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18 MAY 2018

Office of Hon Phil Twyford

Ministry of Transport: Aide Memoire

To: Hon Phil Twyford, Minister of Transport
Copy: Hon Julie Anne Genter, Associate Minister of Transport
From: Helen White, Manager, Investment
Date: 18 May 2018
Subject: Forecast activity class expenditure and Auckland share
OC Number: OC180400

Purpose of this aide memoire

1. This aide memoire provides additional information on the local road improvements and public transport activity class funding ranges, and the proportion of funding that Auckland is forecast to receive.

Context

2. During the development of the Auckland Transport Alignment Project (ATAP) package, you have been clear that Auckland should receive its fair share of available funding based on population. Auckland's population share over the next decade is forecast to be between 35 and 37 percent.
3. You have asked how the expected expenditure associated with the delivery of the ATAP package would be distributed across local road improvements and public transport activity classes.
4. The proportion of funding that Auckland is expected to receive from an activity class depends on the actual level of expenditure within the activity class funding range. As this information is not yet available, this paper provides two estimated figures, one assuming expenditure is at the mid-point of the funding range, and one assuming that expenditure is at the upper limit of the funding range.
5. The New Zealand Transport Agency (NZTA) currently estimate that expenditure will be around the mid-point of the funding range for the public transport and local road improvements activity classes, and slightly above the mid-point of the regional improvements activity class. However, given the strong focus the GPS has on safety and public transport, and the potential for higher Funding Assistance Rates, expenditure could be higher in the ranges than currently forecast.

Public transport activity class

6. The public transport activity class is mainly allocated to the metropolitan regions, primarily Auckland, Waikato (Hamilton), Bay of Plenty (Tauranga), Wellington and Christchurch.

7. While Auckland's population share of the country is forecast to be between 35 and 37 percent over the next decade, its share of the five metropolitan regions is between 47 and 49 percent.
8. In our advice to you (OC180382 refers), we proposed to increase the public transport funding range. Under this new funding range, Auckland is forecast to receive about 63 percent of funding. If expenditure is at the upper limit of the funding range, Auckland would receive 54 percent of this activity class.
9. Over the period from 2012 to 2017 (i.e. the previous two GPS'), Auckland has received about 61 percent of this activity class.

Local roads improvements activity class

10. Assuming that expenditure from the local road improvements activity class is at the mid-point of the funding range over the next decade, Auckland is forecast to receive around 65 percent of expenditure. If expenditure from the local road improvements activity class was at the upper limit of the funding range rather than the mid-point, Auckland's share would reduce to 46 percent.
11. Between 2012 and 2017, the local road improvement activity class was underspent, and during this time 40 percent of expenditure was provided to Auckland.
12. In addition to local road improvements, non-metropolitan areas can invest in local roads through the regional improvements activity class¹. Combining the mid-points of the local road and regional improvements activity classes, Auckland is likely to receive 45 percent of expenditure of the funding ranges. This would reduce to 32 percent if expenditure was at the upper limit.
13. Overall, the proportion Auckland is likely to receive from the National Land Transport Fund for local road improvements is higher than its population share, but in line with Auckland's historic share.

Next steps

14. The NZTA is responsible for determining which projects receive funding within each activity class, and for ensuring that the overall investment programme is managed within the expenditure targets set out in section 3.1 of the GPS 2018.
15. There is currently an expectation in the GPS that the NZTA should prioritise the delivery of ATAP. You may wish to set an additional expectation that the NZTA consider what proportion of funding is going to Auckland from each activity class to ensure that investment is balanced.
16. You may wish to discuss this when you meet with the NZTA Board on 23 May 2018. We will capture this in the briefing that we are providing ahead of the meeting.

¹ Note that the regional improvements activity class also provides investment for other activities including state highway improvements and walking and cycling.