

**EA to Board to insert****BOARD PAPER**

<b>Paper no:</b>	<b>[EA to Board to insert]</b>
<b>Meeting date:</b>	7 July 2017
<b>Prepared by:</b>	Tim Conder, Manager Auckland Planning and Development
<b>Recommended by:</b>	Jenny Chetwynd, General Manager Strategy, Policy and Planning (as at 30 June 2017)
<b>Board function:</b>	Significant planning, investment and operational matters
<b>Subject:</b>	<b>Nationally Significant Urban Corridors in Auckland</b>

# It is recommended that the NZ Transport Agency Board resolves to ...

- **Support** the proposed approach to identify urban corridors that provide nationally significant functions
- **Endorse** a greater role for the NZ Transport Agency in delivering nationally significant urban corridors
- **Agree** that the NZ Transport Agency should consult with Government, Auckland Transport and Auckland Council on the Agency taking responsibility for delivery of the North-Western Mass Transit Corridor and Mill Road projects **subject to:**
  - a) Additional funding being available from government for the Agency's share of the cost; and
  - b) Agreement with Auckland Transport on a funding contribution based on 'local benefit'
- **Agree** that the NZ Transport Agency should consult with Government, Auckland Transport and Auckland Council on a cost sharing arrangement for the AMETI Panmure to Botany improvements, reflecting the cost sharing arrangement for the Northern busway, **subject to:**
  - a) funding being available for the Transport Agency's share of the cost; and
  - b) Agreement with Auckland Transport on a funding contribution based on 'local benefit'
- **Note** that the Penlink project does not meet the criteria for a nationally significant urban corridor; but that it could be a candidate for alternative delivery and funding models, of which the NZ Transport Agency could be a part, and that these will be explored with Auckland Council and Auckland Transport

# Previous decisions by the NZ Transport Agency Board ...

Board Meeting <i>Board paper ref</i>	Resolutions
12 August 2016 [16/08/1042]	<ul style="list-style-type: none"> <li>Confirmed that it is encouraged by the emerging strategic approach for managing and addressing the demands on Auckland's transport networks proposed in the Auckland Transport Alignment Project 'Interim Report: Findings and Conclusions'</li> <li>Agreed that a defined programme with clear accountabilities for progressing with network pricing options, together with broader behavioural incentives to influence travel demand and productivity in Auckland needs to be developed as a matter of urgency for realisation within the next decade, and that the NZ Transport Agency could take a lead role in progressing with this programme approach</li> </ul>
10 October 2016 [16/10/1067]	<ul style="list-style-type: none"> <li>Supports the recommended strategic approach for the development of Auckland's transport system over the next 30 years, as set out in the Auckland Transport Alignment Project final report</li> <li>Agreed that the recommended strategic approach should be reflected in the Transport Agency's future strategy, organisation priorities, investment decision-making and work programme</li> </ul>
10 October 2016 [16/10/1071]	<ul style="list-style-type: none"> <li>Receives the discussion paper on the funding implications of the NZ Transport Agency's proposed investment portfolio</li> </ul>

# ATAP identified a recommended strategic approach, indicative investment package and a funding gap

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- The Auckland Transport Alignment Project (ATAP) collaboratively developed an approach to the development of Auckland's transport system
- The recommended strategic approach has three integrated elements:
  - Targeted investment to the most significant challenges
  - Making better use of existing networks
  - Influencing travel demand, particularly through smarter pricing
- ATAP developed an indicative investment package including indicative priorities for major investments over the next 30 years
- Underpinning this package is agreement on the shape of the strategic public transport and road networks
- ATAP also identified that the indicative package cost approximately \$4 billion more than current plans had provided for in the first decade (2018-28)

# There are significant challenges to deliver the transport system Auckland needs

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- Progress is being made on implementing Auckland Transport Alignment Project (ATAP) recommendations. A large programme of infrastructure projects is progressing and the Smarter Transport Pricing Project is now underway
- However recent growth projections are higher than used in ATAP. Compared to the earlier projection, around 100,000 more people are now expected in Auckland by 2028, approximately four years earlier than previously forecast
- The updated population growth projections along with revised project costs, programme sequencing and revenue, indicate that the funding gap is likely to be higher than \$4 billion
- The ability for Auckland Council to fund infrastructure is constrained and this is the subject of discussions with Government. There are also limits to what the Transport Agency can deliver within National Land Transport Fund (NTLF)
- Recently Auckland Transport has requested the Transport Agency take over responsibility for delivering some corridors (including funding) or to provide greater funding assistance; specifically: North-western Mass Transit Corridor, Mill Road, Penlink and Auckland Manukau Eastern Transport Initiative (AMETI)

