

Section 5: Funding | Whiti 5: Pūtea hāpai

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5.1 Introduction

Funding via the National Land Transport Fund (NLTF) is critical to giving effect to the programme of regional transport activities included in the plan and to the objectives and priorities for our region.

The NLTF is not able, however, to fund all of the activities identified in the plan. Other sources of funding outside the NLTF are needed to give effect to the policy direction in the plan.

Section 5 includes a summary of funding sources available to the region, both existing and emerging, that can be used to progress the objectives and priorities in the plan.

It also includes a 10 year forecast of revenue and expenditure as required by the Land Transport Management Act (LTMA).

These funding sources, combined with other key implementation measures outlined in section 3 of this plan will enable the region to progress the policy direction of the plan.

Key LTMA requirements for funding in the plan

- Regional Transport Committee (RTC) must take into account likely funding sources.
- Regional Land Transport Plan (RLTP) must include a 10 year forecast of revenue and expenditure.

5.2 Anticipated revenue sources

A description of the known and anticipated sources of funding for regional land transport activities is outlined below. This includes funding through the NLTF and other sources of funding.

5.2.1 Revenue from the National Land Transport Fund

The NLTF is a funding source for projects supported by the NZ Transport Agency (NZTA or the Agency). This funding is sourced from road user charges, fuel excise duty and from motor vehicle registration and licencing fees. There are also modest contributions from sources such as the rental or sale of state highway land, and interest from cash invested.

Funding in the NLTF is allocated to activity classes established in the Government Policy Statement for Land Transport (GPS). The GPS is prepared on a three yearly basis and is amended to reflect the government of the time's priorities for land transport.

The latest draft GPS has included two additional funding classes and has expanded the scope of Road Safety Promotion to include demand management. The draft GPS has signalled an increased focus on public transport and reducing the reliance on single occupancy vehicles and the role rail plays to achieve this. This has resulted in the introduction of a Transitional Rail Activity class and further supported by the introduction of a Rapid Transit activity class.

The 12 activity classes of the draft GPS 2018 include:

- state highway improvements
- local road improvements
- regional improvements
- walking and cycling improvements
- state highway maintenance
- local road maintenance
- public transport
- road policing
- road safety promotion and demand management
- investment management (transport planning)
- rapid transit
- transitional rail

For each activity class, an upper and lower funding range is given in the draft GPS. The distribution of funds across activities is undertaken by the Agency. Funding occurs in a manner consistent with the GPS, and is on the basis of national priority until the funding available to each activity class is fully allocated. Not all activities put forward in regional land transport plans will receive the funding sought from the NLTF.

The road policing activity class is not coordinated through regional land transport plans as occurs with the other activity classes. Funds are allocated directly to the NZ Police at a national level. Regional land transport plans are required, however, to include an assessment of the relationship of police activities to the plan. This is included in section 3 of the Plan after the road safety template.

The Department of Conservation (DoC) is responsible for managing a significant length of public roads which provide public access to various parks and recreation areas across New Zealand. These roads are often the only access to key tourist destinations. DoC is regarded as a road controlling authority and receives funding from the NLTF to assist in managing its road network. For the 2018-2021 period, DoC, for the first time will be listed as an approved organisation and will seek funding from the NLTF via the RLTP rather than being bulk funded nationally.

A second stage transformative GPS would, however, have likely funding implications for this RLTP. The Government has signalled it would consult with the transport sector on this down track.

5.2.2 Local revenue sources and funding assistance rates

Many transport activities undertaken by regional and territorial authorities are subsidised through the NLTF. Subsidy through the NLTF is contingent on the provision of a local contribution applied by the local authority. Local revenue sources are typically derived from local rates, fares for public transport services (where relevant) and debt.

The amount of subsidy varies between local authorities and is referred to as the funding assistance rate (FAR).

Local authorities also carry out unsubsidised activities such as seal extensions in rural areas that do not get picked up in this figure. Maintenance and renewal of existing footpaths has previously been an unsubsidised activity undertaken by local authorities. For the first time, these activities are considered to be eligible for funding assistance via the NLTF. Once the NZ Transport Agency has determined the most appropriate work category for these activities, it is expected that local authorities will amend their maintenance programmes accordingly. It is proposed to handle this change by way of variation to the plan once it becomes operative.

