



Report 07.205
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Committee Regional Land Transport
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Development

Confirmation of C1 and C2 Funding Priorities

1. Purpose

The purpose of this report is to seek the Committee's agreement to Crown funding priorities as required by recent decisions of the Land Transport New Zealand Board. The decisions respond to the region's need to address local share affordability issues associated with planned investments in the Regional Transport Programme (RTP) over the next 10 years.

2. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Background

In January 2005 the Government announced a \$225 million package of funding for the Wellington region's transport network as a first step towards addressing the underinvestment in the transport system which characterised the 1990s. This funding is referred to as C1 funding and comprises \$65 million for investment in infrastructure and services (primarily rail) to maintain passenger transport mode share; and \$160 million for investment in strategic roading, transport demand management and enhanced passenger transport to reduce congestion and improve access.

In July 2005 the Government announced an additional \$255 million to address the highest priorities identified in the Western Corridor Transportation Study, referred to as C2 funding. A further \$405 million (C3 funding) was provided for Western Corridor strategic roading, contingent on regional agreement on the preferred option. In April 2006 the Committee agreed that Transmission Gully Motorway was the preferred option.

C1, C2 and C3 funding are to be allocated by Land Transport NZ and are not indexed against inflation (i.e. the value of this funding will decrease over time).

The Committee has taken these additional funding sources into account during the development of the Regional Transport Programme (RTP). The most recent version of RTP (July 2006) was published as part of the draft Regional Land Transport Strategy (Nov 2006). The RTP will next be revised when the outcome of the current Ngauranga to Airport Corridor Study and further investigations as to the scope and cost of Transmission Gully Motorway are known. For the purpose of this paper, key assumptions included within the RTP were:

- 100% Crown funding of Western Corridor Rail projects using C2 to fully support local share
- 90% Crown funding of the Western Link Road project using C2 to support local share
- 75% Crown funding of the Grenada to Gracefield (stage 1) project using C2 to support local share.

The Committee, at its meeting on 28 February 2007, considered report 07.74 on the draft State Highway forecast and funding priorities. Based on the current RTP, it passed the following resolution with regard to funding priorities over the next five years:

Agrees that the following priorities for R and C funding be advised to Land Transport NZ noting that the figures quoted below will be subject to the outcome of the consultation on the draft Regional Land Transport Strategy, and change as the scope and timing of the projects is developed:

- ***A combination of R and C1 to enhance passenger transport, including assistance with local share, consistent with the outcome of the Wellington Transport Project and including rail improvements in the Western Corridor***
- *Nominally \$5 million C1 to accelerate cycle facility improvements programmes, including assistance with local share*
- *Nominally \$10 million R to accelerate the state highway block programme*
- *Nominally \$37 million C1 to construct SH2/58 grade separation*
- ***C2 to advance investigation and preparation for Grenada to Gracefield stage 1***
- *Nominally \$60 million R to construct Petone to Ngauranga fifth lane (as a tidal flow high occupancy toll lane) and cycleway*
- ***Nominally \$31 million C2 to assist local share with Kapiti's Western Link Road***
- *Nominally \$2 million R to implement Pukerua Bay safety improvements, provided timing is advanced ahead of normal N funding priority*
- *Nominally \$1 million R to implement Paekakariki traffic signals, provided timing is advanced ahead of normal N funding priority*
- *Nominally \$10 million R to construct Rimutaka corner easing "Muldoon's Corner".*

The bolded items in the above list are discussed in more detail in the next section of this report. Land Transport NZ was advised of these priorities.

4. Land Transport NZ's View

Greater Wellington and Land Transport NZ officials have spent some time discussing the funding assumptions as there was no established policies about the way C1 and C2 funding could be allocated, other than as broadly set out in Land Transport NZ's Performance Agreement. Land Transport NZ officials believed that under that agreement, C2 funding could not be used to support any local share. Clarification was sought about the Government's intent and in December 2006 the Minister of Transport confirmed that C2 funding could be used to assist with the local share of rail projects. The Minister noted that if C2 funding was used in this way, that would mean less C2 funding to apply to other Western Corridor projects. There was to be no increase in the overall level of funding.

