

Office of the Minister of Finance
Office of the Minister of Transport

Chair
CABINET POLICY COMMITTEE

WELLINGTON TRANSPORT

Proposal

1. This paper provides further information on a proposed Wellington Transport package and seeks Cabinet agreement on additional funding for Wellington passenger transport, roading and transport demand management. The paper sets out a process for discussion and final approval of the package with the Wellington region.

Executive Summary

2. On 6 December 2004 Cabinet delegated Power to Act to the Cabinet Policy Committee to approve a proposed Wellington transport package for discussion with the Greater Wellington Regional Council (GWRC) (CAB Mins not available).
3. This paper recommends a total Crown contribution not exceeding \$225m (\$253m incl GST) be provided to Land Transport New Zealand (LTNZ, formerly Transfund New Zealand) for investment in land transport in the Wellington region between 2005/06 and 2015/16.
4. This proposed investment comprises:
 - a Crown contribution expected to be in the order of \$73m (\$65m GST excl) of the \$160m (excl GST) required to assist GWRC to meet its share of the costs needed to retain passenger transport (PT) mode share in the region; and
 - a Crown contribution of up to \$180m (\$160m excl GST) to address congestion and improve access through additional investment in Transport Demand Management (TDM), strategic roading and PT.
5. The Western Corridor Transportation Study is due to report in December 2005 on the costs and nature of a long-term Western Corridor solution (estimated at \$1b by the Wellington Transport Project Group). Indicative study results may be available in April 2005. This paper proposes that the Ministers of Transport and Finance report back to Cabinet Policy Committee on a recommended government response to the draft findings of the Western Corridor Transportation Study by 30 May 2005.

6. Some of the proposed Crown investment may raise funding issues for GWRC and Wellington territorial authorities in meeting the local share requirements under LTNZ's Financial Assistance Rate policy. However, the additional Crown contribution to these activities will allow for LTNZ to contribute to the local share if required
7. The paper proposes that Cabinet delegate Power to Act to the Ministers of Finance and Transport to:
 - discuss the proposed package with the Chair of GWRC and Wellington Mayors;
 - seek GWRC's and Wellington Mayors' agreement to a commitment to additional funding for the local share;
 - make consequent adjustments to the package within the framework agreed by Cabinet;
 - report back to Cabinet by 25 January 2005 for approval on the Wellington package proposal; and
 - announce the Wellington package proposal no later than Monday 31 January 2005 following Cabinet approval on 25 January 2005, with the proposal to then go to full local Councils for ratification.
0. The paper also recommends that Ministry of Transport and Treasury officials be directed to report back to Cabinet by 25 January 2005 on State highway improvements planned for the Wellington region, based on Transit New Zealand's updated draft **70-year State Highway Plan for 2005/06-2015/16**.

Background

9. Cabinet Policy Committee considered a paper reporting on the Wellington Transport Project on 2 December 2004. On 6 December 2004 Cabinet invited the Ministers of Finance and Transport to report back to Cabinet Policy Committee (POL) by 8 December 2004 with further details on the proposed transport package and the process for discussion with the Wellington region. Cabinet authorised POL to have Power to Act on these matters. (CAB Min not available).

Proposed Wellington Transport Package

Maintaining Passenger Transport Mode Share

10. Maintaining sufficient passenger transport (PT) levels of service to retain mode share should be the top priority for further investment in Wellington transport. This is critical to maintain access and avoid exacerbating congestion on heavily used strategic roads.
11. Under current funding there is a gap of \$160m (excl GST) on the 40% local share side' over the next 10 years. Land Transport New Zealand (LTNZ, formerly Transfund New Zealand) is able to meet its \$240m 60% share from the **National**

¹ LTNZ's Financial Assistance Rate policy requires local authorities to contribute 40% for rail related-PT and 50% for bus-related PT.

Land Transport Fund. We consider that the Greater Wellington Regional Council (GWRC) is able to provide up to \$95m of this \$160m gap, by spreading the cost of capital investment through debt (\$48m)² as well as modest rates and/or fare increases (\$47m).

