

# GETTING AUCKLAND MOVING

ALTERNATIVE FUNDING FOR  
TRANSPORT DISCUSSION DOCUMENT  
FEBRUARY 2012







# MAYORAL MESSAGE

## GETTING AUCKLAND MOVING

All Aucklanders know that one of the most frustrating things about living and working in this region is travelling around it. As our population grows, the problem of congested roads and inadequate public transport will only get worse. If you think things are bad now, wait until two million people call Auckland home in 2031. That's why we need to get on with building a transport system for the future. We must begin work on some key projects such as the additional harbour crossing, the City Rail Link (CRL), access to the airport, transport links to southeast Auckland, upgrading arterial roads and busways, investing in walking and cycling and upgrading our ferry service.

**"IF YOU THINK THINGS ARE BAD NOW,  
WAIT UNTIL TWO MILLION PEOPLE  
CALL AUCKLAND HOME IN 2031."**

The level of investment needed to cope with Auckland's growth is considerable, with some estimates putting the funding gap at \$10-15 billion by 2031. So far, the government has declined to contribute to projects like the CRL, so the council will now consider other sources of funding for this and other projects.

Rates, obviously, are the principal source of funds for local government and will form part of the solution, but they are a blunt option and we need to always be mindful of issues of affordability. We must investigate new funding avenues.

This discussion document looks at the issue of transportation in Auckland and asks your opinions on what other options should be considered for plugging the funding gap and building the infrastructure Auckland needs. All options, such as congestion or network charges, regional fuel taxes or tolls, are on the table.

These are difficult issues to deal with. We need to keep an open mind, but we must get on with fixing Auckland's transport problems. We cannot leave a legacy of clogged roads and run - down public transport for future generations to deal with.

I look forward to hearing your thoughts.

**Len Brown.** Mayor of Auckland





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“ALL AUCKLANDERS KNOW THAT ONE OF THE MOST FRUSTRATING THINGS ABOUT LIVING AND WORKING IN THIS REGION IS TRAVELLING AROUND IT.”

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An aerial photograph of Auckland, New Zealand, showing a mix of residential houses and greenery in the foreground, with several high-rise buildings in the background under a hazy sky. A large white rectangular box is overlaid on the right side of the image, containing the title and introductory text.

# PAYING FOR AUCKLAND'S FUTURE TRANSPORT

## INTRODUCTION

THE AUCKLAND REGION HAS A PRESSING NEED FOR MORE INVESTMENT IN TRANSPORT INFRASTRUCTURE AND SERVICES. THIS DISCUSSION DOCUMENT OFFERS AN OPPORTUNITY FOR ALL AUCKLANDERS TO SHAPE HOW WE MEET THIS NEED

Auckland is already reaching the limits for how many cars it can cope with on our roads and its population is growing rapidly. There are also limits to how much more transport investment can be acceptably funded from existing sources like fuel taxes, per kilometre charges on diesel vehicles and council rates.

The combined forces of higher traffic volumes, a rapidly growing population and the limitations of existing transport funding, means that Aucklanders and other New Zealanders need to make some hard decisions about the kind of transport options we want and how we are going to pay for them.

## THE TRANSPORT DILEMMA

- Auckland's roading system is congested. People are spending their valuable time sitting in slow moving traffic, particularly during morning and evening peaks, but also increasingly throughout the day. More road traffic also impacts on our environment, increasing carbon emissions and reducing air quality.





- Auckland is experiencing rapid long-term population growth. This will continually add to our need to move people and goods around the region. Official estimates expect Auckland's population to grow to 2.2 to 2.5 million in less than 30 years - a population growth of over 50%.
- We are rapidly reaching the limits of how much congestion we can deal with by building and modifying roads. There are a number of remaining roading projects that can improve how we move people and goods around the region. But these projects will not remove congestion from the entire road network, so we must invest in alternatives.
- If we do nothing, congestion will worsen significantly, air quality will deteriorate further (from vehicle pollution), carbon emissions will continue to rise and Auckland's economy will suffer, particularly if our quality of life is compromised, weakening our ability to attract and keep skilled people and investment.
- For Auckland to accommodate population growth, preserve its quality of life and grow its economy, we need to find alternative ways to move around our region. We can do this by:
  - significantly improving usage of alternative transport options such as buses, trains and ferries, as well as seeing more of us walking and cycling, or
  - changing road user behaviour through the use of charging mechanisms such as tolls, congestion charges and parking levies, or
  - a combination of 1 and 2 above.
- The bulk of transport funding comes from government collected fuel taxes, road user charges on diesel vehicles and vehicle registration, as well as from council sources such as rates and council borrowing. The largest part of this is from fuel taxes which pay for 35% of all transport money spent in Auckland.
- Collecting enough fuel taxes will become increasingly difficult as demand for petrol decreases as a result of fuel price increases and as people move to more fuel-efficient vehicles. Last year the amount raised nationally in fuel tax only increased by 0.7%.
- Along with fuel taxes, our ability to fund transport from the other major sources - such as rates and per-kilometre charges on diesel vehicles - is also limited, because it would be unfair to load too many costs onto property owners or diesel vehicle drivers.
- If Auckland is to improve its quality of life and grow its economy, while absorbing population growth, we need to find alternative funding sources that can meet our transport needs in the medium to long-term.







