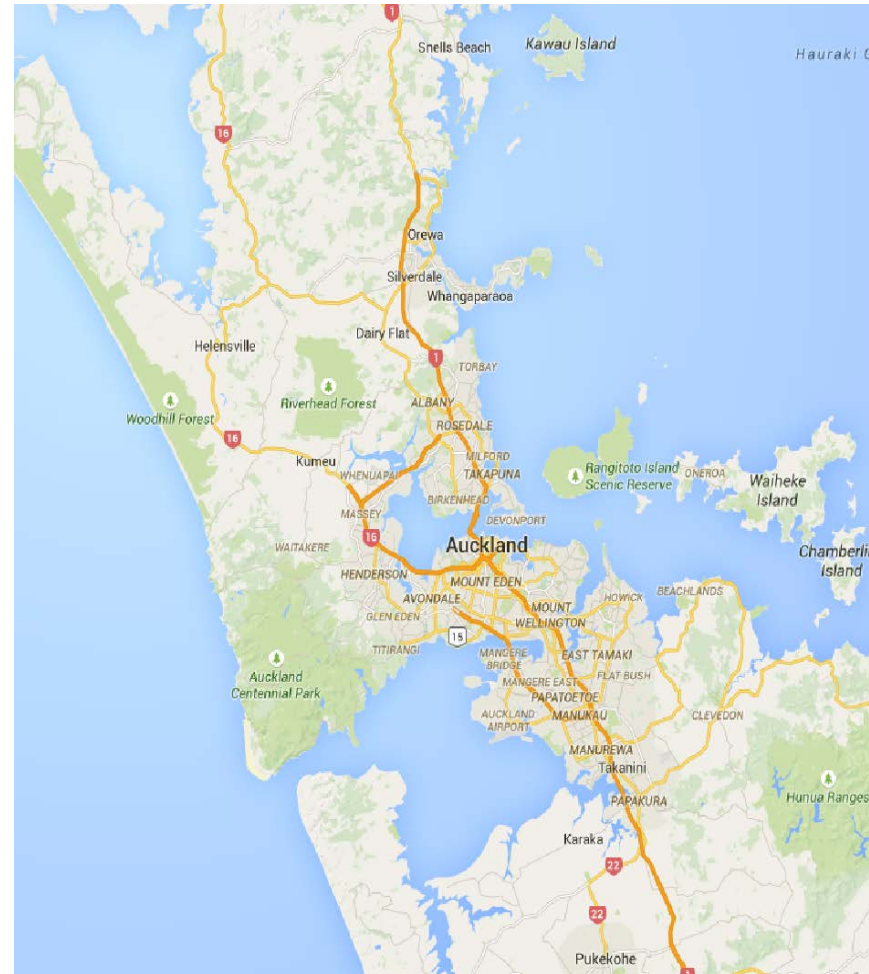


# Alternative transport funding for Auckland

Peter Winder

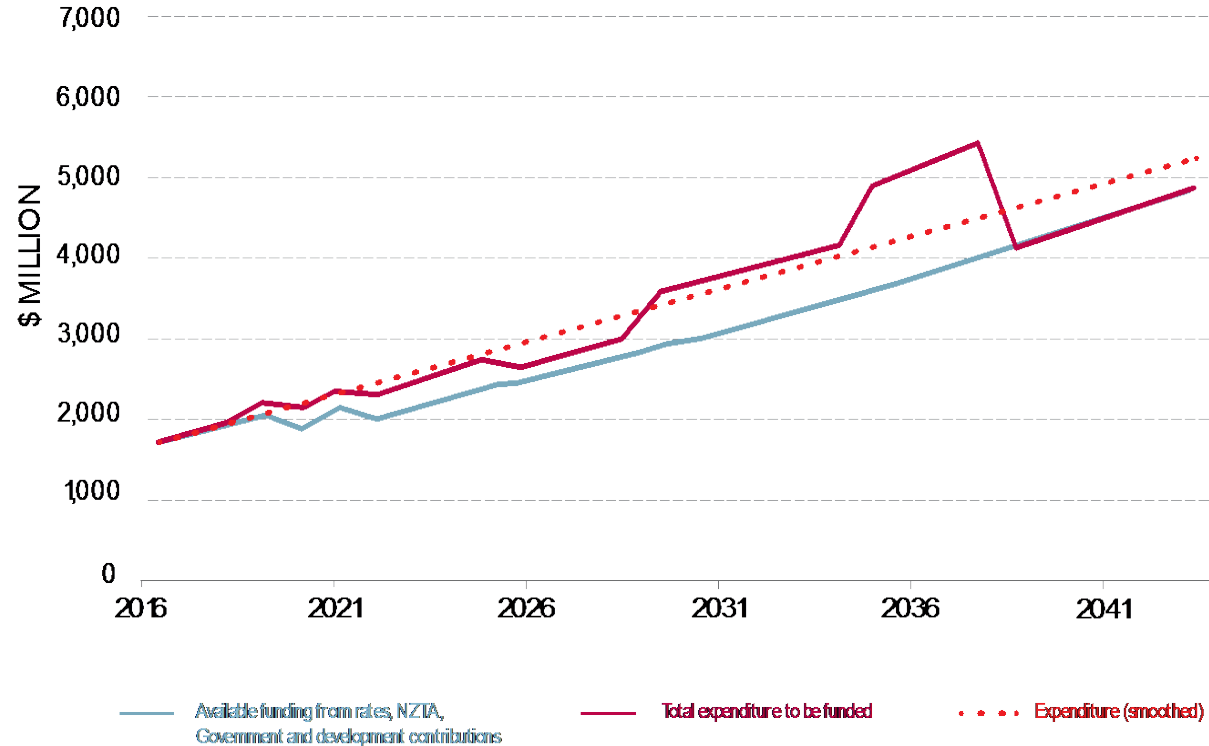
# Auckland

- Low density poly-centric city of 1.5m
- Spread around 2 harbours
- Medium Growth Forecast - 2.2m by 2041
- Attracts 75% of NZ's growth
- Two thirds of growth due to natural increase
- Since 2010 administered by one council
- Vision – “the world's most liveable city”
- The ‘Auckland Plan’ is the council's guide for realising the vision
- Major issues – Growth and how you pay for it



# Funding Gap - \$300m pa over 30 years

FIGURE 2 – AUCKLAND'S TRANSPORT FUNDING GAP



NB: A smoothed expenditure profile is also shown as expenditure is dependent on the timing of major projects, particularly an additional Waitemata Harbour Crossing, which is uncertain.

# The search for a funding solution

- The challenge is political not technical
- The political challenge is both local and national
- Previous efforts:
  - 2003 Joint Officials Group
  - 2007 Auckland Transport Strategic Alignment Project
- So ... how do you change the debate and make new solutions possible?

# Consensus / Collaborative Decision-making

- *“To build a robust consensus around the preferred revenue raising tools to support the level of investment in transport projects that is required to implement the Auckland Plan.”*
- The Consensus Building Group:  
Independent Chair and Project Manager / Facilitator
  - Automobile Association
  - Property Council of New Zealand
  - Cycle Action Auckland
  - Campaign for Better Transport
  - Child Poverty Action Group
  - Employers and Manufacturers Association (Northern)
  - New Zealand Council for Infrastructure Development
  - Tourism Industry Association of New Zealand
