Office of the Minister of Transport

Chair
Cabinet Economic Development Committee

LET'S GET WELLINGTON MOVING

Proposal

1. This paper seeks:

    1.1. endorsement of the Let's Get Wellington Moving (LGWM) indicative package

    1.2. agreement for the Minister of Transport to publicly announce the LGWM indicative package.

What is LGWM?

2. Let's Get Wellington Moving is an integrated, long-term transport plan for the Wellington region. Its aim is to future-proof the city's transport network to get ahead of growing demand.

3. The LGWM indicative package represents a step change for transport in Wellington which will deliver intergenerational benefits. It will help drive the development of Wellington, through long-overdue investment in transport infrastructure. This will meet the Government's commitments to addressing urban performance in cities, including integration of land and transport planning, and reducing dependency on private car travel by changing transport patterns.

4. LGWM is a joint initiative between the New Zealand Transport Agency (NZ Transport Agency), Wellington City Council (WCC), and Greater Wellington Regional Council (GWRC), to deliver a visionary transport system for Wellington.

5. LGWM is targeted to Wellington city. However, the proposal outlined in this paper makes allowance for additional investment throughout the entire Wellington region over the next 30 years.

6. LGWM is a city partnership model which reflects that the Government's ambition for Wellington cannot be funded through a business-as-usual approach to transport investment. An innovative mix of central government funding, local government funding and longer-term financing options is required.

Why does Wellington need this project?

7. Our capital city is a great place to live, work and visit.

8. However, the current Wellington transport network is having an increasingly adverse impact on the city and the region. The key aim of LGWM is to maintain and develop Wellington's liveability, economic growth and productivity by reducing reliance on private vehicles and developing a multi-modal transport approach.

9. In 2015, the NZTA announced that it would not proceed with the Basin bridge to the north of the Basin Reserve after the High Court upheld a Board of Inquiry decision to reject its Resource Consent. The project was part of a $2.6 billion package of roading projects for the Wellington region, announced in 2009, known as the Wellington Northern Corridor. Transmission Gully and the Kapiti Expressway were other components of the package, designed to form a four-lane, 110km-long expressway between Wellington Airport and Levin.

10. Following this, and bearing in mind Wellington still needed long-term transport solutions, a multi-agency project team was created to ensure a much broader view considering all networks and all modes were considered.

11. The immediate scope of LGWM was from Ngauranga Gorge to Wellington International Airport, encompassing the Wellington Urban Motorway and connections to the central city, hospital and eastern and southern suburbs.

12. However, integration with the wider regional transport system is critical: not only in terms of co-ordinated transport investment (for example to support the increased daily regional movements in and out of the central city) but also because of the regional trade-offs for allocation of funding between LGWM and the remainder of the region's investment priorities. A number of regional projects, for example the Melling Interchange and Petone to Grenada, are also expected to be completed in this 30-year timeframe.

What are the challenges the Wellington region faces?

13. Wellington's unique geography, compact city, and small number of transport corridors means transport challenges are complex to solve. However, with the right mix of improvements, big gains can be made for Wellington's future. An important part of LGWM will be understanding and resolving the trade-offs that will need to be made between these objectives and other interests.

14. Wellington's challenges are contributing to:

    14.1. Housing pressures

    14.2. Northern growth pressures

    14.3. Traffic congestion

    14.4. Safety issues for walking and cycling

    14.5. Conflict on transport corridors

    14.6. Disruption from unplanned events.

15. Over the next 30 years it is projected that there will be between 22,000 and 31,000 more jobs in the Wellington CBD, and between 50,000 to 80,000 more people living in

Wellington City[1]. This means that the CBD's employment share will increase from around 39 percent to 42 percent.

16. By 2030, the number of passengers using Wellington Airport each year will more than double, from five million to over 10 million, at an average growth rate of 3.4 percent per year[2].

17. Wellington Regional Hospital serves the people of the central region. The central region includes Hawkes Bay, Mid Central, Whanganui, Wairarapa, Hutt Valley and Capital and Coast District Health Boards. In 2018, the central region population was 922,855. This represents 19 percent of the total New Zealand population and is projected to grow by 6 percent by 2030 to just under one million people (978,900).

18. Demand for acute and planned care services are expected to increase at a much greater rate than population growth, as the population ages. The impact of the growth in demand can be seen in emergency department attendances, which are forecast to increase 60 percent between 2016 and 2030, or more than 36,000 additional visits[3].

