

REPORT



TO Council
 ON 24 March 2005
 FROM Ray Ginnever – Executive Officer – Governance and Special Projects
 APPROVED BY Vijaya Vaidyanath – Chief Executive Officer
 SIGNATURE

SUBJECT PENINSULA ACCESS UPDATE – MARCH 2005
 FILE REF RF/53/2

PURPOSE OF REPORT:

- Information only
 Strategic decision
 Policy decision
 Statutory process
 Community issue
 Contract decision
 Delegation
 Appointment
 Administrative matter

IMPLICATIONS:

(i)	Is this matter significant in terms of Council's Policy on Significance? No
(ii)	Implications in terms of Vision Rodney? Yes – Peninsula access development is a key driver in maintaining community quality and amenity.
(iii)	Implications in terms of Long Term Council Community Plan/Annual Plan? Yes – Amendments may be required in the Annual Plan, dependent upon decisions made by Transit New Zealand and Land Transport New Zealand regarding transport investment decisions in the District, as reflected in their Ten Year State Highway Plan and National Land Transport Plan respectively.
(iv)	Implications in terms of other Council Strategic documents or Council Policy? Yes – the developing Rodney Transport Strategy may be affected.
(v)	Is a budget amendment required? As for (iii) above, there may be a requirement to amend the current draft Annual Plan. This can be achieved through an officer submission to the hearings process for the Plan.
(vi)	Have the views of affected or interested persons been obtained and is any further public consultation required?

	The views of residents and ratepayers have been obtained in the past, and the Rodney Transport Strategy, scheduled for consultation shortly, and the Annual Plan submission process both provide further opportunities for submissions to be received and heard.
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SUMMARY:

The Council has been conducting investigations and commissioning work on a number of fronts to find and fund access transport solutions for Whangaparaoa Peninsula. This process included, among others, a joint work program with Transit New Zealand to develop the PENLINK option as a local toll road.

In February 2005, the Board of Transit New Zealand decided to suspend its participation in the joint work program for development of PENLINK as a local toll road as the work to that date indicated that financial support for the project would be required from the National Land Transport Fund, or that other assistance would be required. It also recommended a review of the project under the major projects review provisions of the Land Transport Management Act.

This report provides a summary of the work done under the joint work program with Transit New Zealand and the other workstreams underway on Peninsula access.

RECOMMENDATION:

- (a) That the Council endorse the Peninsula Access Work Program as outlined in the agenda report.**
 - (b) That the Council form a Peninsula Access Steering Group to provide input and monitor progress on the Peninsula Access Work Program.**
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1.0 Background

Report on the Council/Transit Joint Work Program

In March 2004 the Council mandated the Chief Executive Officer to pursue funding options for the PENLINK toll road project. As a first response, an options paper was provided to Land Transport New Zealand (LTNZ - formerly Transfund), the New Zealand road funding agency, to determine which options would be supported. The report included five options:

1. Transit New Zealand develop the road as a State Highway, with Transit as the Road Controlling Authority. This option is based on the premise that the PENLINK catchment could surpass the 30,000 population threshold in 2006/7, and therefore the PENLINK route could qualify for State Highway status.
2. Council as Road Controlling Authority, with RDC share financed through a public private partnership concession agreement, and LTNZ making an equity contribution, if required, to achieve financial closure for the project.
3. Council/LTNZ capital project, with RDC local share financed through a public private partnership concession agreement.
4. Council/LTNZ capital project, with RDC as toll authority, with a contracted collection arrangement.
5. Council/LTNZ capital project, with an increased financial assistance rate from LTNZ, with the option of reducing the toll, reducing the toll period, or eliminating the toll.

LTNZ supported a variant of the fifth option and agreed to fund an update and investigation of the project for \$900,000 to complete a business case and prepare an Order-in-Council application for approval of the road as a local authority toll road.

The Council supported this program and a work program commenced in August 2004, in partnership with Transit New Zealand (after completion of a due diligence review by Transit). The work included an updated specimen design cost estimate (see **Appendix 1**), a tolling survey and strategy, and development of a draft business case using a tolling patronage financial model. Concurrently, the Council also commenced the commissioning of a Hibiscus Coast Traffic Model and a Peninsula Access Options Study, for which the identified work continues.

2.0 Issues

2.1 Outstanding Issues

From the commencement of the joint work with Transit, Council officials have pressed for a position from the Transit Board on the State Highway status for PENLINK and for a determination of the quantum of upfront equity grant from Land Transport New Zealand (similar to the Tauranga model). Answers to these issues were seen as essential to the pending tolling consultation process to determine if any ratepayer support was necessary to complete the project. Due to substantial increases in roading contract costs and higher environmental and travel demand standards imposed by the new Land Transport Management Act, it was essential to determine the answers to these two questions.