5.2.3 Other sources of revenue

There are a range of other known sources of revenue at both national and local levels for regional transport activities, as outlined in this section.

Supplementary funding

At the local level, additional sources of funding outside those provided through the NLTF or from local revenue sources are termed 'supplementary funding'. Examples of supplementary funds include:

- additional contributions from territorial authorities or private parties beyond that usually required for a subsidised activity such as developer contributions
- contributions from community groups or other government agencies to community programmes.

The primary source of supplementary funding in the Waikato is developer contributions. The level of supplementary funding is dependent on a range of factors such as the level of development in the region and long term plan processes. As such, the anticipated dollar value of supplementary funds over the next 10 years is not exact.

Accelerated regional roading package

In June 2014, the then government of the time announced a \$212 million funding package to accelerate regionally important state highway projects, drawing on the Future Investment Fund. The \$212 million funding package was made up of three parts. Of relevance to the Waikato region was up to \$5 million to finalise investigation and consenting processes for six projects, and up to \$115 million funding that was put aside to fund the construction of these projects. In January 2016 the then previous government announced that up to \$115 million funding would be made available to fund construction of four

projects, including the Mt Messenger bypass and the Awakino Tunnel bypass on SH3 running between the Waikato and Taranaki regions.

\$100 million for urban cycling

In August 2014, the previous government announced extra investment of \$100 million over the following four years for urban cycling infrastructure. A programme of activities was developed based on recommendations from an Urban Cycling Investment Panel, consisting of representatives of central and local government and other organisations. Within the Waikato, Hamilton's Western rail trail was one project that received funding via this funding source.

National cycle trail funding

The Ministry of Business Innovation and Employment (MBIE) is supporting Great Rides across New Zealand through a \$25 million national cycleway fund (over four years from 2016). The fund supports completion, extension and enhancement of trails and development to allow cyclists to cycle even more safely between some of the Great Rides by connecting rides in a cycling network. The aim of this investment is to maximise the spinoffs to local communities and encourage visitors to spend more time on the trails. Access to this fund requires a business case and can be accessed as and when each trail is ready to submit. It requires up to 50 per cent local share and land access agreements to be in place.

MBIE also fund up to \$4 million per annum through their 'Maintaining the Quality of Great Rides' fund. Other MBIE funds are also potentially accessible depending on the nature of the specific project.

Rail

KiwiRail is a state owned enterprise focusing on the movement of freight and people by rail and ships within New Zealand. As a state owned enterprise, KiwiRail funding and planning occurs separately to the rest of the transport network. A new activity class has been included in the draft GPS to address the contribution that rail can make to assisting a shift in user behaviour away from single occupancy vehicles to public transport. The Transitional Rail activity class has been intended to support the development of rail services, primarily through the development of supporting sub track infrastructure. It is expected that passenger rail services will continue to be accessed through the Public Transport activity class.

Provincial Growth Fund

The Government has announced the introduction of the Provincial Growth Fund (PGF) that seeks to invest \$1 billion per year to enhance economic development opportunities, create sustainable jobs, contribute to community wellbeing and enhance the productivity potential of the regions. This fund will be administered and delivered by the Ministry of Business Innovation and Employment. It has been proposed that some transport activities that may not necessarily be eligible for funding support via the NLTF may have economic development merits that could be addressed through funding support from the PGF. In order to access this funding, local authorities are required to ensure that these activities have been included in their relevant RLTPs. It is proposed that for

any activities that might meet these criteria they are included by way of variation to the RLTP ahead of application to the PGF. This fund may be particularly relevant for activities that have cross-boundary impacts and would encourage subregions to work together to access this funding.

5.2.4 Emerging funding streams

The Government has indicated there are several sources of funding that may assist local authorities to progress their transport priorities.

