

AGENDA
WEDNESDAY 20 FEBRUARY 2008
REGIONAL LAND TRANSPORT COMMITTEE

Attachment 2



Auckland Regional
Transport Authority

22 January 2008

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Dear Don

Regionally Distributed (R) Funds

Thank for you letter dated 24 September 2007

In your letter you reported that as well as supporting Transit New Zealand's request with regard to construction of the Newmarket Viaduct via R funds, the RLTC also resolved

"That the Auckland Regional Transport Authority be requested to report back to the Regional Land Transport Committee on the likely need for Local Roading and Passenger Transport projects to be funded from Regionally Distributed funds "

Background

R funds are generated from a 5c per litre excise duty on fuel sales and were intended to be available for 10 years from 2005 to 2015. The amount of R Funds generated varies in line with fluctuations in the price of fuel - as fuel prices changes up or down, the quantity of fuel being bought at the pumps also changes and therefore so too does the amount of revenue achieved. This makes it difficult to forecast accurately the availability of R funds. In March 2006 it was estimated that \$824.6 million in R funds would be available to the Auckland Region over the 10 year period. By August 2007 the estimate had decreased to \$765.2 million.

Schemes qualifying for R funding are regionally important but generally have a less favourable funding profile and so would not attract N funding.

Land Transport New Zealand (LTNZ) makes the final decision whether or not projects are R funded. In making this decision, Land Transport NZ takes into account the following:

- The views of the region
- Directives such as the Government's guarantee to fund Transit's 2005 State Highway Forecast for the following 5 years
- The availability of N, C and R funds relative to the funding requests

LTNZ have indicated that there are insufficient N funds available to meet the funding required for the guaranteed State Highway projects and therefore R and C funds must be used.





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ARTA's Position on R Funding for Transit projects

Under current legislation ARTA does not prioritise State Highway projects. When considering Transit's request for R funding 5 schemes in May 2007, ARTA developed an integrated approach based on the achieving the Regional Land Transport Strategy (RLTS) funding allocations to roading, passenger transport (PT) and Travel Demand Management (TDM). Also taken into account is the reality that major projects take a while to gestate to the point where they can be constructed. The tendency has been that Transit has more "ready to go" projects and hence is laying claim to R funds at an early stage. It is important however that this is not at the expense of vital passenger transport and other non-Transit projects which will be ready in the next 2-3 years.

In terms of this approach it was recommended that the funding available to Transit via R and C funds in the Auckland region be capped at a maximum of \$661.3 million. At the time it was estimated by LTNZ that total R funds available over a 10-year period were \$770 million, in addition \$290 million of Crown Grant (C) funds were available giving a total of \$1,060 million of R and C funds. This equates to 62% of the total R and C funding available.

The 2005 RLTS funding allocation for the 10-year period to 2015/16 excluding PT services and roading maintenance and renewals is as follows:

Passenger Transport Infrastructure	31%
Travel Demand Management	7%
Roading	
Infrastructure	52%
Safety Measures	7%
Traffic Management	3%
	<u>62%</u>
Total	100%

The recommended cap on R and C funds for Transit projects is in proportion to the RLTS funding allocation to roading. The remaining R and C funds amount to \$399 million. With the local share added, these R funds would be available to fund \$752m worth of local roading, passenger transport and TDM projects, with priority being given to projects with a high level of PT and TDM benefits.

Non-Transit Projects Qualifying for R funding

The National Land Transport Programme, the Auckland Transport Plan and the Auckland Land Transport Programme were reviewed to identify non-Transit projects which have or are likely to qualify for R and C funding. This indicated the following schemes, however the list should not be considered definitive or exhaustive, as schemes will enter or leave the list as their funding profiles reduce or improve:



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Scheme	Total estimated cost
Dominion Road	\$78m
Central Connector Corridor	\$46m
Green Lane Cost Overrun	\$11m
AMETI (NOR)	\$45m
Akoranga Drive	\$29m
Westgate Centre Imp	\$23m
New Lynn local roading and PT improvements	\$45m
Manukau City PT bus/rail interchange	\$6m
Grade separation of rail crossings	\$60m
Cycleway network	\$11m
Real Time	\$11m
TDM Schemes	\$5m
Various relatively small improvement projects	\$32m
Total	\$402m

Of the total project costs of \$402m, approximately 53% would be funded by R funds (\$213m). The vast majority of the above schemes are primarily PT, walking and cycling projects, there are approximately \$7m of roading improvements.