WEITI TOLL ROAD Cost Estimate History

Estimate Type	May 2001 \$ millions	Feb 2004 \$ millions	Jan 2005 \$ millions
Base Cost ²	38.6	78.6	108.9
95 th Percentile ³	-	107.2	132.7

The cost increases for example are similar to those experienced in the Eastern Transport Corridor and ALPURT B2 costing estimates. In addition, population growth and traffic growth on the Whangaparaoa Peninsula have continued since PENLINK was put forward as the preferred option for Peninsula access in 1999, after the PENLINK option was confirmed in an Environment Court decision. Population forecasts for the Peninsula have been outstripped by actual growth such that current population is 4.5 years ahead of forecasts. At current growth rates the population serviced by PENLINK will likely exceed the 30,000 minimum benchmark for State Highway status in 2007, two years before construction could be completed.

The Council originally developed the PENLINK Empowering Bill to provide a legislative framework for the project to proceed as a toll road. With assurances given by central government that local toll roads would be facilitated by the new Land Transport Management Act legislation, the Bill was withdrawn. The new transport legislation and new and changing funding regulations have led to continuing delays to the commencement of construction for PENLINK. These delays, combined with accelerated population and traffic growth, are the key factors behind the current congestion problems on the Peninsula.

The Council continues to meet its commitments to the Regional Growth Strategy to accommodate substantial population growth on the Peninsula. It has invested millions of dollars in infrastructure on the Peninsula, notably the Hibiscus Coast Sewage project, 4-laning on Whangaparaoa Road, acquiring the necessary lands and consents for the PENLINK corridor, and negotiating the provision of a new water supply for the Peninsula with Watercare, all to meet the demands of growth. However, despite the introduction of new transport legislation (the Land Transport Management Act) in 2003, the Government has yet to give full approval and funding to its first toll road, be it State Highway or local road.

Interim transport measures have also been undertaken, such as the 4-laning of Whangaparaoa Road from Red Beach to Viponds Road and the Hibiscus Coast Transport Model, to provide additional capacity and efficiency on the Whangaparaoa corridor. These projects are all linked in a Peninsula access network and the timing and delivery of any portion of the network affects the efficiency of both the network as a whole, and of each of its component parts.

Alignment of land use and transport planning is now a requirement under the Local Government (Auckland) Amendment Act. While the Council continues to meet its land use commitments under the Regional Growth Strategy, the funding and delivery of aligned transport solutions has not kept pace. Interim relief, such as the Whangaparaoa Road 4-laning from Red Beach Road to Viponds, was required to deal with this lack of alignment. Unlike PENLINK, the Red Beach to Viponds Road 4-laning project was not burdened by the “no cost and minimal risk to ratepayers” restriction placed on the PENLINK option. In addition, changes in any zoning densities on the Peninsula have direct effects on traffic generation across both the current network and any proposed network.

² Base Cost Estimate is construction cost, not including pricing of identified and manageable risks. This was used in the BOOT model advocated by Council at the time (i.e “minimal risk to ratepayers”).

³ 95th Percentile Estimate represents project costs with all risks priced, at a 95% probability of delivery with the current state of knowledge as known for the preliminary specimen design.

One of the guiding reasons in the 1990s for choosing PENLINK as the preferred route was that a substantially lower number of property acquisitions were necessary than required under the alternative strategy of 4-laning the whole of the Whangaparaoa Peninsula. Also, PENLINK was determined to be less intrusive on the local community than developing a 4-lane expressway through the heart of a primarily residential area from the Hibiscus Coast Highway to Army Bay. Finally, PENLINK provided alternate access to the Peninsula, in case of accident, emergency, or congestion delays on the single current route, Whangaparaoa Road.

In February 2005, a confidential report was prepared by the joint Transit/Council team on the draft business case to support an application for an Order-in-Council for PENLINK. This report included an update on the capital costs of the project, the results of a tolling survey, and a travel demand tolling strategy to service PENLINK and its connected local network. Key points which emerged in the report were:

- Construction costs for the project have jumped substantially due to increased requirements under the Land Transport Management Act, broad increases in contractor prices and rates, higher roading construction standards, and continual funding delays (see **Appendix 1**).
- An upfront subsidy was required from Land Transport New Zealand to complete the funding for the road as the costs were beyond the capacity of the Council to service.
- The tolling strategy for the project needed to include travel demand measures to achieve maximum benefit on the local roading network and State Highway interchanges, adding further cost to the project.
- Transaction costs of the Transit tolling methodology were significant.

The Council asked Transit to address these issues prior to starting the consultation process and before further resources were committed to completing the final business case.

