



**Submission**

**On**

**Transit New Zealand's 2007/08 Land Transport Programme and  
10 Year Financial Forecast**

**March 2007**

NZ Council for Infrastructure Development  
L 20 ASB Centre  
135 Albert Street  
AUCKLAND

# 1. Key Messages

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- 1.1. NZCID considers significant progress has been made in the last 12 months to advance development of the State Highway network including most notably the additional guaranteed funding which has provided a much needed boost in confidence for the construction sector.
- 1.2. While the total quantum of funding for State Highway development has increased, a further step change in the capital development of the national state highway network is still required, noting that on current plans, future growth pressures will result in increased congestion, reduced productivity, increased CO2 emissions and deterioration in safety on the State Highway network as traffic volumes outstretch the capacity of the roads.
- 1.3. NZCID is concerned at the cost to the nation of not completing major transport corridor developments in a timelier manner and considers major projects need to be advanced with urgency.
- 1.4. NZCID recommends Transit NZ should adopt a strategic corridor developmental approach in the formulation of its works program to ensure more speedy construction of transport corridors of national importance.
- 1.5. It has estimated the funding gap to complete the programme of works required to meet New Zealand's state highway development needs is in excess of \$6 billion or an additional \$300 million per annum over 20 years over and above current LTNZ forecasts.
- 1.6. It would be possible to finance the funding gap through debt serviced by a combination of revenues from tolls and fuel excise as is commonplace in most OECD nations.
- 1.7. NZCID recommends greater use of toll funding and private public partnerships will enable earlier completion of projects ensuring earlier capture of the economic gains resulting from their construction as well as consequential savings in terms of procurement and contract management.
- 1.8. There are numerous examples in both Australia and Ireland that have demonstrated the value for money that can be obtained by application of the PPP model. Many of the successful Irish PPP projects have comparable traffic volumes to the New Zealand situation.
- 1.9. NZCID considers Transit New Zealand should evaluate completion of the WRR by means of a PPP for the Waterview connection among a series of other projects across the country as discrete toll projects.

- 1.10. To enable parties to keep abreast with and provide more meaningful input into the relative priorities and timing of key projects NZCID requests that the tables in the LTP be enhanced to include project descriptions together with detail on expected costs and timing of the start and finish of projects and current status in respect of scheme assessment and RMA processes.
- 1.11. NZCID confirms its desire to address the hearings panel in support of its submission and we look forward to input into the next iteration of the process.

## 2. Introduction

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- 2.1. The New Zealand Council for Infrastructure Development is a non profit organisation.
- 2.2. Members comprise a diverse range of leading private and public organisations including infrastructure equity owners, financiers, constructors, service providers, public sector agencies, and major infrastructure users. NZCID was formed in 2004 to promote world class infrastructure development for the benefit of all New Zealanders. a goal we are committed to achieving by:
- Raising awareness of the fact that infrastructure underpins our community's quality of life and that inadequate infrastructure holds back New Zealand's economic, social and environmental development
  - Generating valuable debate on the quality and level of infrastructure provision to meet New Zealanders' needs
  - Encouraging the implementation of best practice infrastructure provision and management
  - Identifying the condition of New Zealand's infrastructure and the challenges facing our infrastructure providers.<sup>1</sup>
- 2.3. The submission represents the views of NZCID as a collective whole, and may not necessarily represent the views of individual member organisations, some of whom will be making their own individual submissions.
- 2.4. The purpose of this submission is to highlight areas where NZCID considers the state highway strategy and programme must be strengthened to promote timely investment in the infrastructure that is necessary to meet New Zealand's social, environmental and economic goals.

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<sup>1</sup> Information on the Council, its members, policy and work can be found at [www.nzcid.org.nz](http://www.nzcid.org.nz)