  - Auckland International Airport Ltd
  - Auckland Business Forum
  - Tournament Parking Ltd
  - Walk Auckland
  - Environmental Defence Society
  - New Zealand Council of Trade Unions

# Stage 1

- Build understanding
- Learn how to work together
- Build and extend common ground
- Consider very broad options
- High level evaluation of the options
- Engage with the public
- Support public debate at arms length from politicians
- Narrow the field of possible options

# Stage 2

- Build on the Consensus
- Develop and evaluate two funding pathways
- Inform the public
- Support public debate
- Enable the Council to take ownership

# The Choices

Basic Transport Network  
(2015-2025) \$6.9 Billion



Auckland Plan Transport Network  
(2015-2025) \$10.3 Billion

There are two options to fund the additional investment needed

Option 1



Option 2





# Rates and Fuel Tax Option



- The funding requirement increases to reach \$300m pa (in \$2015) by 2025
- Half comes from rates and half from fuel tax plus some tolls on new roads

|  | Average annual rates increases       | Average annual fuel tax increases (GST incl)                      |
|--|--------------------------------------|---|
| Annual increases already signalled   | 2.5% to 3.5% p.a. (Mayoral proposal) | 1.6 cents per litre per annum (Draft Government Policy Statement) |
|  | +                                    | +   |
| Annual increase proposed by the IAB for Pathway 1 (dedicated to transport) | 0.9% p.a.                            | 1.2 cents per litre per annum                                     |
|  | =                                    | =   |
| Total combined annual increases  | 3.4% to 4.4% p.a.                    | 2.8 cents per litre p.a.  |