The Transit Board received the report and determined that it would withdraw its support for the continuation of the work on the business case and the Order-in-Council application to build PENLINK as a local toll road. The Board has yet to provide answers to the critical questions of cost increases, an upfront subsidy, the tolling strategy, tolling transaction costs, and State Highway status for PENLINK. It also needs to determine the impact of delays or changes to the traffic capacity scheduled to be provided by PENLINK for the ALPURT B2 project toll strategy.

The Council has been left in a difficult position because the traffic and growth problems on the Peninsula continue without a transport solution. The issue of Peninsula access will not go away simply because the Transit Board has decided not to pursue the investigation of PENLINK funding as a local toll road. Even with alternate solutions, obtaining funding and consents for them still remains an issue (other than Penlink). The report has now been released to the public.

2.2 Funding Issues

Given the current cost profiles for PENLINK, it is clear that it is beyond the scope and scale of the Council to develop the route as a local toll road "with no cost and minimal risk to ratepayers". To be completed, the project requires some combination of funding from the various alternate sources:

- Local share
- Financial contributions
- Regional monies from the "R" allocation under the new 5.6c/litre petrol tax (and road user charges)
- Funding assistance from the National Land Transport Fund
- Construction funding under the National Land Transport Fund as a State Highway.
- Private funds, provided through a public private partnership (including tolling).

All projects proposed for Peninsula access are also subject to the same funding options. A brief review of the nature of the funding options is useful.

2.2.1 Local Share

This is rates funding paid by local ratepayers. The level of rates is determined by the Annual Plan and Long Term Council Community Plan processes of the Council. Presently a "rough rule of thumb" estimate is to use approximately \$90,000 of rates requirement to service each \$1 million dollars of capital investment annually for 25 years. Changing interest rates will affect this calculation.

2.2.2 Financial Contributions

This funding source is available to finance the cost portions of roading infrastructure investments made by the Council (other than land purchases) to service growth in the District. Any particular option for Peninsula access would have to be analysed for the service portion relating to growth to determine any share that could be allocated. These funds are also subject to Annual Plan and Long Term Community Plan processes.

2.2.3 Regional "R" Funding

This funding source is based on the new 5.6c petrol tax effective 1 April 2005 and imposed nationally. Allocation for the Auckland Region is determined for this year by the Auckland Regional Land Transport Committee. In future years, this allocation will be made by the Board of the Auckland Regional Transport Authority (ARTA).

2.2.4 National Land Transport Fund

This funding is provided nationally from the National Land Transport Fund (NLTF) which accumulates its revenues annually from fuel excise taxes. The Council makes a submission annually to Land Transport New Zealand, making the case for prioritization of Council and regional projects that it supports. The Council competes against over 80 other road controlling authorities for these monies. The draft 2005/06 NLTF is due for release and submission in April 2005.

2.2.5 State Highway Funding under the NLTF

Projects that are designated by Transit New Zealand as State Highway projects are funded by the National Land Transport Fund, in the order of priority determined by the Board of Land Transport New Zealand. This may include a toll component. Achieving State Highway status requires an application for consideration by the Board of Transit New Zealand for designation of a project as a State Highway, according to a set of criteria set by Transit New Zealand. The funding priority of any State Highway project must "take in to account" the priority granted to a project by the Regional Land Transport Committee currently, and by ARTA in future years.

2.2.6 Private Funds

These are generally provided through the vehicle of a public private partnership. Transit New Zealand does not currently support any projects for public private partnership in New Zealand and has so advised the Minister of Transport. Industry holds the view that there are still viable projects which would meet the market criteria for a public private partnership, such as PENLINK, or a Peninsula access package of projects. These would be financed by tolls or shadow tolls. This has been confirmed to the Council officials as recently as this week.

2.3 Project Risks

All of these funding options contain timing risks and the basic risks are common to all proposals.

All alternative projects (other than PENLINK) will be subject to consenting and land acquisition risks. Management of these risks and processes is a complex and resource-hungry matter. Minimum delivery time for any project is typically two years and longer if appeals are launched on consents or land acquisition matters.

Finally, State Highway status for any project involves transference of road controlling authority from the Council to Transit New Zealand. State Highway status imposes limited access conditions to the road, adjoining land use constraints and governance issues regarding local zoning and supporting works. These impacts need to be identified for local consideration.

