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Unlocking transport funding and revenue

For decision: For noting:

Ngā tūhonga / Recommendations

That the Auckland Transport (AT) Board (board):

- a) Notes the key challenges for AT in funding and financing transport infrastructure.
- b) Notes the direction in the Letter of Expectation for the Statement of Intent 2023 – 2026 (the letter of expectation) that AT:
 - i. Looks at opportunities to increase external income and reduce reliance on rates funding.
 - ii. Supports council in seeking from central government a more flexible and efficient project funding assessment regime tailored to Auckland’s specific challenges.
- c) Notes that management will identify opportunities for government legislative, regulatory and policy setting changes which may be prioritised for reform to increase transport revenue and address the challenges of funding transport operations and investment.

Te whakarāpopotanga matua / Executive summary

1. Changes to urban planning targeted at relieving the housing crisis, including the establishment of Medium Density Residential Standards (MDRS) and the National Policy Statement on Urban Development 2020, have greatly increased development flexibility while at the same time reducing certainty of the timing and location of urban development in Auckland.
2. Reduced development certainty makes it more costly for AT and Auckland Council to service growth areas with transport and wider infrastructure.
3. The letter of expectation calls on AT to “support council in seeking from central government a more flexible and efficient project funding assessment regime tailored to Auckland’s specific challenges”.
4. Recent weather events have compounded general transport funding challenges discussed at the December 2022 board meeting and will require significant investment in critical networks to restore services, as well as reinvest in alignment with the AT Climate Change Adaptation Policy.
5. The letter of expectation instructs AT to “look at opportunities to increase external income and reduce reliance on rates funding.”
6. AT already has a number of initiatives underway to increase revenue and source new operational and investment funding. Some of these initiatives require changes to central government policies, statute and regulatory settings.

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7. Management will leverage existing workstreams to identify priorities for legislative, regulatory and policy reform and develop these priorities into an advocacy plan for board endorsement and subsequent Auckland Council and central government engagement.
8. Before confirming our advocacy work programme in this area, its timely to engage with New Zealand Infrastructure Commission General Manager of Strategy Geoff Cooper to explore the Commission’s views on transport and infrastructure funding and financing opportunities.

Ngā tuhinga ō mua / Previous deliberations

Date	Report Title	Key Outcomes
1 December 2022 Board	Funding Challenges for AT	The board noted that Waka Kotahi New Zealand Transport Agency (Waka Kotahi) and Auckland Council are under significant funding pressure.
14 March 2023 Design and Delivery Committee (committee)	Unlocking transport funding and revenue	The committee noted this report. The committee highlighted operating funding challenges. Staff will investigate options to increase operating revenue through advocacy.

Te horopaki me te tīaroaro rautaki / Context and strategic alignment

9. In response to severe housing pressures over many years, the Government has sought to enable a more flexible supply of affordable housing by loosening planning regulations. The National Policy Statement for Urban Development 2020 required “tier 1” councils across New Zealand, including the Auckland Council, to allow for increased urban density and consider out-of-sequence development proposals.
10. In 2021, the Government passed legislation which brought into effect new Medium Density Residential Standards (MDRS). MDRS require Tier 1 councils, including Auckland, to provide for up to three residential units up to three stories on almost all building sites as a permitted activity.
11. These planning requirements greatly increase the scope of development opportunities across Auckland, including in areas which are not well-served by transport, nor planned for future investment. Pressure to invest in support of new development has been increasing at the same time as wider cost and funding pressures have reduced the ability to respond.
12. The board has been considering funding pressures for some time. At the December 2022 board meeting, Waka Kotahi was invited to present on the status of the National Land Transport Fund (NLTF) and staff provided an update on the range of funds available to support transport investment. Waka Kotahi noted that the NLTF is under considerable pressure, and going forward may be sufficient only to cover core

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programmes – public transport operations, and road maintenance, operations and renewals. These areas are coming under considerable cost pressure due to service requirements and economic factors.

13. The Business Plan has an annual target of sourcing \$100 million of new funding. For 2022/23 AT has been successful in obtaining Infrastructure Acceleration Fund (IAF) funding for the upgrade of Carrington Road and funding from the Climate Emergency Response Fund (CERF). Overall, these two funding sources have provided in excess of \$200m of new funding.
14. The 2022 Business Plan also signals that work will be launched on a response to urban growth, the principal challenge around which is resourcing the infrastructure requirements of more rapid and flexible development patterns.
15. On 21 December 2022, the AT chair received the letter of expectation. In this, the mayor expressed council’s expectation that AT work to increase revenue and funding to reduce pressure on council resources. Specifically:
 - a. Key expectation (iii) instructs AT to “look at opportunities to increase external income and reduce reliance on rates funding.”
 - b. Key expectation (vi) instructs AT to support council in seeking a more flexible and efficient project funding assessment regime that is tailored to Auckland’s challenges.
16. Since receipt of the letter of expectation, Auckland has suffered severe weather events, including the January floods and Cyclone Gabrielle, which have placed further pressure on available transport funding resources to both restore critical services and reinvest in alignment with AT’s Climate Change Adaptation Policy.