12. We propose that Ministers discuss with GWRC an additional Crown contribution expected to be in the order of \$65m (excl GST) to enable GWRC to meet the funding gap and provide the capital necessary to maintain PT service levels.
13. Additional Crown funding will free up an equivalent amount of regional (R) funding³ for other projects (e.g. roading, Transport Demand Management or TDM and/or PT).
14. The joint GWRC/Crown \$160m contribution to the local share funding gap is in line with the principle of both the region and the Government sharing the costs.
15. The 'retain PT mode share' scenario has been costed on the basis of retaining the full passenger rail system. The exact mix of rail and bus alternatives will be guided by the findings of the **GWRC's Wellington Passenger Rail Business Case**. The former Transfund New Zealand Board made preliminary funding decisions in response to the **Rail Business Case** at its November Board meeting.
16. Decisions on projects that best ensure the maintenance of PT mode share are for LTNZ, the Wellington region and Transit New Zealand (Transit) under the Land Transport Management Act 2003. However, the Wellington Transport Project Group's (WTPG) analysis suggests that additional funding to retain PT mode share could be used for the following:
 - purchasing replacement rolling stock over the next 10 years to ensure services continue such as:
 - 56 new Electric Multiple Units (individually propelled units) to replace 36 English Electrics and provide additional capacity for expected patronage growth;
 - refurbishment of all other current rail rolling stock;
 - rail infrastructure such as:
 - replacement of rail signalling and electrics
 - increased station maintenance
 - trolley bus and overhead line refurbishment.

Reducing Congestion and Improving Access

17. Congestion on strategic corridors was identified by the WTPG as the other major stress on the Wellington transport system and should be the second priority for further investment. Investments, which may have a positive impact on congestion, include strategic roading improvements and TDM (including walking and cycling investment). Additional investment in enhanced passenger transport

² The WTPG estimated that GWRC could borrow up to \$150m for rail capital expenditure. The debt is assumed to be spread over the life of the asset and therefore \$150m debt defers \$48m of cost beyond the 10 year period, after allowing for debt servicing and repayment of principal within the 10 years.

³ Wellington's share of the impending 5¢ per litre increase in fuel excise and corresponding increases in light Road User Charges).

will improve access, but is unlikely to reduce congestion as it is expected to have little impact on mode share (approximately 1% projected mode share increase).

18. We propose the Crown invest up to an additional \$160m (\$180m incl GST) in land transport over 2005/06-2015/16 to reduce congestion and improve access in the Wellington region. Together, with the proposed Crown investment of approximately \$65m (\$73m incl GST) to assist the region to retain its PT mode share, this equates to total Crown investment of \$225m (\$253m incl GST) in Wellington over the next 10 years. We recommend that this investment be channelled through LTNZ.

Strategic roading

19. Investment in strategic roading will reduce congestion at key choke points and improve safety and access. An additional \$100m (excl GST) of expenditure would bring forward roading projects, mainly strategic roading improvements on State highways.
20. As noted above, decisions on the projects to be funded will be determined by LTNZ, Transit and the region's local authorities. However, additional funding for strategic roading will provide benefits such as the following:
 - acceleration of projects on the Western Corridor to reduce congestion and improve safety, such as bypasses around urban areas and provision of grade separation (e.g. flyovers, overbridges);
 - acceleration of projects to alleviate and eliminate crash prone intersections on SH2 through the Hutt by the provision of grade separation at major intersections⁴;
 - providing significantly enhanced access between the Hutt and Porirua SH1, and thereby relieving congestion in the Ngauranga Gorge and SH2 from Hutt to Ngauranga; and
 - accelerated or additional local safety projects focused on urban safety issues as the primary local road safety issue.
21. Strategic roading would contribute to reduced congestion, significantly improved access (by accelerating construction of new links, and better connections to State highways) and reduced crashes. This would help ensure that as Wellington grows in the next 10 years, the worst congestion and crash risk locations on State highways, and adjoining local roads are addressed, and that some improvements to the Western Corridor proceed in advance of major capacity upgrades.

⁴ There are nine traffic signal controlled intersections on the 100km/h sections of SH2 in the Hutt Valley, two are already significant bottlenecks and most of the others are considered safety hazards and future bottlenecks.