3.0 Options

The Way Forward – Council Work Program

The Council has a program of work in place to seek alternate ways of solving the Peninsula access problem. These include:

- Continuation of development of the Peninsula Access Options study.
- Continuation of development of the Hibiscus Coast Traffic model.
- Continuation of the Council's scheduled travel planning program.
- Completion of the Rodney Transport Strategy.
- Continuing increased participation in the Northern Busway Corridor Development Study.
- Submissions to the Transit Ten Year State Highway Plan, the Regional Transport Funding Advisory Group and the Land Transport New Zealand National Land Transport Plan seeking priority for a Peninsula access solution, including the PENLINK option.
- Development of the Council Land Transport Plan for 2005/06 year on the basis of State Highway status for PENLINK, and a travel demand management plan for the Whangaparaoa and Hibiscus Coast Highway corridors.
- Continued advocacy in the Regional Land Transport Committee for prioritization of PENLINK as an urgent project for completion – due to buildability, land purchase complete and fully consented status of the project.
- Develop a formal application for regional or national assistance to absorb the holding costs for the PENLINK corridor lands.
- Completion of the current study to determine the extent, serviceability and disposal options of lands and any surplus lands held on the PENLINK corridor.
- Continued development of funding procurement options for Peninsula access solutions.
- Identification of connectivity by sea (ferry services) options along the Hibiscus Coast, North Shore and to Auckland City.

This broad-based schedule of work programs needs to continue, despite the withdrawal of support for the local toll road option by Transit New Zealand.

4.0 Conclusion

It is recommended that the Council should continue its commitment to these work programs to find effective and affordable solutions to Whangaparaoa access and towards receiving its fair share of funding for those projects.

Communication and reporting

Regular reporting on progress of the Peninsula access options workstreams outlined above should continue. The complexity of the transport options and the degree of process involved in advancing those options toward funding approval and project delivery requires healthy dialogue between all stakeholders.

APPENDICES:

1. Penlink Cost Update Summary
2. Transit New Zealand Board Minute of February, 2005

PENLINK
Summary of Cost Estimates

	Weiti Toll Road (\$ Million)	Whangaparaoa Road Stage 1 (\$ Million)	East Coast Road (\$ Million)	Redvale Interchange (\$ Million)	Land (\$ Million)	Preliminary's (\$ Million)	Total (\$ Million)
31 May 2001	38.6 ²	7.2	- ³	- ⁴	9.25	5	60.050
Net Cost to RDC	-	3.024	-	-	2.39	-	5.414
February 2004 - Base Estimate	78.68 ⁵	7.485	2.544 ⁷	8.2	13.1	5.23 ⁶	115.239
Net Cost to RDC	-	3.144	-	-	10.89 ¹¹	5.23 ¹¹	19.264
95th percentile estimate	107.26 ⁵	11.306	3.506 ⁷	12.38	13.1	5.23 ⁶	152.782
Net Cost to RDC	- ¹¹	4.748	-	-	10.89 ¹¹	5.23 ¹¹	20.868
Beca 2005 - Base Estimate	108.97	10.616	6.179 ⁷	9.809	18.58 ⁸	5.23 ⁶	159.384
Net Cost to RDC	- ¹¹	4.459	2.409	-	16.19 ¹¹	5.23 ¹¹	28.288
95th percentile estimate	132.688	14.53	8.15 ⁷	12.57	18.58 ^{8,10}	5.23 ⁶	191.748
Net Cost to RDC	- ¹¹	6.103	3.174	-	16.19 ¹¹	5.23 ¹¹	30.697
Notes	<p>1 These costs are all base costs and are not risk adjusted - based on private sector BOOT process</p> <p>2 Does not include cost of Toll Plaza, design and or MSQA</p> <p>3 Not included in 31 May 2001 estimate</p> <p>4 Redvale Interchange not included - TNZ responsibility</p> <p>5 Risk adjusted, includes design and MSQA fees</p> <p>6 Preliminaries calculated at December 2003, not risk adjusted - refer Sears Report March 2004</p> <p>7 Includes roundabout - 25% TNZ cost</p> <p>8 Land costs as at January 2005 - Green Group and McCahill Holdings settlement costs estimated and are still subject to arbitration decisions</p> <p>9 Agreed total estimate between Parallel Estimator and BECA - pre detailed design estimate</p> <p>10 Not risk adjusted</p> <p>11 These amounts are dependant on toll recovery and any upfront costs required to finance construction and operating costs - these costs are RDC responsibility under the public sector tolling regime if not recoverable from toll revenue.</p>						

**Action Paper CS/05/2/5153
BIO 1007**

Resolved

"That the Board:

- (a) requests the Chief Executive to advise the Rodney District Council that the Board is of the view that;
 - (i) the Weiti Crossing component of the Penlink Project should be reviewed within the context of the Land Transport Management Act 2003 to establish whether or not it is an appropriate component of a sustainable land transport system; and
 - (ii) as the project has now been shown to require substantial National Land Transport Fund funding this further work is not a priority for Transit New Zealand resources; and
- (b) retains Action Paper CS/05/2/5153 in committee until Rodney District Council has been advised of the Board's decision."