19. All of the above challenges mean more people travelling into, out of, and through central Wellington.

If we don't act now…

20. According to analysis completed by the LGWM project team, without further investment:

    20.1. The central city won't cope with more buses

    20.2. Trains and buses will become even more crowded, and the road network will become increasingly congested

    20.3. Travel times will become more unreliable no matter how you get around, freight and deliveries will become more inefficient

    20.4. There won't be enough transport capacity to cope with even medium growth projections

    20.5. Deaths and serious injuries will remain unacceptably high

    20.6. Walking and cycling will become less attractive

    20.7. The transport system will remain vulnerable to disruption – from small day-to-day incidents and large-scale events.

[1] Wellington regional forecast developed by territorial authorities https://forecast.idnz.co.nz/wellington

[2] Wellington International Airport Master Plan https://www.wellingtonairport.co.nz/business/investor-services/2030-masterplan/

[3] Capital and Coast DHB Health System Plan 2030 https://www.ccdhb.org.nz/news-publications/publications-and-consultation-documents/ccdhb-health-system-plan-2030.pdf

Comments selected from feedback received by LGWM

Public consultation

21. In November and December 2017, LGWM undertook public engagement on four potential scenarios for the future of Wellington's transport network. The public and stakeholders were asked to comment on a set of four future scenarios which presented different levels of transport investment in the Ngauranga to Airport area.

22. Responses were received from approximately 2,000 individuals and 50 organisations.

23. The following key themes were identified from the feedback:

    23.1. Support for better public transport – now and long-term

    23.2. Reduction of congestion is universally supported

23.3. A regional, integrated approach is required

23.4. Widespread support for active transport infrastructure and prioritisation

23.5. Opposition to infrastructure which increases car use

23.6. It is time to act, while being mindful of cost

23.7. Future change needs proactive consideration

23.8. Basin traffic flow issues need to be solved, but diverse views are held

23.9. Wellington region-specific solutions are required.

The LGWM indicative package represents a step change in transport for Wellington

24. The LGWM indicative package represents a step change for transport in Wellington which will deliver intergenerational benefits. It is expected to be delivered over 20 years and consists of a range of components that contribute to the LGWM objectives – public transport (including rapid transit), walking and cycling, and state highways (refer appendix 1 for a full list of the components in the LGWM indicative package).

25. LGWM is designed to reduce traffic congestion by integrating a high quality rapid transit and public transport network alongside the city's motorways and roads. LGWM will also drive mode-shift from single occupancy vehicles to public transport, walking and cycling through the provision of new high quality infrastructure and services.

26. The LGWM indicative package will enhance the liveability of Wellington's urban core by making streets more pedestrian and bicycle friendly, and boost urban intensification, including housing supply, particularly in the rapid transit corridor.

The LGWM indicative package

27. The indicative package consists of:

27.1. *A walkable city* - accessibility and amenity improvements, setting safer speeds for vehicles, and walking improvements.

27.2. *Connected cycleways* - cycleways on Featherston St, Thorndon Quay, Courtenay Place, Dixon St, Taranaki St, Willis St, Victoria St, Kent and Cambridge Terrace and Bowen St.

27.3. *Public transport (city and north)* - dual public transport spine through the central city on the Golden Mile and Waterfront Quays, rail network improvements and bus priority on Thorndon Quay and Hutt Road.

27.4. *Smarter transport network* - full integrated ticketing, transition to integrated transport network operating systems, travel demand management measures including Mobility as a Service, parking policy improvements and education and engagement.

27.5. *Rapid transit* - provide rapid transit as part of the wider public transport network from the railway station to Newtown, and Newtown to the airport.

27.6. Unblocking the Basin Reserve - package of minor at-grade changes to improve reliable access for all modes, for example lane reconfiguration and removal of on street parking, Basin Reserve grade separation between north-south movements, east-west movements and any rapid transit corridors.

27.7. *Mount Victoria Tunnel and widening at Ruahine Street* – construction of an extra Mount Victoria Tunnel and widening of Ruahine St and Wellington Road to improve access for buses and dedicated walking and cycling facilities. The extra Mt Victoria tunnel project is included in the package, and my expectation is that it will proceed late in the first decade once:

27.7.1. The earlier components including public transport, walking and cycling, and rapid transit have been delivered or are underway

27.7.2. A detailed business case for the project has been undertaken and updated demand modelling confirms that the projects will not undermine mode shift to public and active transport.