Ngā matapakinga me ngā tātaritanga / Discussion and analysis

Project funding

17. Despite reforms to urban planning which have increased the speed and responsiveness of growth, no effective changes have been made to accelerate the delivery of infrastructure necessary to support that growth.
18. The one tool developed to date, the Infrastructure Funding and Financing Act 2020, has proven difficult to apply and three years after enactment has still to be implemented in Auckland.
19. Several significant central government funds have been established, including the IAF. These funds provide valuable additional resourcing for AT and council, but are limited in their availability, take time to access, and do not provide any price or cost signals to developers.
20. As of early 2023, AT is faced with sustained development activity in both priority areas planned for growth and elsewhere around the region, but with funding and financing tools and processes designed for a system where growth can be tightly managed.
21. To respond to the letter of expectation and ensure that AT can promote an efficient, effective and safe land transport system, changes to national project funding (and financing) legislation and processes will be required.

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22. The letter of expectation indicates that council will lead this process, but it will be necessary for AT staff to identify potential policies, regulations and statute which impede project funding and financing in support of growth, and seek board endorsement of recommendations to council.

General transport revenue and funding

23. More responsive and effective project funding options will help AT respond to growth as and when it occurs, and should also provide price signals to developers to reflect the relative costs of development around Auckland (helping to encourage development in lower-cost locations). However, such options are unlikely to provide support for operational activities, and may be of limited application to support climate change adaptation, road renewals, and other areas calling for higher levels of investment.

24. In these instances, some combination of new revenue streams and higher revenue flows will be required. In some cases, changes to legislation, regulation or central government policy will be necessary to enhance revenue and lower AT's reliance on rates funding, as per the letter of expectation.

Proposed AT response

25. To respond to the letter of expectation, inform the Statement of Intent, and leverage existing AT analysis, a new workstream will be established to link in with two programmes already underway to pursue new and additional funding.

26. The two workstreams which are already in effect are:

- a. A programme to identify and realise opportunities to implement or increase AT charges for the services we provide, where these are currently undercharged (led by the Programme Director – Congestion Charging and the Group Manager Finance).
- b. A programme to identify and realise opportunities to reduce the financial burden on AT and council associated with transport project delivery (led by the Head of Funding and Analysis and Head of Corporate Finance).

27. The third, new workstream will identify policy, legislative and regulatory changes necessary to address both project funding issues and more general revenue barriers, consistent with the letter of expectation (led by the Head of Transport Policy).

28. This workstream will report back to the board in April 2023 with a series of funding and financing options for consideration.

29. A prioritised list of funding and financing opportunities will be developed into a funding and financing advocacy plan for engagement with Auckland Council and central government.

30. Various government partners will be engaged through this programme of work, including the New Zealand Infrastructure Commission Te Waihanganga. Infrastructure Commission General Manager of Strategy Geoff Cooper has been invited to the March 2023 board meeting and will present some of the Commission's research on transport funding and financing.

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Ngā tūraru matua / Key risks and mitigations

Key risk	Mitigation
That advocated reforms in support of new funding and revenue streams result in different, but still higher, charges for residents.	AT works with council and government on supporting interventions which lessen the impact on high needs groups.
That political support for new funding and revenue sources decreases as costs to residents, users and beneficiaries become clear.	Elected members are engaged on potential cost implications for their constituents as these become clear. The benefits of investment and more direct funding sources are clearly articulated.

Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts

31. The objective of this workstream is to increase the quantum and range of resourcing options available to AT and Auckland Council. The development of new tools and funding sources will also provide improved certainty of revenue for future Long Term Plan and Regional Land Transport Plan implementation.
32. Internal resources currently allocated to urban growth and climate change policy reform will be reoriented to this workstream.
33. No additional resourcing requirements are necessary at the stage.

Ngā whaiwhakaaro ō te taiao me te panonitanga o te āhuarangi / Environment and climate change considerations

34. It is anticipated that resourcing of climate change initiatives will be promoted through this workstream.

Ngā whakaaweawe me ngā whakaaro / Impacts and perspectives

Mana whenua

35. There are no direct impacts on mana whenua at this stage.

Ngā mema pōti / Elected members

36. Elected members have not been engaged at this stage.

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37. Consideration of whether this work programme will proceed through the Transport and Infrastructure Committee will be given following board endorsement of the programme.

Ngā rōpū kei raro i te Kaunihera / Council Controlled Organisations (CCOs)

38. CCOs, including Eke Panuku, and wider partners including Kāinga Ora will be engaged following endorsement of the advocacy plan.

Ngā kiritaki / Customers

39. There are no impacts on customer experience at this stage.

Ngā whaiwhakaaro haumaruru me ngā whaiwhakaaro hauora / Health, safety and wellbeing considerations

40. There are no health, safety or wellbeing considerations at this stage.

Ā muri ake nei / Next steps

41. Management will develop a long list of potential central government policy, legislative and regulatory reforms to support new or additional funding and revenue sources, for consideration at the May 2023 committee meeting.

42. Management will present a draft funding and financing advocacy plan to the June 2023 committee meeting, for endorsement.

Te pou whenua tuhinga / Document ownership

Submitted by	Hamish Glenn Head of Transport Policy	
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