Transport Demand Management

22. TDM includes a range of initiatives to encourage more efficient use of the existing road network. Up to \$30m (excl GST) could be usefully spent on TDM initiatives to reduce congestion in the Wellington CBD and selected local pressure points. Potential expenditure could comprise funding for:
- automated traffic management systems (up to \$15m), both on State highways and local roads, with an emphasis on managing traffic approaching and travelling through the Wellington CBD. This is likely to include improved traffic light phasing and electronic on-road traffic information systems.
 - improvements to Wellington's Transport Strategic Model to enable more accurate modelling of the impacts of different transport choices.
 - increased investment in travel planning for schools and workplaces (up to \$13m). Travel plan programmes seek to educate and inform people about alternative travel choices (e.g. walking, cycling and PT) by encouraging 'smart travel' behaviour. Initially the work would focus on schools located close to State highways or major arterials. For workplaces, the focus is likely to be on large publicly funded organisations that are able to demonstrate leadership by example. An incremental, piloted approach is expected with investment to increase in line with evidence of effectiveness.
 - an additional Crown contribution up to \$2m (excl GST) to improve the attractiveness of the mode by cycling infrastructure improvements, primarily on the local roading network.

Enhanced Passenger Transport

23. Finally, up to an additional \$30m (excl GST) could be spent on enhancements to PT above the \$160m Crown and GWRC investment required to retain mode share. Particular enhancements could include:
- improvements in bus frequency and services;
 - further bus priority measures such as bus lanes and bus-prioritised traffic signals;
 - enhanced rail security/station improvements;
 - integrated ticketing between different PT services; and
 - improved PT marketing and information including real time information.
24. Note that if we include the Crown investment expected to be in the order of \$65m (excl GST) to maintain PT mode share, as discussed in paragraphs 10-16, this equates to total additional Crown investment in Wellington transport of \$225m (excl GST).

Proposed Wellington Transport Package	(\$m)
<i>Retain PT mode share (to provide for GWRC share)</i>	65
<i>Reducing congestion and improving access</i>	
TDM, walking and cycling	30
Strategic roading	100
Enhanced PT	30
Total investment to reduce congestion and improve access	160
Total Crown investment	225
GST	28
Total Crown Investment (incl GST)	253
Proposed GWRC investment:	95

Future Crown investment for Western Corridor

25. Of particular concern in Wellington is the need for considerable additional investment in the medium to long term on the Western Corridor⁵. This corridor is increasingly becoming a major bottleneck, not only for Kapiti and the Wellington region, but also for the flow of freight between the North and South Islands, including Centreport.
26. While \$250m has been suggested by WTPG as a worthwhile investment to start work on a Western Corridor upgrade (over and above current fundable safety and limited capacity improvements), the full nature and scale of that investment will not be known until the ***Western Corridor Transportation*** Study has been completed in December 2005. At this stage, the only reasonably robust costing is the \$830m cost estimated to build Transmission Gully. The WTPG has indicated up to \$1b could be required within 20 years, but there is currently no realistic estimate of either the Centennial Highway upgrade option or the rail upgrade option.
27. Very indicative WTPG information on the costs of the potential upgrades are:
- Rail upgrade \$242m (frequency and service improvements by double-tracking, signal upgrades etc); and
 - Centennial highway upgrade \$690m (4-laning of the entire coastal route).
28. An indicative report from the Western Corridor Study is likely to be available in April 2005. We propose that the Ministers of Transport and Finance report back to Cabinet Policy Committee on a recommended response to the draft findings of the Western Corridor Transportation Study by 30 May 2005. In the meantime, the work currently underway (and planned) to improve the existing road⁶, and minor upgrades to PT on the corridor, will provide some relief in the short to medium term for the most serious congestion and safety issues.

⁵ The Western Corridor in Wellington is considered here to be State Highway 1 from Wellington to the Kapiti Coast and the North Island Main Trunk rail line.

⁶ Mana-Plimmerton upgrade, Mackays Crossing overbridge and median barrier from Pukerua Bay-Paekakariki.

Proposed State highway investment in the Wellington region

29. The proposed additional funding for strategic roading is based on our current understanding of planned improvements to strategic roading in the Wellington region. Before additional funding for strategic roading is confirmed, we need to understand what improvements are planned for the region in Transit's updated draft *70-year State Highway Plan for 2005/06-2015/16*, which is expected to be released for consultation in late December 2004.
30. With the exception of the Upper Hutt Bypass, no major new roads have been built in the Wellington region over the last 20 years. This can be partly attributed to significant reductions in nationwide road funding in the early **1990s**, which saw little major road construction in the region until the late **1990's**. However, it can also be attributed to the significant cost of certain major projects (e.g. Transmission Gully), compared to available funding and the higher national priorities for funding over the last 15 years. This has resulted in extensive preparatory work on lower cost, and locally controversial shorter-term alternatives that are now underway (Mana-Plimmerton upgrade, Inner City Bypass).
31. Funding for State highway improvements is based on criteria in the Land Transport Management Act 2003, including consistency with New Zealand Transport Strategy objectives. However, when compared with other regions on a population basis, the currently available information indicates that Wellington's share of State highway funding is modest. It is of course important to note that Wellington also receives significant funding for passenger transport.
32. We propose that officials be directed to report back on State highway improvements planned for the Wellington region (based on Transit's updated draft *70-year State Highway Plan*) as part of the report back to Cabinet on 25 January 2005.