Funding

28. WCC and GWRC will contribute 40 percent of the costs of this indicative package, and the Government will contribute 60 percent. I intend for the Government's share to be funded from the National Land Transport Fund (NLTF) on a PayGo[4] basis over 20 years, with the exception of rapid transit, which I intend to be financed over 50 years. I will explore financing options in more detail and will report back to Cabinet with a proposal for this.

29. The share of central government funding for each project in the package may differ from the overall 60:40 split. For example, projects in this package that align closely with the results identified in the GPS may be eligible for a 'targeted enhanced (funding) rate' to accelerate their delivery. I do not expect that any of the state highway projects would receive more than 50 percent funding from central government.

[4] In the context of the NLTF, PayGo means that expenditure will be met by revenue, without the need for financing arrangements.

30. The estimated cost of the LGWM package can be summarised as follows:

	Central Government $m
Total LGWM capital costs over 50 years	2,200
Expenditure over 30 years	
LGWM capital – PayGo	800
LGWM capital – principal repayments on rapid transit borrowing[5]	900
LGWM interest on borrowing	900
LGWM opex	1,200
LGWM total over 30 years	**3,800**
2nd and 3rd decade non-LGWM projects (inflated)	4,400
Grand total over 30 years	**8,200**

31. As shown in the table above, over 30 years the Government share of the LGWM indicative package is estimated to be $3.8 billion, based on total capital expenditure of $2.2 billion. This amount allows for cost increases, inflation, operating costs and the cost of financing.

32. Government investment in the Wellington region will be $8.2 billion[6] when the $4.4 billion (inflated) allowance for other regional investment is included. This is outside of what is forecast for existing commitments.

33. Funding Assistance Rates (FAR) for individual projects and the commitment of NLTF revenue to service long-term financing arrangements will require the agreement of the NZ Transport Agency Board which is responsible for the prudent management of the NLTF.

34. The ability for Government to fund its share of the LGWM indicative package is based on the assumption of the Wellington region receiving 10.5 percent of NLTF revenue over 30 years. The basis for this allocation is that the Wellington region currently has 10.7 percent of New Zealand's population, although this is expected to drop slightly in the medium term.

[5] This forecast is of expenditure for the next 30 years, but rapid transit is proposed to be funded over 50 years. Approximately $500m of principal, with an estimated interest cost of $170m, remain to be repaid over years 30 to 50.

[6] This excludes what is forecast for existing commitments which includes debt repayments and costs related to servicing Wellington's existing transport network.

Risks

35. There is currently uncertainty around the costs and benefits of the LGWM indicative package, particularly as the package is at the programme business case stage and detailed business cases have not been completed (this is typically the case at the programme business case stage). As with all large projects undertaken by the Crown, there are a number of risks with making an announcement at this stage:

    35.1. Cost escalation could result in a deficit in Government funding. As the LGWM package moves from the programme design stage to detailed business cases, the costs will become more certain. Officials will work with the LGWM partners to advise on how best to manage any cost escalation.

    35.2. If petrol excise duty (PED) and road user charges (RUC) are not increased broadly in line with inflation over the next 30 years (as assumed in the NLTF projections), either the Wellington region will need to receive more than 10.5 percent of NLTF revenue for the LGWM indicative package to be fundable, or the components of the indicative package will need to be reviewed. NLTF revenue is monitored and reported on quarterly. The Ministry of Transport will use this reporting to advise on any actions, including increasing rates of PED and RUC if necessary, to respond to revenue trends.

    35.3. If central or local government are not able to provide their share of the LGWM indicative package, the scope of the package may need to be revisited. This is a risk given that public expectation will be heightened following any announcement but is often the case with transport projects. In any announcement relating to LGWM, I will be clear that there is still significant further work required completed to finalise the details of the LGWM package, and that some details could be subject to change.

    35.4. There is currently no prescriptive mechanism for allocating NLTF revenue regionally. How and where the NLTF is invested is determined by the NZ Transport Agency Board. Using population share to allocate NLTF revenue to the Wellington region risks creating a precedent for other regions.

    35.5. Allocating 10.5 percent of NLTF revenue to the Wellington region for the next 30 years could also force funding trade-offs for other regions and cities.