### 3. Acknowledgement of progress since March 2006

- 3.1. In its submission to the Draft 10 Year plan in 2006 NZCID noted that variable planning and funding certainty was seriously undermining construction industry investment confidence in the transport sector which in turn was limiting capacity and unnecessarily driving up costs.
- 3.2. It also expressed concern that, while the total quantum of funding for State Highway development had increased, a further step change in the capital development of the national state highway network was required, noting that on current plans, future growth pressures will result in increased congestion, reduced productivity, increased CO2 emissions and deterioration in safety on the State Highway network.
- 3.3. It was recommended that a forward looking 20 year state highway development strategy should be formulated that clearly set out the state highway funding programme and accountabilities. Such a plan would provide for a long term commitment to funding a defined programme of development of the state highway network.
- 3.4. NZCID estimated the amount of additional funds required to develop the state highway network over the next 20 years is in excess of \$6 billion or an average of \$300 million per annum.
- 3.5. The funding gap could be financed through debt funding serviced by a combination of revenues from tolls and fuel excise as is commonplace in most OECD nations.
- 3.6. The use of the Private Public Partnerships procurement model was recommended as a means to improve value for money and help bridge the funding gap noting that in addition to the transfer of risk from the public sector to the private sector, the key benefit of the PPP approach is the incentives that private equity investment provides. This encourages innovation, maximisation of third party revenues and commitment to the whole of life of a project.
- 3.7. A strategic corridor approach to the development of state highway system was also recommended with greatest priority for resource allocation given to those corridors of strategic national importance. Individual projects comprising strategic routes would be logically grouped into a single corridor project and managed as one coherent whole by a project manager.
- 3.8. Since March 2006 significant progress has been made on a number of these issues including:
  - Budget 2006 injection of \$1.3 billion into State Highway construction
  - Government commitment to a six year funding guarantee

- Transit NZ development of a new 30 year National State Highway Strategy
  - Ministerial Advisory Group Report emphasis on the need to ensure value for money resulting in a value for money analysis being undertaken by Transit NZ as part of its continuous improvement programme.
  - Development of the Western Ring Route proposal to be partially debt funded as a public sector toll project.
  - Opening of a number of key State Highway projects including the Central Motorway Junction in Auckland, The Inner City Bypass in Wellington, and commissioning of a number of others including Avalon Drive in Hamilton, Harbour Link in Tauranga, Manukau Extension in Auckland among others.
- 3.9. While a further step change in transport infrastructure development and funding is still required, these positive developments during 2006 are of significance and have provided a much needed boost in confidence for the construction sector and consideration of new options for development of the state highway system.
- 3.10. NZCID looks forward to the publication of the National State Highway Strategy expected towards the middle of the year which will map out the direction of the State Highway system and the future expected development path.
- 3.11. This submission is made in anticipation of the release of that document and commenting on specific issues arising from the current consultation document.

#### **4. Key State Highway projects requiring advancement**

- 4.1. While improved progress is being achieved, there remains a long list of key state highway projects that need to be advanced in order to deliver the social, environmental and economic imperatives set out in the New Zealand Land Transport Strategy.
- 4.2. It is of serious concern that a significant number of projects that were previously on the 10 year programme have now been deferred beyond 10 years meaning many strategically important projects may be decades away before completion.
- 4.3. This substantiates the need for a further step change in funding as highlighted by NZCID in submissions to both Transit New Zealand and Government.
- 4.4. Priority must be given to those key growth regions and metropolitan centres with the greatest congestion and safety risks.

- 4.5. Completion of Wellington's Western Corridor; four laning SH1 between Auckland and Hamilton, and SH2 between Auckland and Coromandel; the Hamilton and Tauranga strategic roading networks; and the Northern and Southern Motorways in and out of Christchurch together with key state highway linkages within the Auckland region are all projects of national importance that require advancement.
- 4.6. Set out below is a table of key state highway projects of national importance that NZCID considers need to be advanced together with indicative completion dates as compared with the information provided in the 10 year forecast.

## Essential capital project completions exceeding \$20m

Region	Project	Completed by:	Current Programme Completion Date
Wellington	Ngauranga to Aotea Quay 8L	2010	Unknown
Wellington	Whitford Brown Interchange	2015	Unknown
Wellington	Kennedy Good I/C	2015	Unknown
Wellington	Pukerua Bay Bypass	2015	Unknown
Wellington	Melling Interchange	2015	Unknown
Wellington	Kapiti Western Link Road - Stage 2 & 3	2015	Unknown
Wellington	SH2/58 grade separation	2015	Unknown
Wellington	Haywards - SH2 to Summit 4L	2011	Unknown
Wellington	Paekakariki Interchange	2011	Unknown
Wellington	Petone – Ngauranga Aux Lane	2012	Unknown
Wellington	Petone to Grenanda	2015	Unknown
Wellington	Western Corridor / Transmission Gully	2016	Unknown
Wellington	Basin to Airport Capacity	2018	Unknown
Wellington	Western Link Road Stage 2,3	2020	Unknown
Waikato	Auckland to Cambridge 4 Laning - Waikato Expressway	2015	Unknown
Waikato	Maramarua Expressway	2015	Unknown