Following this clarification from the Minister, officials from Land Transport NZ and Greater Wellington continued discussions on how best to apply the Crown funds. The outcome was a proposal to fund up to 75% of the local share of rail improvement projects both generally and for the Western Corridor. This gives an effective Financial Assistance Rate (FAR) of 90%.

In parallel with the above discussions, officials from Kapiti Coast District Council (KCDC), Transit NZ and Land Transport NZ have also been discussing funding arrangements for the Western Link Road.

The outcome of these discussions was reported to the Land Transport NZ Board at its meeting on 12 April. The Board passed the following resolutions:

- a. *agrees that the highest priority for assisting local share will be passenger rail improvement projects*
- b. *agrees to use C1 and C2 funds to achieve an effective FAR of 90% for passenger rail improvement projects*
- c. *notes that approximately \$100 million of C1 and \$41 million of C2 would be required to enable the likely rail improvement project costs of \$580 million*
- d. *agrees that the effective FAR of 90% for passenger rail improvement projects will apply retrospectively to the purchase of 70 new EMUs approved by the Board in December 2006 and February 2007 (Board papers 06/12/1912 and 07/02/1937)*
- e. *agrees that the Kapiti Western Link Road Stage 1 design and construction is the second priority for assistance with the local share*
- f. *agrees to use C1 funds to achieve an effective FAR of 90% for Stage 1 of the Western Link Road, but declines to assist the local share of Stages 2 and 3 of this project (see also Board paper 07/04/1961)*
- g. *notes that approximately \$39 million of C1 funds would be required to meet the most likely Western Link Road Stage 1 project cost of \$107 million*
- h. *agrees to reserve up to \$45 million of C1 funds to assist the local share of the Grenada to Gracefield Stage 1 project, (assistance to the level of half the local share)*
- i. *notes that the Grenada to Gracefield Stage 1 link is still subject to further investigations*

- j. requests the Chief Executive to write to the Chair of the Wellington Regional Land Transport Committee advising of the Board's decision and requesting the Wellington Regional Land Transport Committee confirm its support for the proposed use of C1 and C2 funds for assistance with local share as set out in (a) to (h) in Board paper 07/04/1960*
- k. agrees to take Board paper 07/04/1960 out of Committee when the Chair of the Wellington Regional Land Transport Committee has been advised of the Board's decision.*

5. Comment

5.1 Passenger Transport Rail Improvements

Following the discussions outlined above, Land Transport NZ has determined that an effective FAR of 90% is appropriate for, and this can be applied to, both the purchase of new rolling stock and Western Corridor Rail projects. The financial outcome of this decision for Greater Wellington's ratepayers is better than originally assumed. This gives Greater Wellington the opportunity to further enhance Passenger Transport services in line with the submissions on the draft Regional Land Transport Strategy. An example of this is the recent recommendation to advance the implementation of double tracking and electrification from MacKays to Waikanae (rather than Lindale) which will provide significant benefits to the rail users of the Kapiti District.

5.2 Western Link Road

KCDC's Western Link Road is one of the region's highest priority roading improvement projects, primarily because of the relief it will provide to traffic congestion on State Highway 1 particularly through Paraparaumu. The most important first stage provides a new local road bridge across the Waikanae Rive and connects Waikanae to Paraparaumu and is estimated to cost \$107 million. Under normal funding rules this is unaffordable for the local community. Land Transport NZ have recognised the unique aspects of this project and agreed to use C funds to achieve an effective FAR of 90% for stage 1. However, they have also signalled that no special funding will be provided for the latter stages of the project. KCDC officers have advised that they accepted the funding proposal for stage 1 but consider that the allocation from C1 should be stated as a percentage (i.e. 37%) to ensure that Land Transport NZ's intention of achieving an effective FAR of 90% is met. Opportunities for funding stages 2 and 3 need to be more fully explored as there is potential for significant financial input from developers. Until these options are more fully assessed KCDC will not know the extent, if any, of the funding gap.