    35.6. The LGWM indicative package is heavily weighted to Wellington city, because this is the centre of forecast employment growth and trip demand in the region. The package has not yet been agreed across local government, and councils within the greater Wellington region will need to work through the long term trade-offs associated with significant investment in a targeted area of the region. I have worked closely with the WCC Mayor and GWRC Chair. Other Wellington City politicians and other regional Wellington mayors have indicated to me their support of

the package earlier in the process, however they have not been directly involved in the final discussions. There is a risk that other mayors and politicians within the Wellington region will not support the LGWM indicative package. I will seek their support prior to an announcement.

35.7. The LGWM indicative package does not include all of the components of the Recommended Programme of Investment[7] that was presented to me by the LGWM partners in mid-2018. Due to funding constraints for both central and local government, trade-offs needed to be made to achieve a fundable package.

The Urban Growth Agenda could play a role in supporting the development opportunities of LGWM

36. The Housing and Urban Development Authority (HUDA) could play a key role supporting the development opportunities of LGWM. Alongside managing public housing, HUDA will be responsible for delivering the Government's housing and urban development objectives through urban development projects, both large and small.

37. For large and complex urban development projects, called 'Specified Development Projects', HUDA will have access to a range of statutory powers that it can use to enable these developments at scale and pace. These include shortened planning and consenting processes, funding for infrastructure and development activities, building and changing infrastructure, bringing together parcels of land and reconfiguring reserves. These powers could be used to maximise the potential urban development benefits from the opportunities created by LGWM, for example facilitating quality intensification along the rapid transit corridor.

38. Any decision about HUDA's involvement in LGWM would need to be made in the context of the Governments other development priorities, the development potential of the proposal, and once the HUDA is established.

I intend to make an announcement on LGWM following your endorsement of the LGWM indicative package

39. The Wellington public and stakeholders have been waiting to find out what is proposed for LGWM. In fact, an announcement is overdue. I intend to announce the indicative package following your endorsement and after briefing regional Mayors.

40. I intend to send a letter to all Mayors in the Wellington region seeking their written support for the indicative package.

41. I will also write to the Chair of the NZ Transport Agency to seek feedback on the implications of the indicative package for long-term management of the NLTF given other competing requirements for land transport funding.

[7] The indicative package does not include investments on State Highway 1 through Te Aro, duplication of the Terrace Tunnel, and widening between Ngauranga and Aotea Quay.

Treasury comment

42. The Treasury does not support the Minister of Transport's recommendation that Cabinet endorse the indicative LGWM package. Making an announcement at this stage carries significant risks, as it will raise public expectations of future investment before the costs and benefits of the package are fully understood. The Minister's proposal also relies on several assumptions that have not been thoroughly tested, including exploring long-term financing to fund rapid transit. However, there has been no analysis of the policy implications of the long-term financing proposal. We therefore recommend that Cabinet merely note the package at this stage, and invite the Minister of Transport to report back to Cabinet with further information on the costs and benefits of the package, the fundability of the package (particularly in relation to the NLTF), and the implications of long-term financing.

Consultation

43. The NZ Transport Agency, the Treasury, the Department of Internal Affairs and the Ministry of Housing and Urban Development have been consulted on this paper. The Department of Prime Minister and Cabinet has been informed of this paper.

Financial implications

44. Endorsing the LGWM indicative package does not raise any immediate financial implications for baseline Crown funding. However, addressing the Government funding share will have financial implications for the NLTF.

45. The NLTF funding projections used for LGWM assume that PED and RUC will increase broadly with inflation over the 30 year funding period. If these increases do not occur, the components of the indicative package will need to be reviewed.

46. I will report back on financing options for rapid transit and implications for core Crown debt. If a Crown loan is required, this will be considered through future Budget processes.

Human rights, gender, disability and legislative implications

47. There are no human rights, gender, disability and legislative implications arising from this paper.

Regulatory Impact Analysis

48. The Regulatory Impact Analysis requirements do not apply to this paper as the decisions sought do not have implications for legislation.

Publicity

49. Following Cabinet agreement to this paper I intend to publicly announce the LGWM indicative package with the Mayor of Wellington and the GWRC Chair.