# The context and challenges underpin why the Transport Agency should take a greater role in delivering key urban corridors

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- The NZ Transport Agency's current Funding Assistance Rate (FAR) policy already recognises that local road improvement projects may be partly or fully funded as an effective State highway where they meet certain criteria
- The Transport Agency's new strategy and Target Rapid Growth focus area supports the need for an improved customer experience of urban travel in high-growth urban areas
- The draft Government Policy Statement 2018 includes a focus on putting the right infrastructure in place to support high growth urban areas
- The government is also considering a Special Purpose Vehicle model to be used to deliver commercially viable arterial roads and water infrastructure to support housing development in high growth urban areas (includes Auckland, Hamilton, Tauranga, Christchurch and Queenstown)
- Within this context, it is appropriate to consider what role the Transport Agency should have in delivering key parts of urban corridors where the corridors perform a nationally significant function, in addition to the State highway programme

# Principles underpin the rationale for identifying nationally significant urban corridors

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- The proposed principles to guide the development of nationally significant urban corridors are:
  - Demonstrate a clear link to the government's wider outcomes, key transport priorities, objectives and identified challenges
  - The government should have a key role in delivering urban corridors that are nationally significant
  - Take a national, system and long-term view
- The above principles have been developed by the Transport Agency

# From the principles, criteria have been developed to identify the specific corridors

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- The proposed criteria are:
  - Connect and enable development of key existing or potential economic and social places
  - High volume movement of people and goods
  - Closely connect with the national inter-regional State highway Network or Rapid/Strategic Public Transport Networks
  - Provide a key resilience function in relation to the national network
- In application of the above criteria, corridors would need to have significant scale improvements required and be a high priority under the Transport Agency's investment assessment framework
- Meeting three out of four criteria is the proposed 'cut-off'



# An initial review for Auckland has identified the types of corridors that would meet the criteria

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- The Auckland Transport Alignment Project (ATAP) identified the key existing and new corridors that need significant scale investment over the next 30 years
- The types of corridors which meet the criteria as being nationally significant are some mass transit corridors and major new arterials. These are in addition to existing State highways and rail corridors.
- Three high priority corridors from ATAP that meet the criteria are:
  - North-Western Mass Transit Corridor
  - Mill Road
  - Auckland Manukau Eastern Transport Initiative (AMETI) Panmure to Botany
- Over time there is the potential for other corridors to be identified in Auckland and other large NZ cities

# The North-Western Mass Transit Corridor is a key project to unlock growth in the north-west and ensure the benefits of the Western Ring Route are achieved

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- The North-Western Mass Transit Corridor will provide capacity to move large numbers of people on a key corridor. It connects the growth area of the North-West (including Westgate) with the City Centre. The North West Growth Area will accommodate 30,000 new households and 13,000 new employment opportunities - much of which is currently under development
- Providing mass transit will also contribute to improved resilience of the national State Highway network and ensure benefits of the Western Ring Route are achieved
- The corridor was identified as an early priority in ATAP as it improves transport accessibility for the north-west and increases public transport mode share on a congested corridor
- The first stage of the corridor is being proposed to address the greatest problems and deliver the highest benefits first. This involves mass transit sections between Lincoln Road and Te Atatu; Point Chevalier to Karangahape Rd and stations
- The first stage of the corridor has an estimated cost of approximately \$835 million (2016 dollars) and total cost of the full corridor improvements over 30 years is estimated in the order of \$2 billion (2016 dollars)

# Mill Road is a key corridor to unlock growth in the south and is important to delivering the benefits of the Southern Corridor improvements

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- The Mill Road corridor will provide additional north-south capacity in the growing area of south Auckland. Around 42,000 new households and 19,000 employment opportunities will be created in the southern growth area – much of which is under development now
- The corridor would also provide a significant contribution to the resilience of the national State Highway network. The full resilience benefits arise on completion of the whole corridor
- The corridor was identified as a priority an early priority in the Auckland Transport Alignment Project (ATAP) as it enables housing and commercial development in the southern greenfield area
- The first stage of the Mill Road project is the northern end between Manukau and Alfriston and comprises a 4-lane road and upgraded intersections, improved public transport infrastructure and services, on-road cycle lanes and shared path facilities
- The first stage corridor has an estimated cost of approximately \$415 million (2016 dollars) and the total cost of the full corridor improvements over 30 years is estimated in the order of \$1 billion (2016 dollars)

