

Ministry of Transport: Aide Memoire

To: Hon Phil Twyford (Minister of Transport)
From: Helen White, Manager Investment
Date: 22 November 2019
Subject: Supplementary information on GPS 2021
OC Number: OC191217

Purpose of this aide memoire

1. To provide context on the flexibility that the Crown funded projects delivered through 'Project Playhouse' will provide to the Government Policy Statement on land transport (GPS) 2021.

Summary

2. The Government intends to deliver a package of projects, including a number of transport projects, with Crown funding (the package). The package we have seen includes 17 transport projects, costing an estimated total of \$6,717 million.
3. We have separately provided advice on GPS 2021, including its affordability (OC191199 refers). This advice does not envisage any additional funding from the Crown.
4. There is some cross-over between the projects that are included in the package and our GPS 2021 modelling. We have shown the cross-over in Appendix 1. In summary, this shows that:
 - 4.1. \$1,813 million of projects in the package would have otherwise been delivered through GPS 2021
 - 4.2. \$4,904 million of projects in the package would not be delivered through GPS 2021.

The package will spend \$1,813 million on projects that would have otherwise been delivered through GPS 2021

5. Of the 17 projects listed in the package, 10 projects would otherwise have been advanced as part of the GPS 2021, and as such, have been included in the modelling you have seen to date.
6. Should the package proceed as expected, this would ultimately free up \$1.8 billion compared to the current scenario shown in OC191199.
7. Appendix 2 shows the activity classes, consistent with those provided in Annex 1 of OC191199, but assuming that the package proceeds.

The \$4,904 million going towards projects that would not have otherwise been delivered through the GPS 2021

8. The package includes six re-evaluated state highway projects, and one rail project (signalled for the second decade of ATAP) that was not modelled for delivery in GPS 2021. These projects make up \$3,499 million of the cost of the transport projects in the package.
9. These projects would strongly support the objectives of Better Travel Options and Improving Freight Connections, but due to their high cost were unaffordable alongside your other transport priorities.
10. In addition, there are two ATAP projects (Mill Road and Penlink) fully funded and accelerated through the package. Our GPS 2021 modelling assumed part NLTF funding supplemented by local share, and delivery in later years of the GPS 2021 period. The additional costs of these projects make up \$1,405 million.
11. While progressing your draft GPS 2021 objectives, because these projects were not assumed to be funded, this \$4,904 million does not increase your discretion for GPS 2021 spend.

How the package could influence GPS 2021

12. Given the package is in its early stages, we will work with the NZTA and Treasury to confirm the projects included, the project phasing and the funding arrangements (including the management of cost overspends or efficiencies). We will provide further advice on options following discussions with officials.
13. Historically, Crown funding has been appropriated to specific projects/programmes rather than flowing through the NLTF and the NZTA's assessment processes. This has enabled the Crown to specify projects to be delivered by the NZTA.
14. If this approach was taken the additional Crown funding would be signalled in the "Crown funding" section of the GPS 2021, which shows other Crown funding for transport. This is separate to the activity class funding ranges and target expenditure signals provided in the GPS.
15. This means:
 - 15.1. **the new funding will not be shown in the activity classes.** For instance, the package includes \$3.7 billion of state highway improvement projects, but the state highway improvements activity class will not reflect this.
 - 15.2. **projects funded through the package would reduce expected expenditure in some activity classes.** For example, the Dunedin programme contains \$30 million of projects that will no longer be funded through the walking and cycling activity class. This reduces expected expenditure in this activity class, and will consequentially decrease the upper limit.
16. You have \$1.8 billion available to allocate across the activity class funding ranges. We can discuss your priorities for allocation. Which could include providing headroom for possible cost over-runs or increasing upper ranges. For example: during GPS 2021 development you indicated a preference that the funding profile set in GPS 2018 for public transport and walking and cycling should continue. You can use the \$1.8 billion to increase the upper funding ranges in these activity classes, however it will not fully align with GPS 2018 ranges given the impact of new Crown funding (as outlined in paragraphs 14.1 and 14.2).

17. When the GPS 2021 is released for engagement we will ensure stakeholders understand the full extent of Crown investment in transport – across the NTLF and Crown investment through the Package.

