purpose vehicle (SPV) to deliver the LGWM package
7. These points are addressed further in this briefing.

The Ministry and Treasury's role is to advise the Government on LGWM

8. The Ministry and the Treasury are supporting the project to provide advice on funding and financing the LGWM package. After receiving advice from the Ministry, the Minister of Transport requested that the Ministry and Treasury be involved in the project to assist the LGWM partners in working through a number of questions around funding and financing.
9. The Ministry and the Treasury's interest in LGWM is:
 - to ensure that the business case is robust
 - to provide assurance that the funding and financing proposal is robust
 - to provide confidence that the local government funding tools are feasible and sustainable
 - to maintain the integrity of the National Land Transport Fund (NLTF)

- to assess any request from the LGWM project for additional Crown financial support.

We have developed a work programme with three key focus areas

10. We propose that the following should be the key focus areas for the Ministry and Treasury work programme:
 - 10.1. *Workstream 1:* determining the funding share between central and local government for the first phase, including confirming the ability of the NLTF to fund the central government share
 - 10.2. *Workstream 2:* assessing viable revenue options to fund the local share
 - 10.3. *Workstream 3:* assessing the strengths and weaknesses of using a SPV to deliver the LGWM package.
11. We consider that the proposed work programme will address points 6.1 and 6.2 above.
12. Further comment on each of the workstreams is outlined below.

Workstream 1: the respective funding share for central and local government needs to be determined

13. As part of the work programme, the Ministry and Treasury will work with the LGWM partners to investigate how to share the costs of the package between central and local government. This process will determine the most appropriate funding split, including the appropriateness of current assumptions around a population based percentage of the NLTF being committed to the project and the proposed 1/3:2/3 funding split.

There needs to be assurance that the NLTF can fund the central government share

14. Once the NLTF share of the cost is determined, the next stage is to ensure that there is capacity within the NLTF.
15. There are already a number of long-term commitments against the NLTF (e.g. Transmission Gully and Puhoi to Wellsford), with further commitments for Auckland light rail and transitional rail likely. We will work with NZTA to understand its commitments under the NLTF and the likelihood of the LGWM projects being funded. We will advise you of the outcome of this, and alternative options if necessary.

Workstream 2: Local government needs viable funding streams that will meet its share of LGWM costs

16. WCC and GWRC have indicated that they are committed to funding their share of the LGWM package. However, we have some concerns about the revenue generation ability of the proposed local government funding streams, and the impact of these proposed funding streams on households.
17. One of the main sources of revenue proposed by local government was a regional fuel tax. The Minister of Transport has announced that Wellington will not receive approval to implement a regional fuel tax.
18. The Ministry and Treasury will work with the LGWM project partners to test the funding streams they have identified. We will be able to provide you with advice on their ability to generate sufficient revenue over the entire funding period to cover the local share of LGWM.

Next steps

29. We will provide you both with a joint briefing by 30 November that outlines our findings from the work described above.

Recommendations

30. The recommendation is that you:
- (a) **note** the proposed work programme

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