SH2 – SH27 Junction

Waikato	Kopu Bridge replacement	2012	2015?
Waikato	East Taupo Arterial	2015	2015?
Waikato	SH27 Kaihere Hills Deviation	2015	Unknown
Waikato	Chinamans Hill to Airport 4 laning	2020	Unknown
Waikato	Avalon Drive 4 laning	2020	2013
Waikato	Cobham Bridge Duplication	2020	Unknown
Taranaki	Bell Block	2010	2010
Otago	Frankton to Queenstown	2012	Unknown
Otago	Caversham Bypass	2012	2015?
Nelson	Nelson to Richmond Corridor	2012	Unknown
Nelson	Ruby Bay Bypass	2015	Unknown
Nelson	Whangamoia South Realignment	2012	Unknown
Marlborough	Kaikoura Highway	2010	Unknown
Manawatu	Manawatu Gorge / Pahiatua Track	2020	Unknown
Hawkes Bay	Waikaremoana seal extension	2013	Unknown
Canterbury	Christchurch Northern Corridor	2020	Unknown
Canterbury	Christchurch Western Bypass	2020	Unknown
Canterbury	Christchurch to Rolleston 4 Laning	2017	Unknown
Canterbury	Christchurch to Rangiora 4 Laning	2020	Unknown
Bay of Plenty	Turret Rd 15 <sup>th</sup> Ave 4 Laning	2011	Unknown
Bay of Plenty	Tauranga Northern Arterial	2012	Unknown
Bay of Plenty	Tauranga Eastern Arterial	2012	Unknown
Bay of Plenty	Rotorua Eastern Arterial	2014	Unknown
Bay of Plenty	Tauriko Strategic Roding Corridor Realignment	2016	Unknown
Bay of Plenty	Katikati Bypass	2016	Unknown

Bay of Plenty	Omokoroa to Te Puna 4 Laning	2017	Unknown
Bay of Plenty	Hairini to Maungatapu 4 laning	2018	Unknown
Bay of Plenty	Hairini Welcome Bay Grade Separation	2019	Unknown
Bay of Plenty	Whakatane Western Access	2020	Unknown
Auckland	Western Ring Route complete	2014	2015?
Auckland	Newmarket Viaduct widening and upgrade	2014	2015?
Auckland	Brigham Creek Extension	2014	2015?
Auckland	Kirkbride Road Grade separation	2015	Unknown
Auckland	Eastern Transport Corridor	2015	Unknown
Auckland	Allens Road to Eastern Corridor Link	2015	Unknown
Auckland	Schedeways Hill Deviation	2015	Unknown
Auckland	SH16 Kumeu Bypass	2015	Unknown
Auckland	Drury to Pukekohe 4L	2020	Unknown
Auckland	New Waitemata Harbour Crossing	2020	Unknown
Auckland	Karaka to Weymouth Upgrading	2022	Unknown
Auckland	Manukau to Drury 6L	2022	Unknown
Auckland	Papakura to Manukau (Mills Road)	2022	Unknown
Auckland	Victoria Park Tunnel (replacing existing viaduct)	2025	Unknown
Auckland	Puhoi to Wellsford 4 Lane Expressway	2025	Unknown

## 5. Need to adopt a strategic corridor approach as distinct from current “project by project” approach.

- 5.1. NZCID is concerned at the piecemeal development of strategic corridors proposed under the current forecast and anticipates that the forthcoming 30 year National State Highway Strategy will take a more strategic approach.
- 5.2. While it is acknowledged that a strategic corridor approach has been proposed for the Auckland Western Ring Route the component other strategic corridors of strategic national importance, such as the Waikato Expressway, Wellington’s Western Link,