Funding issues

33. Any additional funding for Wellington transport should be channelled through LTNZ, similar to the Crown contribution for Auckland transport. This includes the contribution expected to be in the order of \$65m (excl GST) for the GWRC's share for retaining PT mode share. Allocating funding through LTNZ will also ensure individual funding decisions will be subject to the same level of scrutiny as other projects prior to inclusion in the *National Land Transport Programme*.
34. Some of the proposed additional investment (in PT and TDM) may raise issues for GWRC and territorial authorities in meeting the local share⁷ requirements under **LTNZ's** Financial Assistance Rate policy. Channelling the additional funding through LTNZ will help reduce the risk that GWRC and territorial authorities fail to meet their part of any arrangement to jointly increase investment

⁷ LTNZ has established baselines for its funding contributions to local authorities to ensure the new regional money does not replace local authority transport expenditure when the new funding becomes available.

35. Providing funding through LTNZ will mean local share issues can be agreed between LTNZ and Wellington local authorities. This will include LTNZ contributing to the local share, if required.

Discussions with the Wellington region

36. Wellington Mayors and the Chair of GWRC met with the Minister of Transport on 1 December. Mayors and the GWRC Chair stated that they were willing to provide additional local authority funding for Wellington transport. In particular, GWRC Chair, Ian Buchanan, indicated GWRC would be likely to support increased Regional Council funding to contribute towards the combined cost of both maintaining and enhancing PT mode share.

Proposed process

37. On 6 December 2004, Cabinet delegated Power to Act to the Cabinet Policy Committee to approve a package for discussion with GWRC.
38. We propose that, the Ministers of Finance and Transport discuss the proposed package with the Chair of GWRC and Wellington Mayors and seek their agreement to a commitment to contribute increased local share funding towards the Wellington transport package.
39. Following this discussion, we propose that:
- 1 officials engage with their local government counterparts to agree the details of the package and report back to the Ministers of Finance and Transport;
 - 2 the Ministers of Finance and Transport be given the Power to Act to agree a package within the framework agreed to by Cabinet and report back to Cabinet for approval on the details of the package by 25 January 2005; and
 - 3 the proposed package be publicly announced and presented to full Councils for ratification by 31 January 2005.
40. Preliminary advice has indicated that this timing will effectively coincide in with the updates to Long Term Council Community Plans and the annual local authority (and subsequently national) land transport programme process.

Financial implications

41. A Crown contribution of up to **\$253m** (incl GST) over 10 years will reduce the operating balance. Detailed financial implications will be addressed following ratification by Councils.

Legislative/ Regulatory/ Treaty/ Human Rights Act Implications

42. None.

Publicity

43. It is proposed that the Ministers of Finance and Transport will announce the Wellington package no later than Monday 31 January 2005, following Cabinet approval on 25 January 2005.

Consultation

44. This paper has been prepared by the Ministry of Transport and the Treasury. Land Transport New Zealand has provided information for this paper.

Recommendations

45. It is recommended that the Cabinet Policy Committee:

Background

1. **note** that on 6 December 2004 Cabinet delegated Power to Act to the Cabinet Policy Committee to approve a proposed Wellington transport package for discussion with the Greater Wellington Regional Council (GWRC) (CAB Min not available);