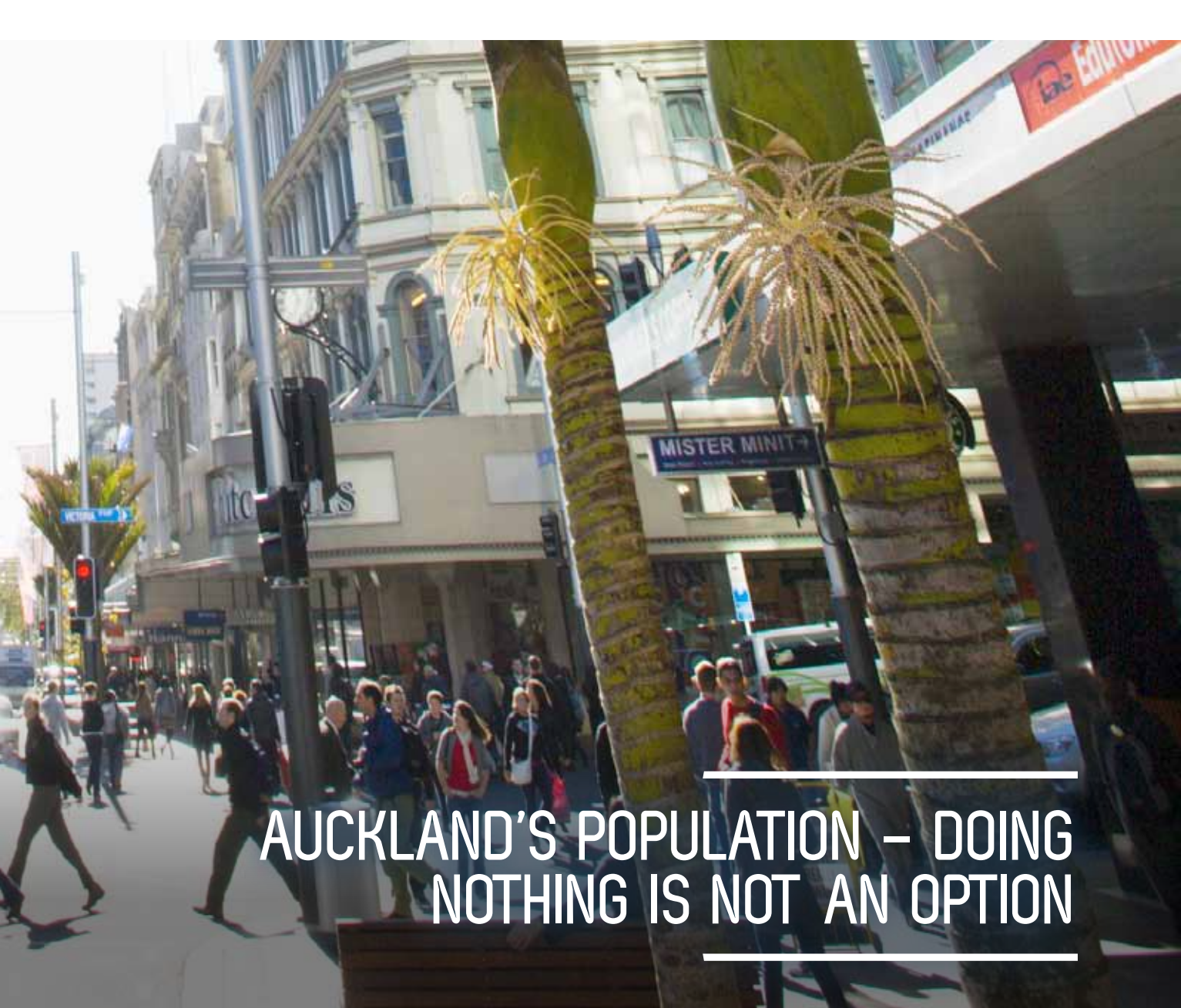
# AUCKLAND'S VISION

## AUCKLAND'S VISION IS TO BECOME THE "WORLD'S MOST LIVEABLE CITY"

This goal is bold, but not unrealistic. The city is already ranked as the 3rd most liveable city in the world by the influential Mercer Quality of Living Survey.