# Motorway User Charge Option

Two possible approaches to charging



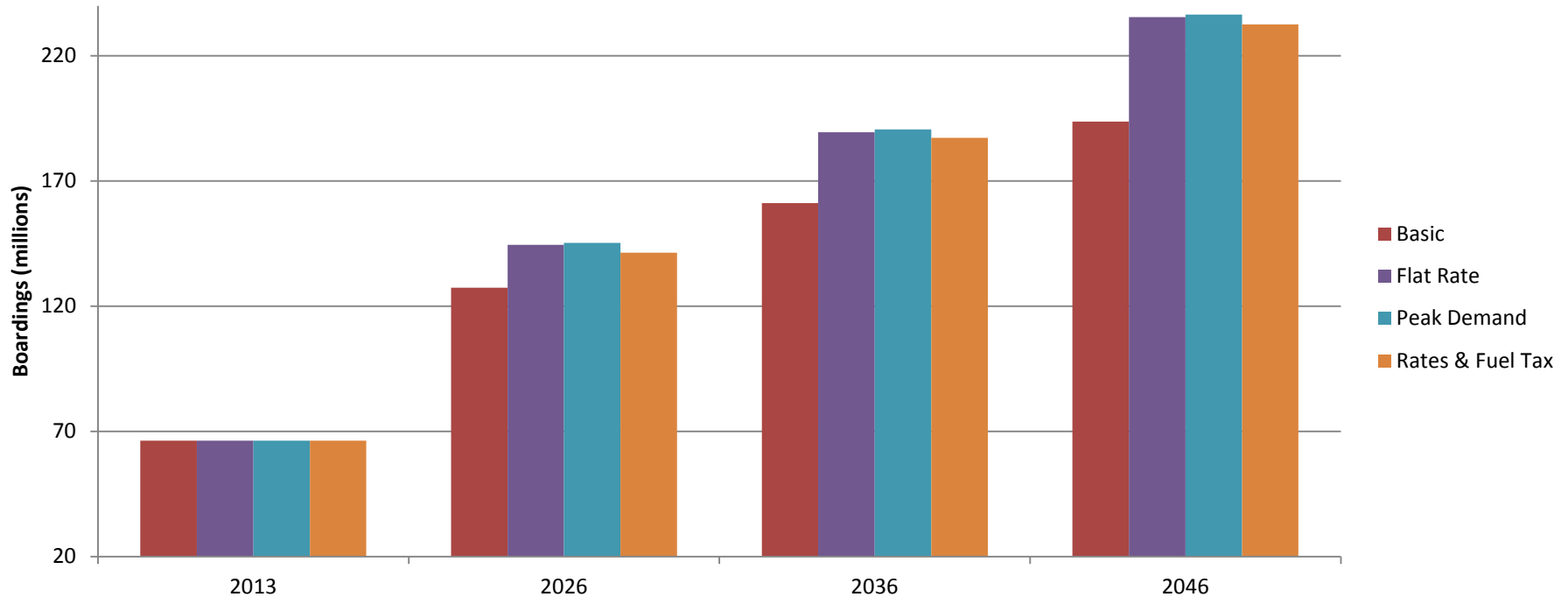
| FLAT RATE<br>per use charge |                 |                 |                 | OR | PEAK DEMAND RATE<br>per use charge |            |             |                   |             |            |             |                 |                 |                 |
|-----------------------------|-----------------|-----------------|-----------------|----|------------------------------------|------------|-------------|-------------------|-------------|------------|-------------|-----------------|-----------------|-----------------|
| Weekdays                    |                 | Weekends        |                 |    | Weekdays                           |            |             |                   |             |            |             |                 | Weekends        |                 |
| 6am<br>–<br>7pm             | 7pm<br>-<br>6am | 6am<br>-<br>7pm | 7pm<br>-<br>6am |    | Off<br>peak                        | AM<br>peak | Off<br>peak | Inter-<br>peak    | Off<br>peak | PM<br>peak | Off<br>peak | Night<br>s      | 6am<br>–<br>7pm | 7pm<br>–<br>6am |
|                             |                 |                 |                 |    | 6-7<br>am                          | 7–9<br>am  | 9-10<br>am  | 10<br>am –<br>3pm | 3-4<br>pm   | 4-6<br>pm  | 6-8<br>pm   | 8pm<br>–<br>6am |                 |                 |
| \$2.00                      | Free            | \$2.00          | Free            |    | \$2.00                             | \$2.80     | \$2.00      | \$1.30            | \$2.00      | \$2.80     | \$2.00      | Free            | \$1.30          | Free            |

# Comparison of the Options

- Both Pathways raise sufficient revenue
- New funds dedicated solely for transport in Auckland
- Assessed against:
  - Transport Impacts
  - Fairness and Impact
  - Cost and Complexity
  - Economic Impacts