Funding Assistance Rates

A major contributor to progressing the delivery of local activities has been the lift in the funding ranges for activity classes in the draft GPS. Across almost all activity classes there has been a lift in the Upper Funding ranges allowing local authorities to access greater amounts of NLTF support for local projects. This supports the Government's priorities to support regional improvements in safety, walking and cycling, public transport and the maintenance and operation of local roads.

Housing Infrastructure Fund

There has been a commitment by Government to support transport activities seeking support from the Housing Infrastructure Fund to develop infrastructure that supports increasing housing supply. This fund is essential to enabling Hamilton City Council to address the impact of high growth being experienced by the city and facilitating the development of the Peacocke growth cell.

Regional Fuel Tax

The Government has made provision for the application of regional fuel taxes with a proposed amendment bill to the LTMA allowing the establishment of regional or subregional fuel taxes. Initially, this would be restricted to Auckland, with other regions potentially accessing this in 2021.

The RLTP is well placed to take advantage of any new funding opportunities and it is expected that any variations to activities necessary to leverage additional investment will be progressed through the operative life of the plan.

5.2.5 10-year forecast of revenue and expenditure

The LTMA requires regional land transport plans to include a financial forecast of anticipated revenue and expenditure on activities for the 10 financial years from the start of the regional land transport plan. Table 2 shows the anticipated expenditure in each activity class over the next 10 years, along with the anticipated revenue source.

The 10-year forecast for the Waikato region has a total cost of almost \$5.7 billion. The NLTF share of this expenditure is almost \$4.7 billion. The balance of funding is made up from local share of \$1 billion, with other funding sources still to be confirmed.

Long term plan and annual plan processes will affect the final values, and ongoing regional land transport plan reviews will also affect the activities proposed, as well as values. However, the 10-year forecast does give an indicative forecast of expenditure based on the best information available at this time.

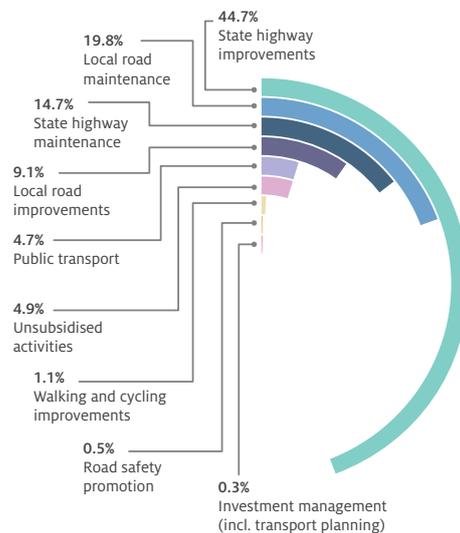


Figure 18 10 year forecast by activity class

Figure 18 '10 year forecast by activity class' illustrates that there is significant investment going into roading improvement and maintenance activities, both for state highways and local roads.

Activity class	10 year total (\$ millions)	NLTF share (\$ millions)	Local share (\$ millions)
State highway improvements	\$2,665.2	\$2,665.2	\$-
Local road improvements	\$544.4	\$281.9	\$ 262.5
Regional improvements	These will be confirmed by NZTA after moderation.		
Walking and cycling improvements	\$66.4	\$37.4	\$28.9
State highway maintenance	\$878.5	\$878.5	\$-
Local road maintenance	\$1,181.9	\$645.3	\$536.6
Public transport	\$280.6	\$143.1	\$137.5
Road safety promotion	\$30.7	\$16.7	\$14.1
Investment management (transport planning)	\$19.4	\$11.6	\$7.8
Transitional Rail	TBC	TBC	TBC
Rapid Transit	TBC	TBC	TBC
Totals	\$5,667.1	\$4,679.7	\$987.4
Unsubsidised activities	\$289.6	\$-	\$289.6
Total 10 year investment	\$5,956.7	\$4,679.7	\$1,277.0

Table 2 Anticipated revenue and expenditure in each activity class over the next 10 years

In the short term, being the period 2018-2021 and leading up to the next RLTP period, Figure 19 'Short term investment by activity class' shows that the investment balance is broadly similar to the investment profile observed for the 10 year forecast.