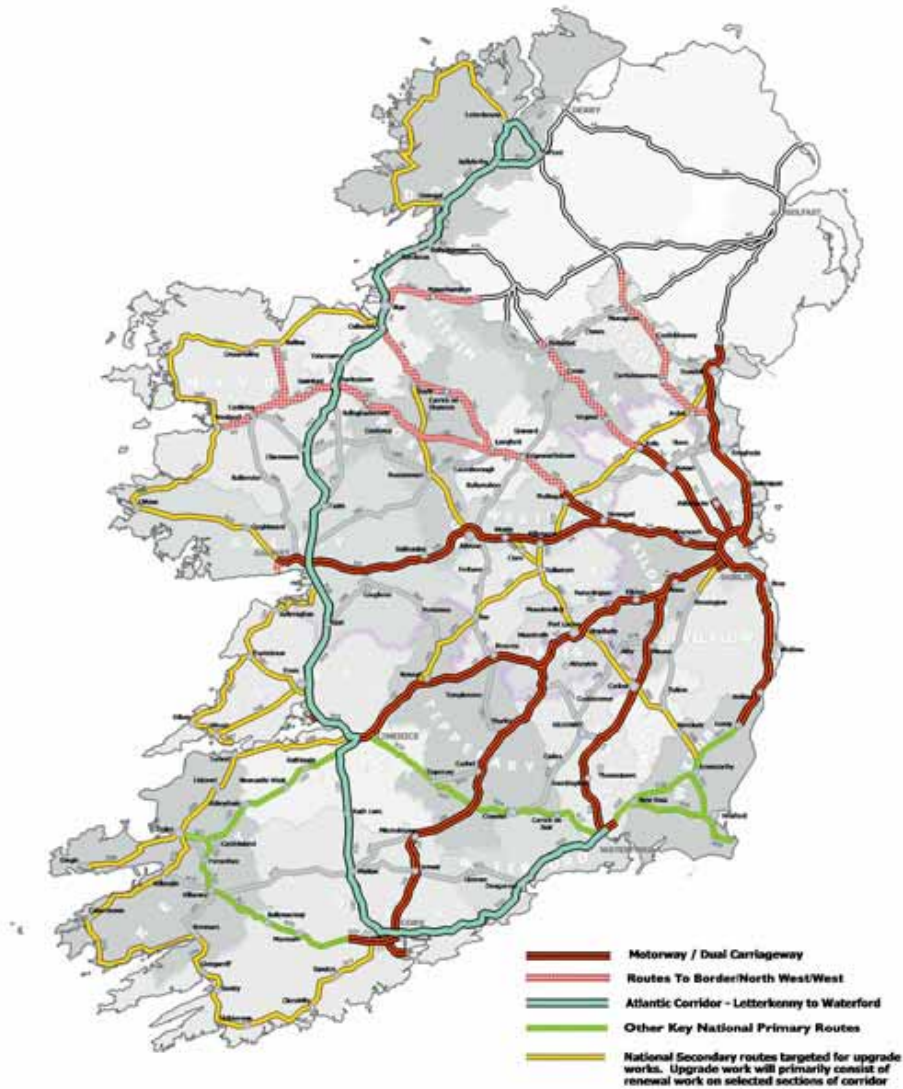
Tauranga's Strategic Rooding Network and the SH2 Maramarua Expressway, appear to be on the path to piecemeal development.

- 5.3. Under current Resource Management Act and Land Transport Management Act planning processes, each of the various projects comprising one strategic corridor require designation, consent and funding approval as an iterative process, on a project by project basis.
- 5.4. Each individual project can be expected to be challenged through the RMA LTMA approval processes which, combined with the lack of funding, accounts for the extended project completion time lines currently proposed in the forecast.
- 5.5. NZCID considers a more strategic approach to the development of state highway corridors is required and greatest priority for resource allocation should be given to those corridors of national importance.
- 5.6. Individual projects comprising strategic routes should be logically grouped into a single corridor project and managed as one coherent whole by a project manager.
- 5.7. This is consistent with the kind of approach adopted in Australia which has achieved significant improvement in the connectivity of its strategic corridor network in the last decade.
- 5.8. A similar approach has now been developed for Ireland which has programmed 800 kilometres of motorway / expressway development of its equivalent to the state highway network to be constructed by 2015 as illustrated in dark red on the following illustration extracted from the Irish Transport 21 plan<sup>2</sup>.