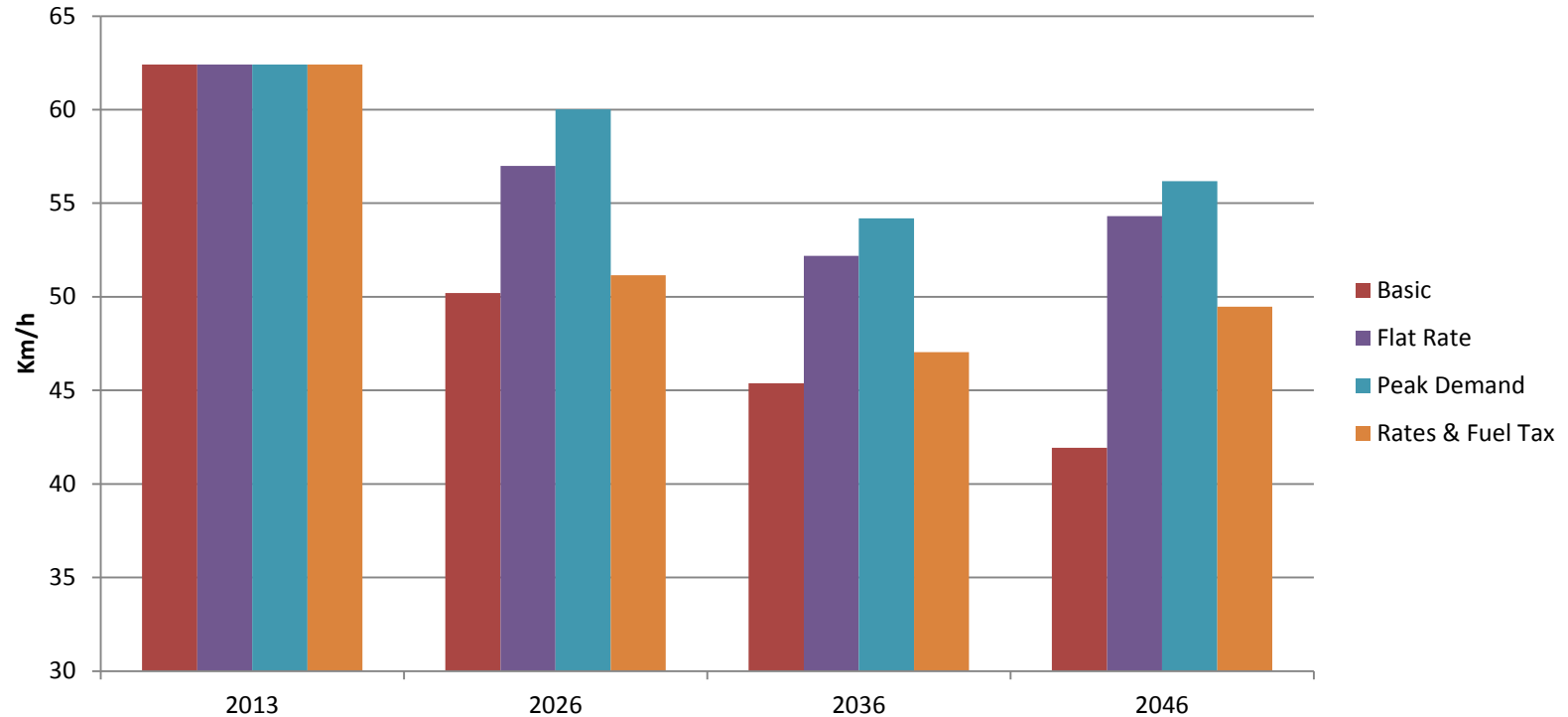
# Transport Impacts

Annual passenger transport boardings



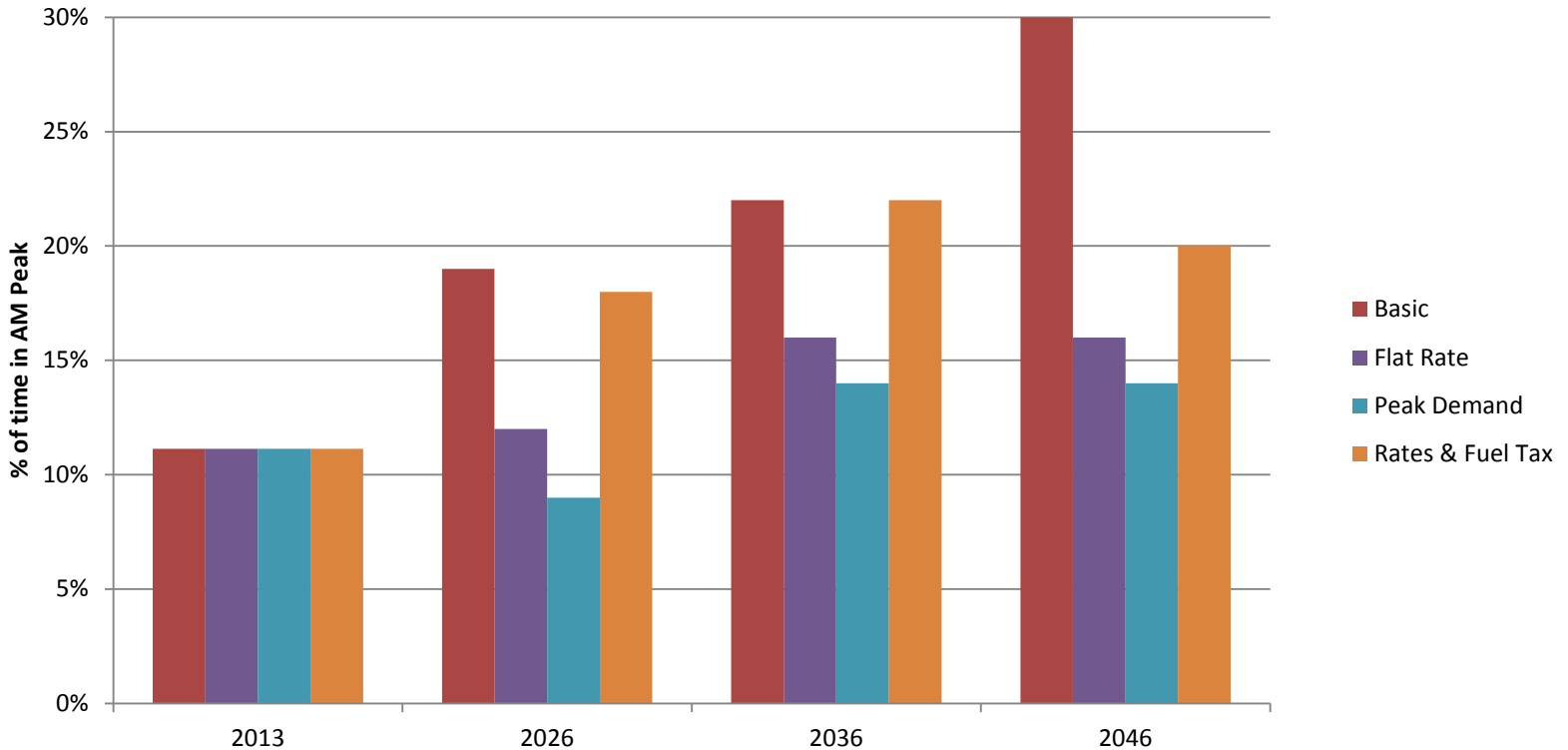
# Transport Impacts

Average AP peak speed on the Strategic Freight Network



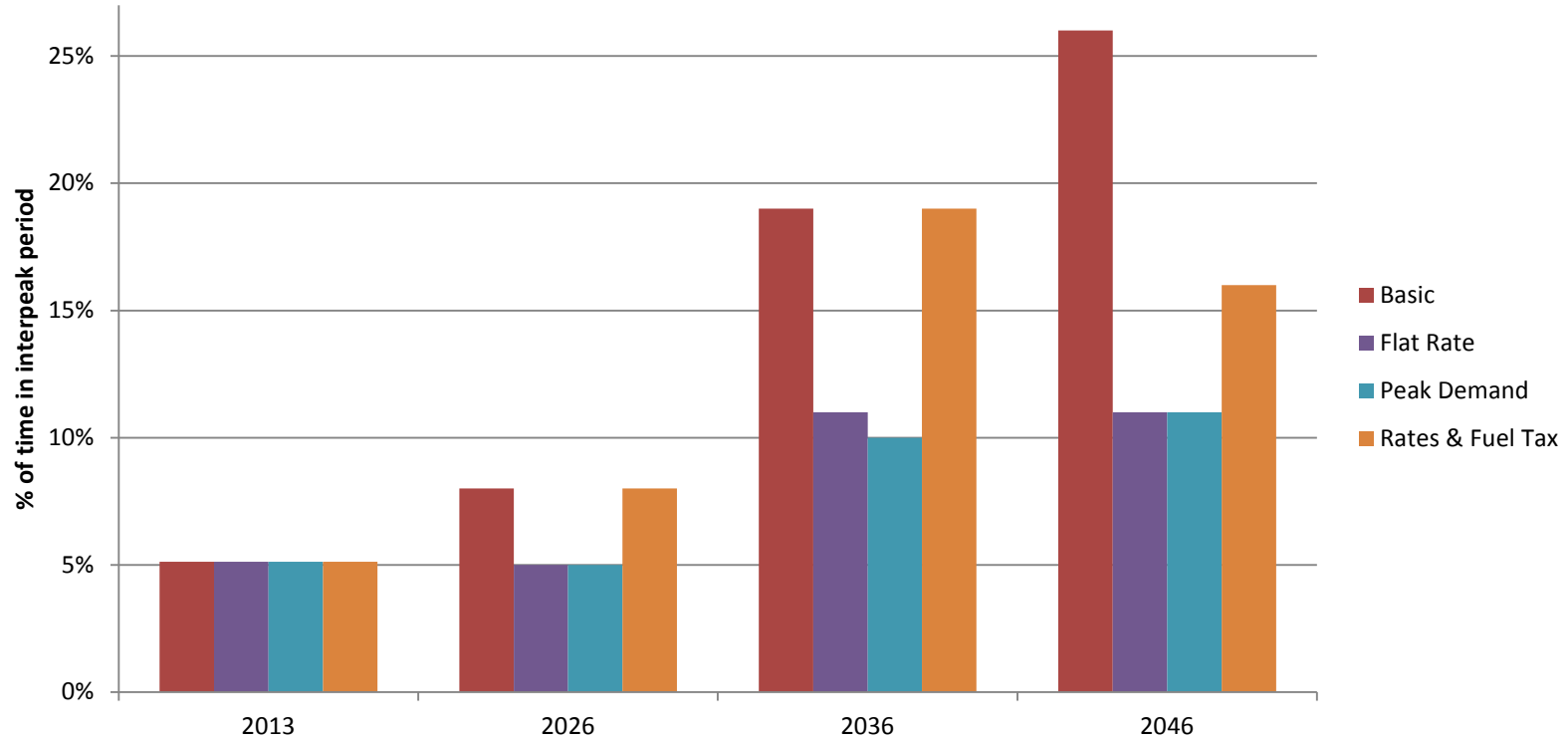
# Transport Impacts

% AM peak spent in severe congestion on the Strategic Freight Network



# Transport Impacts

% of interpeak spent in severe congestion on the Strategic Freight Network



# Fairness / Impact

## Rates and Fuel Tax

- Business pays 34%
- Savings to business exceed costs
- Avg cost per h'hold \$348 pa by 2026
- Extra rates apply irrespective of use
- Vulnerable h'holds pay 15% of charges
- For 12% of vulnerable h'holds increased charges are more than 1.75% of net income
- Changing travel behaviour will not reduce costs
- Tolls on only some new roads is unfair

## Motorway User Charge

- Business pays 41%-46%
- Savings to business exceed costs
- Avg cost per h'hold \$345 pa by 2026
- Regular M'way users (8% of h'holds) pay 26% of charges – \$1500 pa per h'hold
- Other h'holds pay as little as \$150 pa
- Vulnerable h'holds pay 11% of charges
- For 7% of vulnerable h'holds increased charges are more than 1.75% of net income
- Changing travel behaviour can reduce costs



# Cost and Complexity

## Rates and Fuel Tax

- No legislation required (unless a regional fuel tax)
- Free to collect at the margin
- Simple and easy to implement

## Motorway User Charge

- New legislation required
- Capital and set-up costs of around \$108.7m
- Ongoing operating costs of 10-12% of revenue
- Complex to introduce with risks around underestimating the impact of the charge and the diversion of traffic

# Economic Impacts

Biggest benefit is from implementing the Auckland Plan Transport Network (BCR of 1.2)

## Rates and Fuel Tax

- Is low cost and very cost effective
- Generates modest additional benefits because of limited behaviour change
- NPV of total benefits \$510m