Retaining passenger transport mode share

2. **note** that current projected funding levels for passenger transport (PT) are insufficient to provide the investment in infrastructure and services necessary to maintain mode share and, if continued, would lead to loss of service on the commuter rail network;
3. **agree** that the immediate priority for any additional Crown expenditure on Wellington transport should be investment in infrastructure and services (primarily rail) to maintain PT mode share;
4. **note** that GWRC's funding shortfall for its share of Wellington passenger transport to retain PT mode share is \$160m (excl GST) over the next 10 years;
5. **note** that we consider that up to \$95m (excl GST) of this \$160m shortfall can be met by GWRC through spreading the cost of capital investment using debt (\$48m) as well as modest increases in rates and/or fares (\$47m excl GST);
6. **agree** that the Crown:
 - 6.1 contribute approximately \$73m (\$65m GST excl) of the \$160m (\$180m excl GST) required to assist GWRC to meet its share of the costs needed to retain PT mode share; and
 - 6.2 that this contribution be on condition that GWRC agree to the remainder of the funding gap in additional GWRC funding for PT;
7. **note** that a Crown contribution of \$73m (incl GST) to PT would mean that \$65m (excl GST) of Land Transport New Zealand (LTNZ, formerly Transfund New Zealand) regional 'R' funding will be available for other transport priorities across the region;

Reducing congestion and improving access

8. **agree** that the second priority for further Crown expenditure on Wellington transport should be to reduce congestion and improve access;
9. **agree** to an additional Crown contribution of up to \$180m (\$160m excl GST) to address congestion and improve access through additional investment in strategic roading, Transport Demand Management (TDM) and PT;

- 10 agree** that a total Crown contribution not exceeding \$225m (**\$253m** incl GST) be provided to LTNZ for investment in land transport in the Wellington region between **2005/06** and **2015/16**;
- 11 note** that:
- 11.1** some of the additional Crown investment (in enhanced PT and TDM) may raise issues for GWRC and Wellington territorial authorities in meeting the local share requirements under LTNZ's Financial Assistance Rate policy; and
- 11.2** any additional Crown contribution to these activities will allow for LTNZ to contribute to the local share if required;

Western Corridor

- 12 note** that:
- 12.1** the Western Corridor (**SH1** north of Wellington and the North Island Main Trunk rail line) experiences major congestion problems and with current growth in travel demand could need an estimated **\$1** billion in additional investment in the next 20 years; and
- 12.2** the Western Corridor Transportation Study is due to report in December 2005 on the costs and nature of a long-term Western Corridor solution, and that indicative results may be available in April 2005;
- 13 invite** the Ministers of Transport and Finance to report back to Cabinet Policy Committee on a recommended government response to the draft findings of the Western Corridor Transportation Study by **30 May 2005**;

Next Steps

- 14 delegate** Power to Act to the Ministers of Finance and Transport to discuss the proposed package with the Chair of GWRC and Wellington Mayors and seek their agreement to a commitment to additional funding for the local share, and make consequent adjustments within the framework agreed by Cabinet;
- 15 invite** the Ministers of Finance and Transport to report back to Cabinet by 25 January 2005 for approval on the Wellington package proposal;
- 16 agree** that the Ministers of Finance and Transport will announce the Wellington package proposal no later than **31 January 2005**, following Cabinet approval on 25 January 2005, with the proposal to then **go** to full local councils for ratification;
- 17 direct** officials from the Ministry of Transport and the Treasury to report back to Cabinet by **25 January 2005** on the State highway improvements planned for the Wellington region, based on Transit New Zealand's draft 10-year State Highway plan for **2005/06-2015/16**.

Hon Dr Michael Cullen
Minister of Finance

Hon Pete Hodgson
Minister of Transport

Consultation on Cabinet and Cabinet Committee Submissions

Certification by Department

Departments consulted: The attached submission has implications for the following departments whose views have been sought and are accurately reflected in the submission:

46. This paper was prepared by the Ministry of Transport and the Treasury. Land Transport New Zealand has provided information for this paper. No consultation was possible in the time available.

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Departments informed: In addition, the following departments have an interest in the submission and have been informed:

.....

Others consulted: Other interested groups have been consulted as follows:

.....

Signature	Name, Title, Department	Date / /

Certification by Minister

Ministers should be prepared to update and amplify the advice below when the submission is discussed at Cabine/Cabinet committee. The attached submission:

Consultation at Ministerial level	<input type="checkbox"/> did not need consultation with other Ministers <input type="checkbox"/> has been the subject of consultation with the Minister of Finance <i>[required for all submissions seeking new funding]</i> <input type="checkbox"/> has been the subject of consultation with the following Minister(s)
Consultation with Government MPs	does not need consultation with the government caucuses has been or will be [specify which] the subject of consultation with the following government caucuses: Labour caucus Progressive Coalition caucus
Consultation at Parliamentary level	does not need consultation at parliamentary level has been or will be [specify which] the subject of consultation with the following other parties represented in Parliament:

Signature	Portfolio	Date