# AMETI is a key project to provide eastern access and improve Auckland's transport system

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- The Auckland Manukau Eastern Transport Initiative (AMETI) is a group of projects in south-east Auckland which provides access for significant numbers of people and movement of goods
- The proposed busway between Panmure and Botany connects with strategic networks and two metropolitan centres
- The Panmure to Botany portion of AMETI meets the criteria of a nationally significant corridor, notwithstanding that it also provides local access
- AMETI is identified as a 1st decade priority in ATAP
- These busway components of AMETI have an estimated cost of approximately \$550 million (2016 dollars), although a portion has already been spent by Auckland Transport

# Penlink is a key project which provides local access and enables growth in the north, but is not a nationally significant corridor

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- Penlink is a proposed new road connecting State Highway 1 and the Whangaparaoa Peninsula and is a key part of the transport network required to serve future growth in the North – anticipated to be 27,000 additional households and 13,000 new jobs
- Penlink does not meet the criteria of a nationally significant corridor. The projected volumes of people and goods moved would not meet the threshold and the contribution Penlink makes to resilience of the national network is not considered significant
- Penlink is identified as a 2<sup>nd</sup> decade priority in ATAP
- Preliminary programming work by Auckland Transport in preparation for the 2018-21 Regional Land Transport Programme has indicated the project is likely to be a high priority. Tolling, which has been canvassed with the community and is understood to have widespread support, could potentially cover around a quarter of the project costs
- There are opportunities for other funding and delivery approaches, including a exploring a hybrid public private partnership approach (comprising tolling and other value capture mechanisms), which the NZ Transport Agency could be involved in exploring with Auckland Transport

# There are two key considerations for giving effect to the identified corridors

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- Who should be accountable to **deliver** improvements
  - This should be determined for each corridor, taking into account respective funding commitments as well as which organisation is best able to manage the risks and opportunities
  - The Transport Agency is well placed to manage the risks and opportunities of Mill Road and the North-Western Mass Transit Corridor projects
  - For the AMETI Panmure to Botany project, given its advanced stage of development, it is considered that Auckland Transport is best placed to continue to manage the delivery risks and opportunities
- Who should **fund** the necessary improvements
  - It is proposed that cost sharing arrangements would be determined for each corridor, considering the functional role of the corridor and where the benefits lie. This reflects that some corridors also need to provide local access functions

# Cost sharing arrangements need to be agreed

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- Cost sharing arrangements need to be agreed with Auckland Transport to reflect the national and local benefits of each corridor
- The existing cost sharing arrangements relating to the Northern Busway are that the National Land Transport Fund provides 100% of the busway component and 51% of the stations and park and ride facilities
- These cost sharing arrangements would provide a basis for the North-Western Mass Transit and the Auckland Manukau Eastern Transport Initiative (AMETI) Panmure to Botany busway projects
- Cost sharing arrangements for Mill Road are proposed around 80% funding from the National Land Transport Fund and 20% from Auckland Transport to reflect local access benefits

# The funding impacts of these cost sharing arrangements arise in the 1<sup>st</sup> decade

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- The 1<sup>st</sup> decade impacts on the National Land Transport Fund (NLTF) of these cost sharing arrangements for each corridor would be approximately:
  - Mill Road: increase of \$120 million (as a result of funding moving from 51% to 80%)
  - North-western Mass Transit: increase of \$330 million (as a result of 100% funding the 'busway' and 51% funding the stations and park and rides)
  - AMETI Panmure to Botany: increase of \$230 million (as a result of 100% funding the 'busway' and 51% funding the stations)
- On this cost sharing basis, these three projects would require an additional \$700 million from the NLTF in the next decade
- If the projects were funded 100% from the NLTF, this would increase to approximately \$880 million



# Revenue increases are the proposed funding approach

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- To raise \$700 million over the next decade would be equivalent to a one off 1.4 cent increase in Fuel Excise Duty / Road User Charge
- Other options are available for consideration including
  - Re-prioritisation of the National Land Transport Programme
  - Financing to reduce short-term funding pressure
  - Value Capture
  - Tolling
- Given the existing over-commitment of expenditure of National Land Transport Fund (NLTF) revenue in the next decade, reprogramming to accommodate higher funding for these projects would displace other projects and is not supported
- Financing would draw down on the NLTF for interest and principal repayments. Financing the additional \$700 million would require a loan of a higher amount to cover escalation, cost-scope adjustments and interest. The Agency needs to carefully consider how it uses its limited financing capacity in light of existing commitments and future opportunities, including public-private partnerships