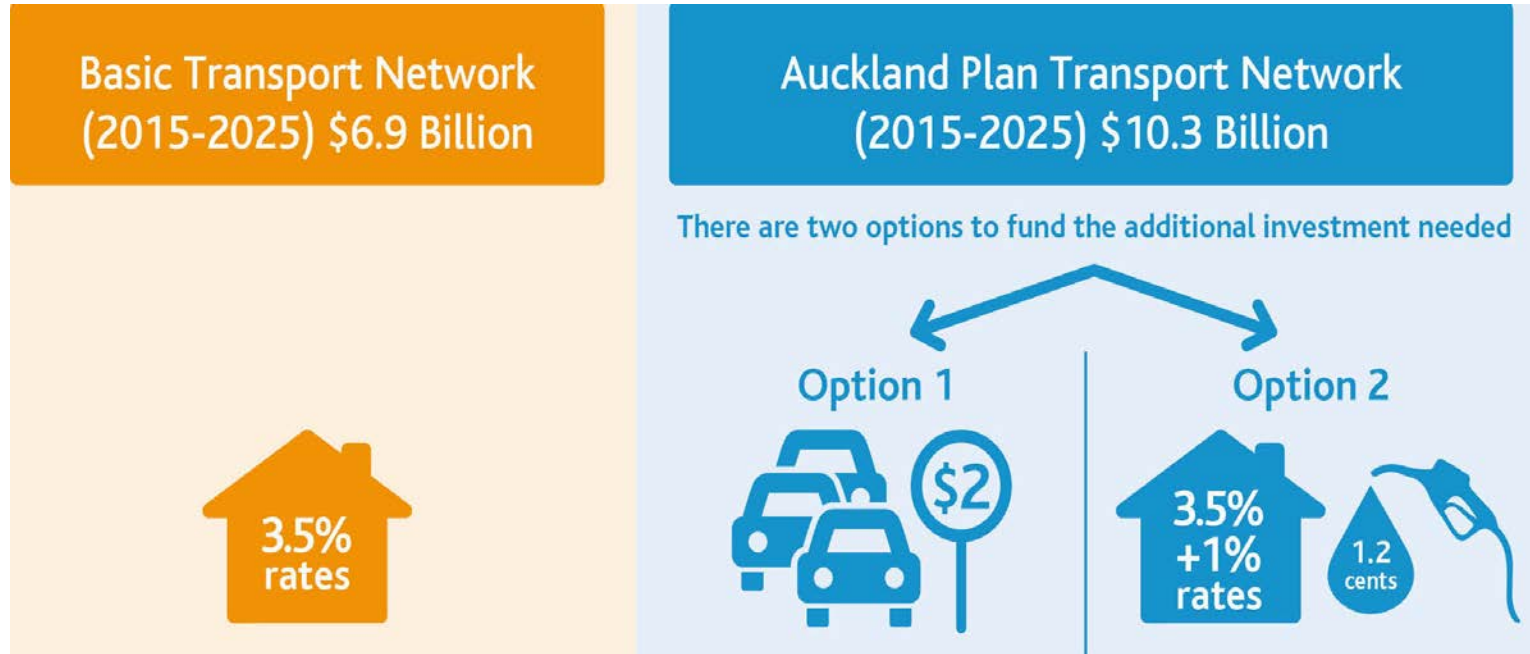
## Motorway User Charge

- More expensive to implement
- Generates significantly more benefits because it changes travel choices
- NPV of benefits \$1.6b

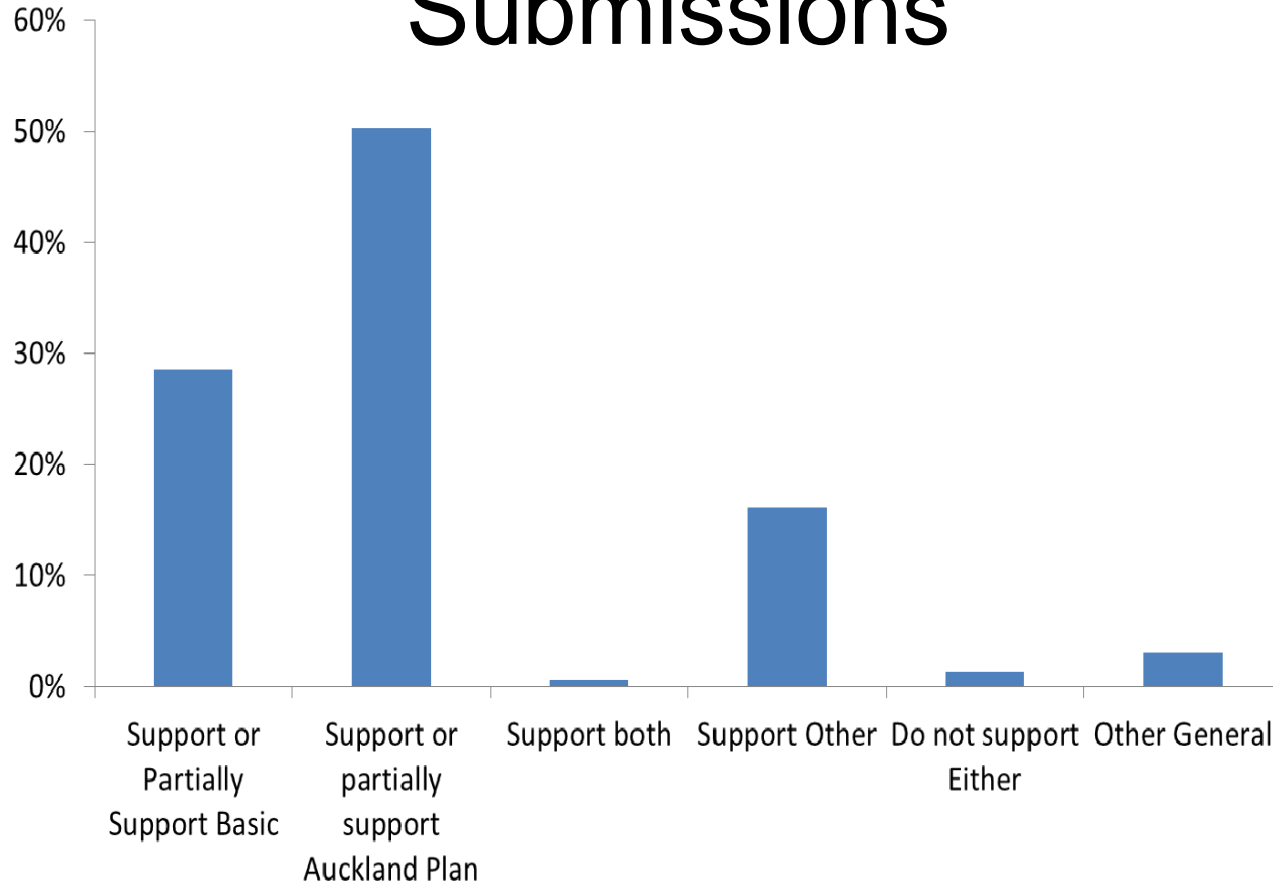
# Findings

- A Rates and Fuel Tax pathway is easy to implement, spreads the funding burden broadly and would deliver predictable revenue
- A Motorway User Charge is complex, costly to implement and requires legislation, but delivers better transport system performance, aligns cost with those who use it and delivers them benefits