5.3 Grenada to Gracefield

The Grenada to Gracefield project is a high priority new connection running through Wellington and Hutt City Council areas. It is strongly supported by the Wellington Regional Strategy and has featured in regional transport planning as part of the Hutt Corridor Plan (Dec 2003). Only preliminary investigations have been completed at this time but the project appears to have

significant benefits for the nearby State Highway network and therefore there is a regional expectation that Transit will at least be a significant partner in the route's development. Transit is currently investigating the benefits of this proposal as part of the Transmission Gully Motorway development process and is expected to report on this matter later this year. In the mean time, Land Transport NZ's decision to reserve up to \$45 million to assist the local share of the first stage of this project is appropriate.

5.4 Overall implications of Land Transport NZ's decisions

The Land Transport NZ decisions do not add to the quantum of money available for transport improvement projects. However, the decisions enable early progress to be made on the region's most important transport priorities. For this reason it is appropriate that the Committee confirm the allocations, as determined by the Land Transport NZ Board.

Table 1 below shows how the decisions relate to the original (old) RTP funding plan. Four points are worth noting:

- The total funding requirement of \$3065 million has not changed.
- These decisions do not materially affect the funding available for other projects in the RTP.
- The Passenger Transport programme will be \$31 million better off than originally expected and this gives Greater Wellington the opportunity to further enhance Passenger Transport services in line with the submissions on the draft Regional Land Transport Strategy.
- Kapiti Coast District Council is exploring options for funding Stages 2 and 3 of the Western Link Road. There is a potential gap between the \$17 million the Council has budgeted to complete the project and that required to complete the remaining stages. This is acknowledged and further work on alternative funding is required.

	Crown Share					Other	Local Share	Total
	N	R	C1	C2	C3			
old PT	618	70	84	47	N/A	90	421	1330
new PT	618	70	19	142	N/A	90	390	1330
difference	0	0	-65	95	N/A	0	-31	0
old roading	308	165	134	212	405	326	185	1735
new roading	308	165	209	107	405	326	215	1735
difference	0	0	74	-105	0	0	30	0
new totals	926	235	228	250	405	416	605	3065
			2044					
			67%			14%	20%	

Table 1: RTP Funding Summary (\$M)

As the Grenada to Gracefield project is still to be properly defined in terms of alignment, connections, design standard and cost; and as responsibility for implementation is still to be determined, it is currently anticipated that construction activity will not occur for at least five years. With the C funding not being indexed for inflation, funding for this project will present challenges to be worked through in due course.

Overall, Land Transport NZ's decisions are in line with the Region's funding expectations and can be supported. Reserving funding for the priority projects set out in this report, particularly Grenada – Gracefield as it is unlikely to start for many years, means that lower priority projects may be delayed until funding becomes available. The details of this implication will not be known until the RTP is next reviewed once new information is received regarding Ngauranga to Airport Corridor priorities and Western Corridor roading costs. Other new information will also be taken into account at that time.

6. Communication

The Committee's decisions will be advised to Land Transport NZ. There has been some media coverage of the Land Transport NZ Board decisions. A media statement will be prepared confirming the Committee's decision.

7. Recommendations

That the Committee:

1. **Receives** the report.
2. **Notes** the content of the report.
3. **Agrees** to confirm its support for the use of C1 and C2 funds as set out below:
 - a. *that the highest priority for assisting local share will be passenger rail improvement projects*
 - b. *to use C1 and C2 funds to achieve an effective FAR of 90% for passenger rail improvement projects*
 - c. *that the effective FAR of 90% for passenger rail improvement projects will apply retrospectively to the purchase of 70 new EMUs approved by the Board in December 2006 and February 2007)*
 - d. *that the Kapiti Western Link Road Stage 1 design and construction is the second priority for assistance with the local share*
 - e. *to use C1 funds to achieve an effective FAR of 90% for Stage 1 of the Western Link Road, but declines to assist the local share of Stages 2 and 3 of this project*
 - f. *to reserve up to \$45 million of C1 funds to assist the local share of the Grenada to Gracefield Stage 1 project, (assistance to the level of half the local share)*
4. **Notes** that Land Transport NZ will apply the decisions in (3) to funding applications for the relevant projects.

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Report approved by:



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Attachment 1: Land Transport Board Letter to the Chairman of the Committee.