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<sup>2</sup> Map sourced from Ireland Transport 21 plan are available at [http://www.transport21.ie/MAPS/TRANSPORT\\_21\\_MAPS/National\\_Roads\\_Network\\_2015.html](http://www.transport21.ie/MAPS/TRANSPORT_21_MAPS/National_Roads_Network_2015.html)

## Irish Highway Development Plan to 2015



- 5.9. In addition to the major highway development programme, the 2011-2015 road programme will involve the development of approximately 150 km of dual carriageway, 400 km of 2+1 roads and 300 km of single carriageway. The sequencing of projects for implementation post-2010 will be decided by the National Roads Authority at a later date.
- 5.10. As with Ireland, consolidation of projects in the New Zealand context would create projects of sufficient size to attract competitive interest from both domestic and international suppliers and could be expected to achieve savings through economies of scale, reduced administrative overhead and potential streamlining of consent

processes.

- 5.11. This has been the practice in Ireland where a number of highway extensions are being developed by means of Public Private Partnerships.
- 5.12. The development of a corridor approach would be more consistent with the stated intent of the Land Transport Management Act which requires land transport projects to be developed in an integrated manner.
- 5.13. RMA consents process might also be streamlined by means of ministerial “call in” of projects of national importance.
- 5.14. Land Transport New Zealand (LTNZ) funding specifications now require Transit to consider “packages” for projects greater than \$20m where components such as land use, passenger transport, travel demand management, walking and cycling have to be integrated into a project before LTNZ will consider funding.
- 5.15. There are now two statutory processes that a project has to go through before construction can commence:
  - To get funding it must comply with the objectives of the LTMA and the NZ Land Transport Strategy
  - To get consent it must comply with the RMA
- 5.16. If Transit is not successful with either one of the processes in respect of any individual project, the project will not proceed. If that project is a component part of a strategic connection, completion of the corridor is delayed to the national detriment.
- 5.17. It is clear from these processes that LTNZ are seeking a more holistic approach to project development which is consistent with the kind of corridor approach proposed in this submission.

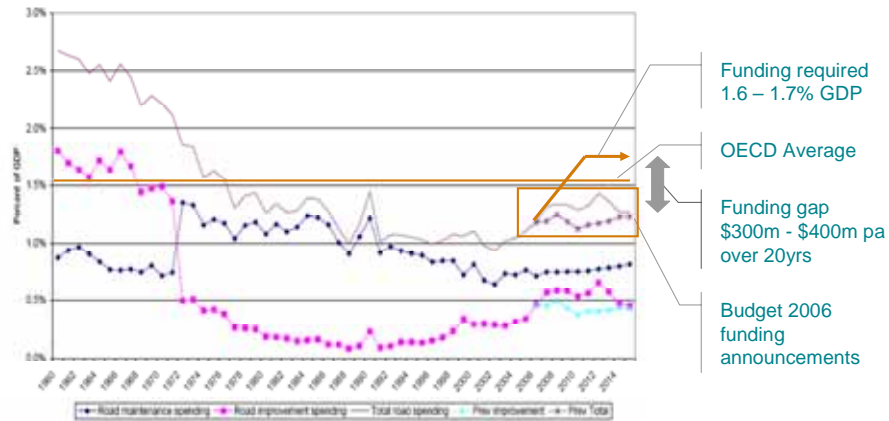
## 6. Bridging the Funding Gap

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- 6.1. NZCID has undertaken an analysis of the extent of the funding gap that would require to be bridged in order for this level of investment to be achieved.
- 6.2. It has compared projected Land Transport NZ funding against the expected cost of completing these projects within the timeframe indicated above.
- 6.3. The indicative funding gap is illustrated in the following chart which depicts the difference between projected LTNZ state highway funding and the proposed capital works programme as a ratio of GDP (historical and projected) and compared with past levels of capital expenditure.

### Road spending as a percentage of GDP

- Sources: NZIER (2006), NZCID (2006) *Transport 2025*



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- 6.4. In total this represents funding gap over the 20 year horizon of in excess of \$6 billion or an average of \$300 million per annum.
- 6.5. Such a level of expenditure is well within governments fiscal capacity and substantially less than previous levels of capital expenditure as a proportion of GDP from 1960 to 1980.
- 6.6. It would be possible to finance the funding gap through debt serviced by a combination of revenues from tolls and fuel excise as is commonplace in most OECD nations.