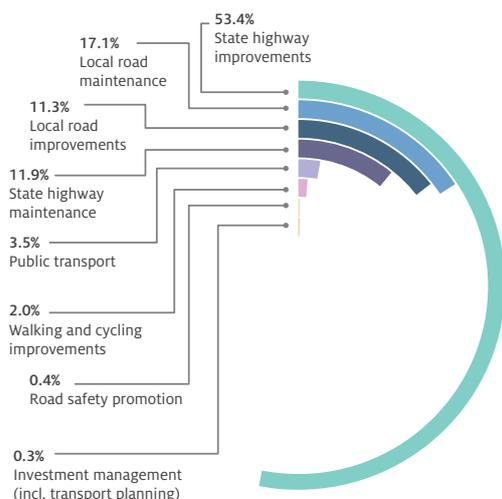


Figure 19 Short term investment by activity class

In the short term, there is a slightly higher proportion of investment identified within state highway improvements, which reflects the committed investment to be undertaken in the next few years as large infrastructure projects required to finish the Waikato Expressway are completed.

Due to the scale of investment for these activities, just a few projects can have a disproportionate impact on the balance of investment.

The observed proportion and balance of investment proposed is almost exactly consistent with what has been observed in the 2015 RLTP.

Due to the timing of various processes that affect the delivery of transport activities, such as the impact of local authorities Long Term Plans, it is not expected that in the short term the balance of investment will vary significantly from that of prior years. It is expected however, that the intentions signalled by Government through the draft GPS will be captured in subsequent plans as local authorities adapt their work programmes accordingly and have this supported through their individual Long Term Plans.

5.2.6 Contribution of investment towards the plans objectives and priorities

Figure 20 'Contribution by investment to objective areas' shows how investment is distributed in the short term (1-3 years) by contribution to primary objective area, as well as for the general category, resilience and other categories which are discussed in Section 4.2 of this plan.

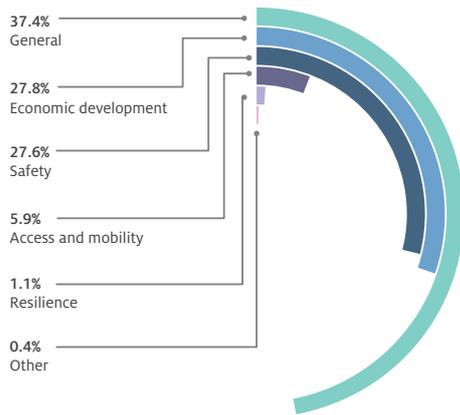


Figure 20 Contribution by investment to objective areas

By proxy, and to provide a comparison to the weighted objectives included in the plan, the activities with a primary 'general' contribution have been assimilated into the overall investment and assumed to be distributed as per the balance of proposed investment activities.

Looking at the balance of activities it can be seen that the greatest contribution by value of investment is aligned to the General category representing the significant proposed investment identified in the maintenance categories for both state highway and local roads. As per the discussion above, this could be considered to make contribution to a range of supporting objective areas. Investment is almost exactly balanced between Economic Development and Safety objectives for the proposed activities of the plan. This is in keeping with the weighting balance identified in the ILM for this RLTP and the balance proposed in the strategic direction of the draft GPS.

Additionally, although described as one of the underpinning objectives to the plan, to reflect the importance given by the region to the impact of resilience on the regional network, this has also been specifically identified with an overall contribution of approximately 1.1 per cent.

As mentioned earlier, the coarse measure of assigning an activity to a single objective does not reflect the multiple benefits that activities may contribute to. This is particularly true for large infrastructure activities, such as the development of sections of the Waikato Expressway, which have primary alignment to economic development but have major safety benefits.

Overall, the activities proposed in the plan roughly mirrors the hierarchy of objectives confirmed through the plan. Whilst there is a good balance of activities included in the programme, it is still important that the region continues to advocate for the activities noted to have regional priority and ensure that through the operative period of the RLTP this balance is maintained.