These surveys provide people who are thinking about relocating to other cities with information about the quality of life. Quality of life is very important, therefore, to Aucklanders, but also to the region's economy. The Auckland economy is very dependent on skilled immigrants and research shows<sup>1</sup> that the main reasons migrants choose one place over another are quality of life factors, or 'liveability'. When asked, most immigrants rank liveability more highly than jobs and income. If Auckland is to compete on the world stage, it must attract skilled immigrants and hang on to talented Aucklanders. To do this - we must protect and improve its quality of life.

<sup>1</sup> Statistics New Zealand Longitudinal Immigration Survey



# AUCKLAND'S POPULATION – DOING NOTHING IS NOT AN OPTION

Liveability surveys rank our city against many criteria. Auckland does very well on criteria such as climate, its physical and business environments, lack of corruption and relatively low crime rates. Where we do not do so well is in the quality of our transport infrastructure and services.

The Mercer survey scores Auckland against 39 criteria - from the quality of our restaurants, crime, through to traffic congestion. Auckland sits among the highest performing cities in 25 out of the 39, scoring of 10 out of a possible 10 for each of them. Our lowest scoring criterion, however, is traffic congestion.

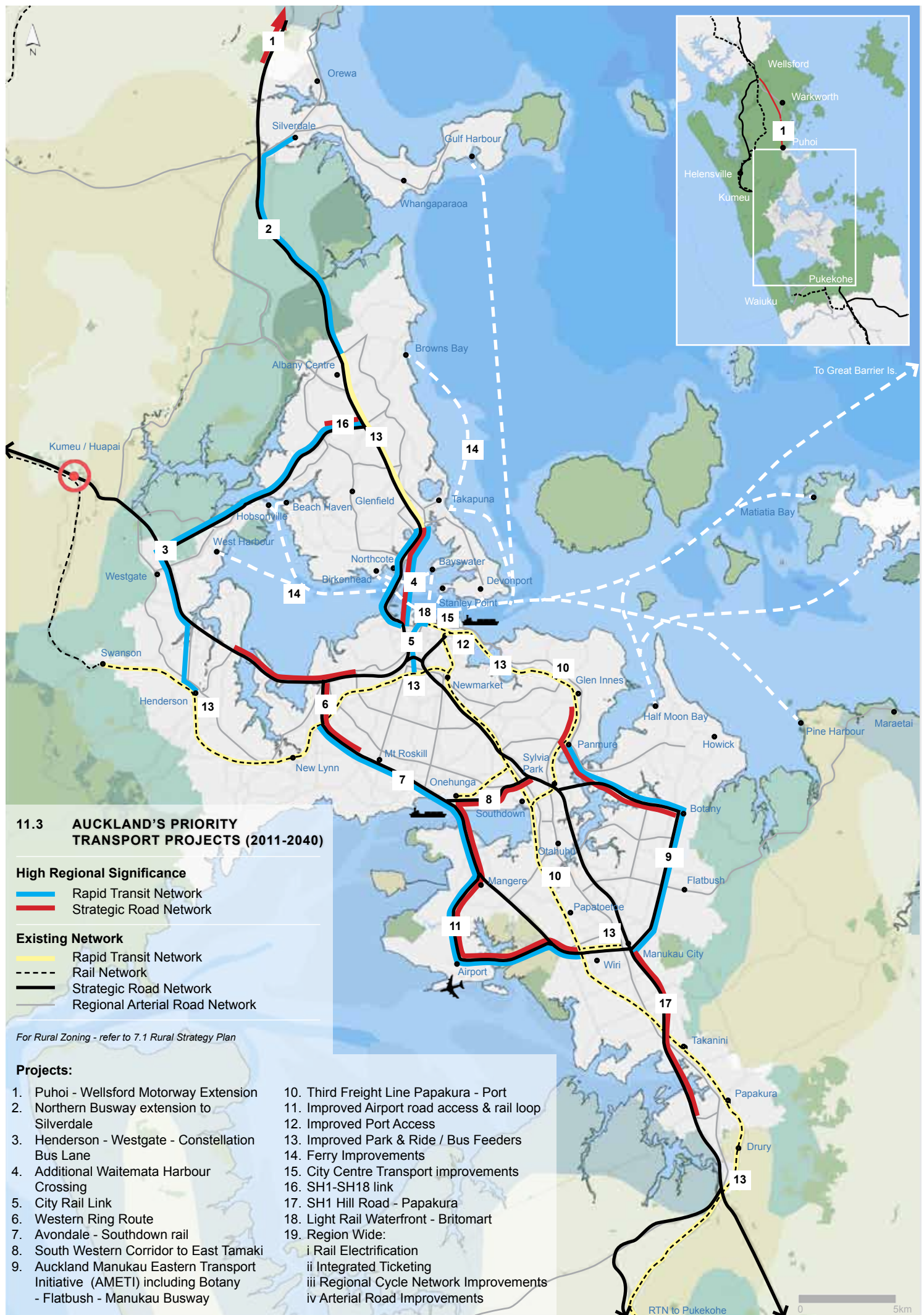
The region's population will continue to grow. By 2040 Auckland's population is expected to reach 2.2 to 2.5 million. That is growth of another 800,000 to 1.1 million Aucklanders. In percentage terms,

this is growth of between 57% and 79%. A larger population also generates more businesses needing to move their goods and services around the city.