## 7. Need to increase the level of debt funding

- 7.1. Use of debt funding is currently limited within the forecast period to the AlpurīB2 and potentially the Western Ring Route projects, although the draft document does signal a range of projects to be financed in conjunction with third party contributions outside NZTP funding.
- 7.2. NZCID agrees that increased commitment to debt financing, tolls on new and/or

<sup>3</sup> Extract from NZCID Kensington Swan Report Infrastructure Development in Comparative Nations: Insights for New Zealand available at <http://www.nzcid.org.nz/reports1.html>

existing roads and forms of private sector involvement can and should be considered to cover shortfalls and avoid continual deferral of projects as has been the norm over the last 30 years.

- 7.3. Greater use of toll funding for strategic corridors either through direct or shadow tolling mechanisms<sup>4</sup> will be required to help bridge this gap and achieve the quality standards required to meet social and environmental objectives.
- 7.4. Potential candidates for such tolling initiatives in addition to the existing Alpurā B2 project might include:
  - SH20 Waterview extension(direct toll)
  - Eastern Corridor – Auckland (direct toll)
  - Northern and eastern components of the of the Tauranga Strategic Rooding Network (direct or shadow toll where appropriate)
  - Hamilton by-pass and other urban by-pass projects (direct toll)
  - Transmission Gully (direct toll)
  - Manawatu / Hawkes Bay toll link (probably via shadow tolling)
  - Four laning state highway corridors with more than 15,000 vehicles per day (using a combination of direct and shadow tolling).

## **8. Opportunity for procurement savings through use of Public Private Partnerships**

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- 8.1. Overseas experience has shown the benefit of private sector involvement not only in terms of providing the opportunity for additional private sector funding, but also in terms of delivering cost effective procurement and operation of large scale public assets.
- 8.2. In addition to the transfer of risk from the public sector to the private sector, the key benefit of the PPP approach is the productivity incentives that private equity investment provides.
- 8.3. This encourages innovation, maximization of third party revenues and commitment to the whole of life of the project.

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<sup>4</sup> Shadow tolling involves the use of fuel excise or other crown funding as the source of payment to the road provider in lieu of a direct toll on the road user.

- 8.4. International experience has demonstrated that PPP projects have consistently provided value for money against public sector comparative models. Projects are typically built in a much shorter time frame and are regularly completed ahead of time.
- 8.5. Under the public model, underestimation of project costs and/or the overestimation of traffic volumes and toll revenues can cause significant loss of public funds.
- 8.6. On the other hand, private sector involvement can reduce the risk associated with road projects by subjecting toll road proposals to true market assessment.<sup>5</sup>
- 8.7. Australian states have used the PPP model to significantly advance major highway projects as listed in the following table. The total length of these corridor developments constructed in the 20 year span between 1988 and 2008 is roughly equivalent to the entire length of the NZ State Highway network.

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<sup>5</sup> The risk associated with viability of traffic volumes has been clearly demonstrated in New Zealand with the Tauranga Route K project which has failed to attract anywhere near the number of vehicles projected when the council sought special tolling legislation to build it. The road lost nearly \$5.2 million in its first year of operation to June 2004 – a cost now being borne by Tauranga City rate payers.

It is difficult to see how the Tauranga Route would have proceeded as a private toll project had the proposition been tested in the market, or, if it had, the risk would have been much more clearly exposed at the time.

Similarly, the Cross City Tunnel project in Sydney has been subject to substantial controversy and has led to some adverse concern about the introduction of PPPs in the NZ context.

Despite traffic volumes being substantially lower than projected, and which have caused the company to go into receivership, the project was opened eight months early, and, unlike the Route K situation in Tauranga, the cost of the reduced revenues has fallen on the private sector equity owners, a cost that might well have otherwise fallen fully on the State Government.

This clearly shows the value of risk transfer. While the State government may have been able to borrow at a lower rate than the private sector to fund the project, it would have taken a heavy financial burden by assuming the project risk.

2002 research by the UK Treasury showed that 76 percent of PPP projects were delivered on time or rarely with no cost overruns borne by the public sector.