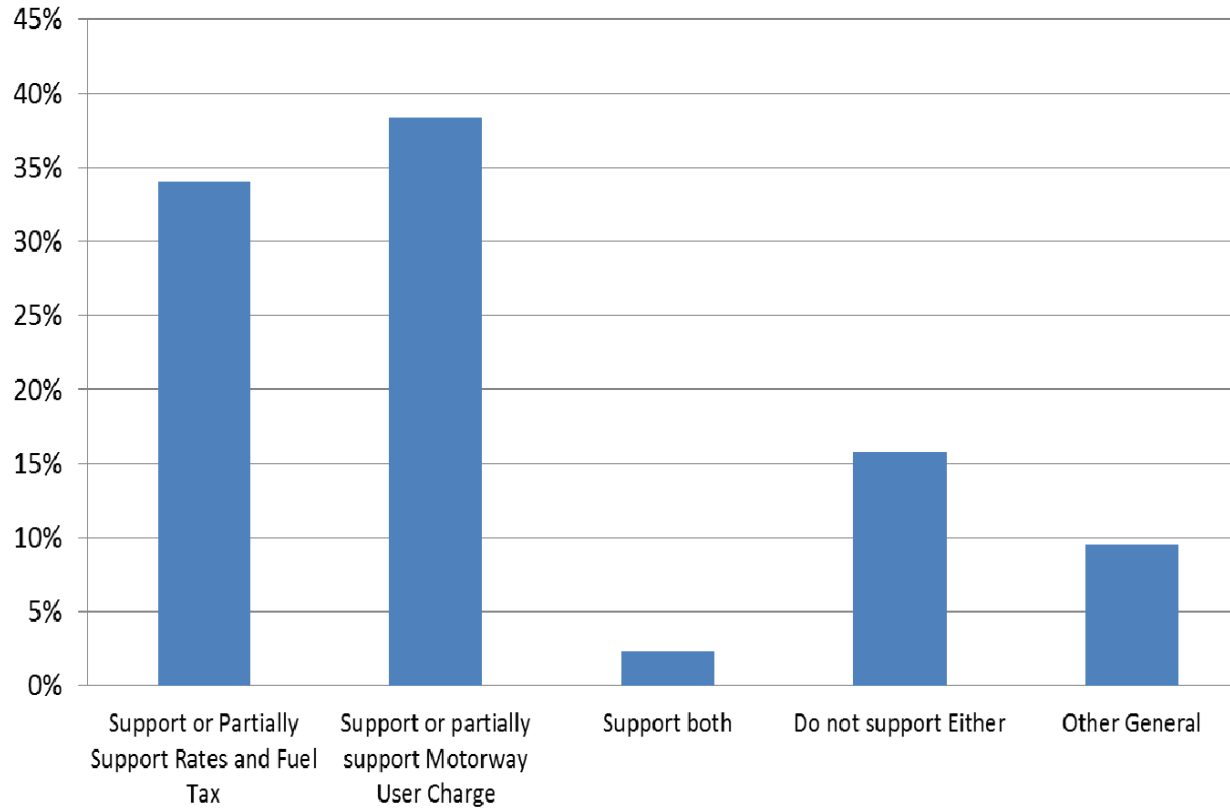
# The Council put the choices to Auckland



# Submissions



# Submissions



# Survey

| Preferred transport network     | Support |
|---------------------------------|---------|
| Basic transport network         | 32%     |
| Auckland Plan transport network | 58%     |
| Neither                         | 5%      |
| Don't know / other              | 5%      |

# Survey

| Preferred funding option | Support |
|--------------------------|---------|
| Motorway User Charge     | 57%     |
| Fuel taxes and rates     | 31%     |
| Neither                  | 10%     |
| Don't know               | 2%      |



# The Reaction

## **Auckland Council**

- Has established an interim targeted rate to bridge some of the gap
- Probably has a majority that support a motorway user charge
- Wants to progress the funding issue further with the government – proposed a transport accord to do so

# The Reaction

## **Government**

- Is not convinced
- Has agreed to work on the transport package that is needed
- Jointly set up the Auckland Transport Alignment Project
- May entertain a discussion about funding – but only once the package of investment is agreed

# and ...

- The Auckland Transport Alignment Project is likely to take more than a year
- There is a local government election in October next year