50. Following Cabinet agreement to this paper I intend to release it on the Ministry of Transport website.

Recommendations

51. I recommend that the Economic Development Committee:

1. **note** that Government officials and Wellington City Council (WCC) and Greater Wellington Regional Council (GWRC) officers have worked together through the Let's Get Wellington Moving (LGWM) project to agree an indicative package of transport investments for Wellington including major investments in:

    - rapid transit
    - walking and cycling
    - public transport
    - state highways

2. **note** that these investments will help drive the development of Wellington and meet the Government's commitments to address urban performance in cities and reduce car dependency

3. **note** that over 30 years, the Government share of the LGWM indicative package is estimated to be $3.8 billion, based on total capital expenditure of $2.2 billion, and allowing for cost increases, inflation, operating costs and the cost of financing

4. **note** that LGWM is a city partnership model so the total cost of the LGWM indicative package is intended to be split 60:40 between central government and local government to reflect the wider local benefits generated by the package

5. **note** that the proposal includes a $4.4 billion (inflated) allowance for other projects in the Wellington region in addition to LGWM, which means that the total indicative cost to the Government of funding transport initiatives in the Wellington region over the next 30 years is expected to be approximately $8.2 billion, which is approximately 10.5 percent of total NLTF revenue

6. **note** that I intend for the Government share of the LGWM indicative package to be funded from the National Land Transport Fund (NLTF) on a PayGo basis over 20 years, with the exception of rapid transit, which I intend to be financed and repaid over 50 years

7. **note** that NLTF funding projections used for LGWM assume that petrol excise duty (PED) and road user charges (RUC) will increase broadly with inflation over the 30 year funding period, and that if these increases do not occur, the components of the indicative package will need to be reviewed

8. **endorse** the LGWM indicative package, noting that:

   - detailed business cases that fully evaluate the benefits and the costs of the package have not been completed (this is typically the case at the programme business case stage)

   - the indicative package components all need to be approved by the NZ Transport Agency Board, and that approval is also dependent on future increases in revenue into the NLTF

   - the extra Mt Victoria tunnel would proceed late in the first decade subject to a detailed business case

   - while the WCC Mayor and GWRC Chair have been involved to date, and regional Mayors have been included in some discussions, the package still needs to be formally agreed across all the relevant councils, including confirmation that they are able to fund their share of the LGWM indicative package

   - I will report back to Cabinet with a financing proposal for the rapid transit component of the package.

9. **agree** that I will make an announcement on the LGWM indicative package with the Mayor of Wellington and the GWRC Chair.

Appendix 1 – Let's Get Wellington Moving LGWM indicative package of investments

The table below includes all investment included in the LGWM indicative package. The estimated capital cost is the total cost which includes both central and local government share.

Component	Description	Objectives	Estimated capital cost ($m)[8]
A walkable city	Accessibility and amenity improvements, setting safer speeds for vehicles, and walking improvements.	A city that is safe and attractive to walk around.	95
Connected cycleways	Cycleways on Featherston Street, Thorndon Quay, Courtenay Place, Dixon Street, Taranaki Street, Willis Street, Victoria Street, Kent and Cambridge Terraces and Bowen Street.	A connected and safe central city cycleway network integrated with the wider cycleway network.	40
Public transport (city and north)	Dual public transport spine through the central city on the Golden Mile and Waterfront Quays, rail network improvements and bus priority on Thorndon Quay and Hutt Road.	A reliable public transport system that enables Wellington to grow and encourages public transport mode shift, better public transport choices to the north and enables a 30 percent increase in rail peak patronage.	360
Smarter transport network	Full integrated ticketing, transition to integrated transport network operating systems, travel demand management measures including Mobility as a Service, parking policy improvements and education and engagement.	A well-managed transport system that makes best use of infrastructure and helps smooth transition through implementation of the indicative package.	80

[8] Capital costs only

Rapid transit	Provide rapid transit as part of the wider public transport network from the railway station to Newtown, and Newtown to the airport.	Improves travel choice through the city with an attractive public transport option to the hospital and airport and creates an opportunity to share a more compact and sustainable Wellington city.	2,200
Unblocking the Basin Reserve	Package of minor at-grade changes to improve reliable access for all modes, Basin Reserve grade separation between north-south movements, east-west movements and any rapid transit corridors.	Reduces conflict between different movements and modes creating more reliable access for all modes.	190
Extra Mount Victoria Tunnel and widening of Ruahine Street	Extra Mount Victoria Tunnel and widening of Ruahine Street/Wellington Road to improve access for buses and dedicated walking and cycling facilities.	Improves access reliability and travel choice from the east for all modes, relocates through traffic away from Evans Bay route and Constable Street, onto the state highway, and ensures network function while rapid transit is constructed in Newtown.	700
Total			**3,665**