The remaining \$186 million of R funds would be available to fund a total of \$351 million worth of schemes with the local share added. A review of potential projects which are not yet fully scoped but which may be developed within the remaining 10 year time frame to qualify for some contribution from R funds includes:

Scheme	Total estimated cost
AMETI	\$1.3bn
Walk / cycle facility across the Harbour Bridge	\$60m (100% FAR)
Park and Ride Facilities	\$unknown
Civic Bus Interchange	\$unknown
Travelwise programme	\$unknown
Passenger Transport interchange improvements	\$unknown
Rapid Transit extensions	\$unknown (significant)
Ferry Wharves	\$unknown
	\$1.603bn (very approximately)

AMETI is clearly the most significant of these projects and its estimated cost of \$1,300m is more than the entire R funding budget. While parts of the AMETI project are likely to qualify for N funding there will be significant components that will not, and will be strong candidates for R funding.

The above list does not include projects that are currently not specified but will be scoped over the next 10 years. It is clear therefore, that the demand for R funds over the next 10 years is almost certain to exceed the availability of funding.





The Land Transport Management Amendment Bill (LTMAB)

If passed into legislation, the LTMAB currently before Parliament would:

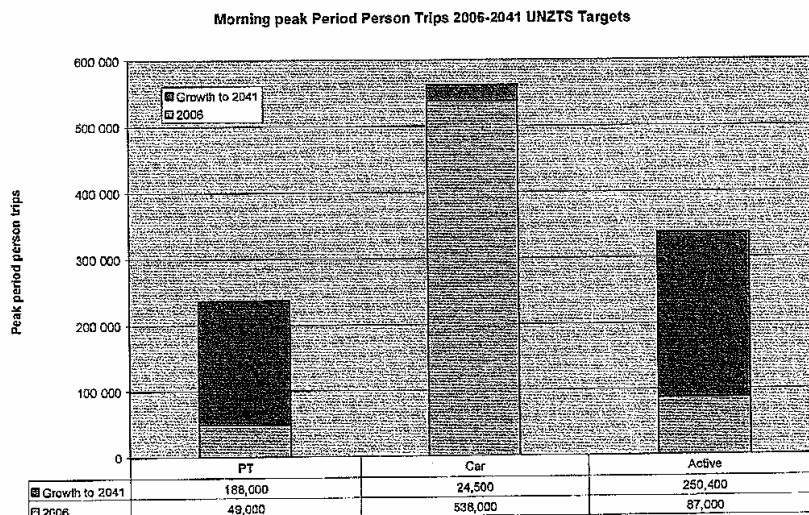
- Provide for a Government Policy Statement to be prepared to guide regional transport spending
- Require the Regional Land Transport Strategy to be broadened to include a 30 year plus time frame and include projects of high regional significance
- Require ARTA to prioritise Transit New Zealand projects in conjunction with other regional transport projects in order to achieve the Regional Land Transport Strategy (RLTS) outcomes

By prioritising Transit projects along with other transport projects a more consistent and integrated basis for allocating funds (N, C and R) to all transport projects would be provided. This would replace the current approach discussed above.

ARTA's prioritisation process would have to take into account not only the RLTS, but also the Government Policy Statement. For example, the recent draft Updated NZTS released for comment contains the following long term (2040) mode share targets for Auckland as shown below:

Car = 50%
 PT = 20%
 Active = 30%

The resulting change in peak period demand for travel by these modes in Auckland is shown in Figure 1





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Figure 1: 2006 and 2041 Morning peak period travel demand – UNZTS Mode Share Targets

Revising the prioritisation process to take into account the GPS, targets such as those above and the 2008/09 RLTS will certainly result in a different approach to the prioritisation of transport funds

Conclusion

This letter has set out the current ARTA approach to provide Land Transport NZ with recommendations on the allocation of R funds. In the light of the significant changes foreshadowed by the LTMB this approach will be replaced with a more integrated approach by which ARTA will prioritise Transit projects together with other transport projects in the region. By being required to take into account a Government Policy Statement and an RLTS that has a long term time horizon as well as including projects of high regional significance, this prioritisation process will provide a far more integrated and robust basis by which to allocate transport funds.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Fergus Gammie', written over a light blue horizontal line.

Fergus Gammie
CHIEF EXECUTIVE