### Major Urban Tolls Roads in Australia Built in Much Shorter Time Frames

Project	Length km	A\$m Value	Start	Finish
Sydney M4	12.5	246	1988	1992
Sydney M5	21.0	380	1988	1992
Sydney Harbour Tunnel	3.0	685	1988	1992
Sydney M2	20.0	644	1994	1997
Sydney Eastern Distributor	6.0	700	1997	1999
Sydney Cross City Tunnel	2.1	680	2000	2005
Sydney Westlink M7	40.0	1,500	2002	2006
Sydney Lane Cove Tunnel	3.6	1,100	2002	2007
Melbourne City Link	22.0	1,780	1996	2000
Melbourne Connect East	40.0	2,500	2005	2008
Total	170.2	\$A10,215		

Of particular note are the very short construction time frames that are being achieved.

- 8.8. NZCID anticipates the forthcoming National State Highway Strategic Plan will canvas such issues and the use of PPPs as a means of advancing the development of key state highway corridors and obtaining improved value for money.

## 9. Successes from Ireland that are comparable to the New Zealand Situation

- 9.1. It is commonly stated that while PPPs work successfully overseas, New Zealand doesn't have the scale of project to make the projects "bankable".
- 9.2. Of the €8 billion allocated for PPP projects in the Transport 21 ten year plan described above, €6 billion is allocated to public transport projects and €2 billion to roading projects. The National Roads Authority estimates that private investment in PPP projects have amounted to approximately €500m to date and that it will amount to approx €2bn over the period to 2010.

- 9.3. Three PPP projects have been completed to date, (M50 Second West-Link Bridge, Dundalk Western By-pass and the Kilcock Kinnegad bypass), one is in construction and ahead of schedule (N8 Rathcormac/Fermoy By-Pass) and six are at various stages of planning and development.
- 9.4. Of these six projects, the Waterford City By-pass, the N7 Limerick Tunnel, the M3 Clonee/Kells motorway and phase 2 of the M50 upgrade, are currently under procurement.
- 9.5. The M4/M6 Kinnegad to Kilcock Motorway was the first Irish road PPP contract.
- 9.6. The Eurolink consortium was awarded a 30 year design build finance and operate (DBFO) concession contract involving 34 kilometres of motorway with 4 kilometres of side roads, and 30 bridge structures.
- 9.7. Construction completed nearly one year ahead of schedule and the road opened to traffic in December 2005. Current traffic volumes are marginally ahead of expectation at between 16,000 and 18,000 vehicles per day.
- 9.8. Toll charges are CPI linked at €2.50 per car in today's money for an estimated journey time saving of between 20 and 30 minutes.
- 9.9. Funding for the project was in excess of €400 million including grants. The NRA contributed €180m, €180m was raised through debt and the consortium invested €40m in equity.

**M4/M6 Kinnegad to Kilcock Motorway with old road depicted in top left of the picture**



- 9.10. A particular feature of the project was the extensive efforts taken to protect the environment and archaeology of the site including:
- 72km of badger fencing
  - 40 mammal underpasses provided
  - 1.5km of river modified to maximize potential for wildlife
  - 250 lamprey and 350 crayfish captured and located to new habitat
  - Extensive bat surveys undertaken and 54 bat boxes were installed by a bat specialist
  - Over 40km of hedgerow inspected by a team of ecologists to ensure all nesting birds and surrounding vegetation were protected until the chicks had left the nest
  - Total of 31 archaeological sites were uncovered researched and documented in advance of the construction programme
- 9.11. The PPP agreement provides that:
- each automated toll collection express lane will allow unhindered passage of a vehicle with a valid transponder;
  - for each direction of approach to a toll station, the average queue of vehicles calculated across all lanes will be no greater than 6 vehicles; and
  - the queue of vehicles waiting in any toll lane shall not exceed 12 vehicles at any time.
- 9.12. A strict performance regime is provided for in the PPP contract to ensure compliance with these requirements. Defaults in performance lead to the imposition of a financial penalty together with the award of points under a penalty points system which may trigger increased levels of monitoring at the consortium's cost, and ultimately contract termination. Overall, these provisions incentivise the operator to maintain a high level of service.
- 9.13. The project is comparable with the New Zealand context in many ways. Traffic volumes equate to the levels experienced on state highway one Auckland Hamilton (18,000vpd), and marginally more than SH2 Auckland Rangitarata (to the Corromandel turn-off) which has an average of 13,000 vpd. It has a competing parallel road, the former national highway.
- 9.14. Despite these factors, all of which have been put forward as reasons why such projects "won't work" in the NZ context, the road has been successful from the perspectives of both the NRA and the Eurolink consortium.