Proactively released by
the Ministry of Transport

Appendix 1: Summary of Project Playhouse transport projects that have been considered in GPS 2021 modelling

Project	Estimated start date	Cost mid point estimate (\$m)	Consideration in GPS 2021	Amount in GPS 2021 modelling (\$m)
Third Rail-Wiri to Quay Park Rail Corridor Improvements	12 months	315	Transitional rail	315
Papakura to Pukekohe electrification (including electrification of 3rd and 4th Rail)	12 months	371	Transitional rail	371
Papakura to Bombay stage 1 (Papakura to Drury including interchange) northern section	12 months	423	ATAP	423
Tauranga Northern Link	12 months	478	Not included: Re-evaluated state highway project	0
Dunedin package - cycling connectivity	18+ months	30	Included in mode shift for Dunedin	30
Canterbury package	18+ months	115	Included in mode shift for Canterbury	115
SH58 Safety Improvements - Stage 2	18 months	59	Safety projects	59
SH1/SH29 intersection upgrade (stand alone project)	24 months	58	Safety projects	58
Queenstown package	24 months	82	Included in mode shift for Queenstown modelling	82
Whangarei to Port Marsden	24 months	692	Not included: Re-evaluated state highway project	0
Penlink	24-36 months	411	Not included	102
TNL to Omokoroa - off line including Omokoroa Intersection	36 months	455	Not included: Re-evaluated state highway project	0
Mill Road	24 months	1354	Not included	258
Melling	36 months	258	Not included: Re-evaluated state highway project	0
SH1 Cambridge to Piarere long term (including SH1/SH29 intersection upgrade)	36 months	552		0
Otaki to North of Levin	4 years plus	817		0
Rail improvements - Drury Rail station development (2 stations & including P&R and K&R)	36 months	247	Not included: in ATAP but second decade	0
		6,717		1,813

Appendix 2: Discretion created by Project Playhouse

This scenario includes:

- modest investment in state highway improvements in high growth urban areas
- modest investment in mode shift for Tauranga, Hamilton, Queenstown and Christchurch
- increased funding to meet the GPS 2018 funding ranges for walking and cycling
- separation of the public transport activity classes, using the same assumptions to calculate ranges for public transport infrastructure as used in GPS 2018.

Compared to Annex 1 in OC191199, there is \$1.8 billion discretionary funding available between expenditure priorities as outlined in OC191199, and available revenue. This is not allocated in the funding ranges below. You have indicated a preference to use such discretion to ensure that the public transport and walking and cycling activity classes are similar to the funding ranges in GPS 2018. We can provide revised funding ranges following our discussion on your preferences for allocation.

Note that the activity classes below exclude all investment delivered as part of the package, as it would be delivered outside of the GPS.

Activity class	Change from GPS 2018	Funding ranges						Forecast funding ranges			
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Public transport services	New	540 390	560 400	570 410	590 420	600 430	620 450	630 460	650 470	670 480	690 500
Public transport infrastructure	New	530 340	510 330	530 340	480 310	490 320	510 330	540 350	90 50	110 70	130 80
Walking and cycling	=	200 130	190 125	190 125	105 65	105 70	110 70	110 70	110 70	110 70	110 70
Local road improvements	Down	300 120	250 100	250 100	260 100	120 50	130 50	140 50	50 10	60 20	110 40
State highway improvements	Down	1300 1000	1050 850	1050 800	950 750	850 650	750 550	600 450	500 350	450 350	450 300
Road to Zero	New	910 820	940 840	980 870	1000 900	1040 930	1070 960	1080 970	1110 1000	1140 1020	1170 1050
State highway maintenance	Up	860 740	880 750	900 770	940 800	970 830	1020 870	1060 910	1110 950	1150 980	1190 1020
Local road maintenance	Up	760 650	780 670	800 680	820 700	840 720	860 730	880 750	900 770	930 790	950 810
Investment management	Up	80 70	85 75	90 75	90 75	90 80	95 80	95 80	95 85	100 85	100 85
Rail	New	125 55	110 50	90 40	85 40	85 40	85 40	85 40	85 40	85 40	85 40
Coastal shipping	New	15 10	15 10	15 10	0 0	0 0	0 0	0 0	0 0	0 0	0 0

Total 10-year spend (\$b)