9.15. As such, the project provides a clear model as to what could potentially be achieved in New Zealand.

## **10. Advance Completion of the Auckland Western Ring Route by means of a PPP on the Waterview Connection.**

10.1. We note that Transit New Zealand is about to announce the results of its proposal to toll fund completion of the WRR following the consultation round conducted in late 2007 and which received less than favourable feedback from City Councils and the Regional Council.

10.2. Transit's proposal had a lot to recommend it, not the least of which was the corridor approach to completion of this key strategic route.

10.3. A key driver of the opposition to the proposal related to the proposal to toll existing components of the corridor, the impact of this on adjacent local roads and the lack of access to the toll road by Waitakere City residents.

10.4. Despite the apparent opposition, market research undertaken by the Automobile Association in 2003 showed that most motorists would rather pay a toll than have no road at all.

10.5. For these reasons, NZCID considers Transit New Zealand should evaluate completion of the WRR by means of a PPP for the Waterview connection as a discrete toll project.

10.6. It is clear that under current funding arrangements there are insufficient funds available to see this project completed by 2015 without debt funding.

10.7. While Transit New Zealand projections of potential toll funded debt on this project are modest, the best way to test the market would be to put the project out to tender as a PPP.

10.8. Experience from Australia, Ireland and other jurisdictions has shown there to be a healthy appetite for such projects, and a significantly higher proportion of funding has been made possible through private sector participation.

## **11. Format of the Transit 10 Year Forecast and Programme**

11.1. NZCID considers the new format of the plan has advantages and disadvantages over the preceding format.

- 11.2. The tables and maps showing the projects that are committed or programmed or new in the forecast are a welcome addition.
- 11.3. However the lack of detail on expected costs and timing of the start and finish of projects and current status in respect of scheme assessment and RMA processes is a significant loss of information and undermines the transparency that as previously a hallmark of Transit New Zealand's practices.
- 11.4. The truck, magnifying glass and design page icons, while illustrative, fail to provide adequate information to users of the document.
- 11.5. NZCID favours a return to the format used in 2005.
- 11.6. We strongly recommend that the tables in the LTP be enhanced with the following detail in respect of the larger state highway projects:
- A description of the project including its length, and the key benefits anticipated from its completion
  - Start-completion date for each project.
  - Current status; for example, investigation, design or construction.
  - Key milestones and risks.
  - Estimated total cost.
  - Funding status; e.g. allocation from the Government's guarantee and/or conventional funding.
  - Indicative project ranking from a benefit costs / LTMA compliance point of view.
- 11.7. This would enable parties to provide more meaningful input into the relative priorities and timing of key projects.

## **12. Conclusion**

- 12.1. NZCID considers significant progress has been made in the last 12 months to advance development of the State Highway network including most notably the additional guaranteed funding which has provided a much needed boost in confidence for the construction sector.
- 12.2. While the total quantum of funding for State Highway development has increased, a further step change in the capital development of the national state highway network

is still required, noting that on current plans future growth pressures will result in increased congestion, reduced productivity, increased CO2 emissions and a marked deterioration in safety on the State Highway network

- 12.3. NZCID is concerned at the cost to the nation of not completing major transport corridor developments in a timelier manner and considers major projects need to be advanced with urgency.
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- 12.8. There are numerous examples in both Australia and Ireland that have demonstrated the value for money that can be obtained by application of the PPP model. Many of the successful Irish PPP projects have comparable traffic volumes to the New Zealand situation.
- 12.9. NZCID considers Transit New Zealand should evaluate completion of the WRR by means of a PPP for the Waterview connection among a series of other projects across the country as discrete toll projects.
- 12.10. To enable parties to keep abreast with and provide more meaningful input into the relative priorities and timing of key projects NZCID requests that the tables in the LTP be enhanced to include project descriptions together with detail on expected costs and timing of the start and finish of projects and current status in respect of scheme assessment and RMA processes.
- 12.11. NZCID confirms its desire to address the hearings panel in support of its submission and we look forward to input into the next iteration of the process.

Thank you for the opportunity to make this submission. NZCID confirms its desire to address the hearings panel in support of its submission and we look forward to input into the next iteration of the process.

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