Overseas experience shows that building more roads is not a solution on its own. New roads create more traffic and congestion levels can quickly return to what they were prior to the building of a new road. For this reason, cities that rank highly in quality of life terms provide a mix of transport 'modes' – better roads, more efficient traffic management (e.g. traffic signals, traffic information and motorway ramp signals) and public transport.

Doing nothing will mean more congestion, more pollution and lost economic growth. Clearly, to maintain quality of life and improve our liveability ranking, in the face of strong population growth – doing nothing is not an option for Auckland.









# LIVEABLE TRANSPORT

IF AUCKLAND WANTS TO CONTINUE TO GROW, BE LIVEABLE AND BE INTERNATIONALLY COMPETITIVE, IT MUST IMPROVE ON ITS CURRENT TRANSPORT PERFORMANCE AND MAKE IT POSSIBLE FOR MANY MORE PEOPLE TO MOVE AROUND THE CITY WITHOUT INTOLERABLE TIME DELAYS OR PROHIBITIVE COSTS

To achieve these two goals, the Auckland Council is proposing an integrated package of major transport projects over the next 30 years. These projects are set out in the map left.

The projects take different forms to deal with different aspects of the problem. What they have in common, however, is the need to move people, goods and services around, into and out of the region efficiently without compromising the liveability of Auckland, including its environmental quality.

**The Auckland-Manukau Eastern Transport Initiative (AMETI) and the East-West Link** is a package of transport improvements in the Glen Innes-Panmure-Pakuranga-Botany corridor, to serve the eastern suburbs. These areas have forecast population growth of up to 25,000 people over the next 20 years and currently lack transport options to cope with this. The project aims to provide a strategic transport link between the eastern suburbs, unlocking the economic potential of the area.

AMETI will focus local journeys and public transport on the Panmure Bridge route, with Waipuna Bridge and the South Eastern Highway becoming the primary freight/business traffic route through traffic to central Auckland.

AMETI will also focus on public transport improvements, including an urban busway and other bus priority measures, with high frequency services eventually running between Botany, Pakuranga and Panmure.

These increased public transport options will free up roads for freight and business traffic. Additional and improved walking and cycling facilities, as well as roading improvements, will focus on key congestion points like Panmure town centre and the Ti Rakau Drive/Reeves Rd and the South Eastern Highway intersection, making these roads safer.



The South Western Corridor from Onehunga to East Tamaki is a strategic transport corridor between the South Western Motorway (State Highway 20) at Onehunga and East Tamaki, where improved State Highway and local road connections are required.

This provides an important link between the State Highway 1 and State Highway 20 corridors, with a direct connection between the Penrose and East Tamaki industrial areas. It also improves the connection between the Penrose and East Tamaki industrial areas and the port and airport.

Improvements to public transport, walking and cycling along this corridor are also being considered.

**The City Rail Link (CRL)** is a landmark project which will hugely improve the efficiency of Auckland's rail network. It will provide a link between the Britomart Transport Hub and the western line at the Mt Eden Station, opening up Britomart rail station so that trains can pass through it.

Currently trains have to reverse direction, going back the way they came, which limits the number of trains going into and out of the station in peak periods. The project has the potential to triple the number of passengers going into and through Britomart and reduce travel times by 31% to and from the south, and by 64% to and from the west.

The proposal is to run the rail link through a tunnel under the Central Business District (CBD) in order to preserve the shape and feel of the city, while not using up valuable central city land.

**The Additional Waitemata Harbour** Crossing will divert traffic flowing around the Central Business District, speeding up journeys to the southern and northern city and through greater Auckland to regions further to the south and north.

This will relieve congestion and the heavy-traffic burden on the Harbour Bridge, leaving it largely available for local traffic, particularly into and out of the CBD. It will be a Government - owned New Zealand Transport Agency project.

**Other projects** are either underway, under preparation, or being assessed to keep Auckland liveable with efficient transport systems as it deals with population and economic growth. These include:

- the Puhoi-Wellsford Motorway extension
- extending the Northern Busway, buslane from Henderson to Constellation
- Avondale – Southdown rail and
- ferry service improvements to the upper Waitemata, the North Shore, Half Moon Bay and the Gulf Islands.

All of these projects are about providing more capacity, either on the road or on alternatives such as public transport, or about making the infrastructure we have more efficient.

### REDUCING CONGESTION THROUGH PRICING

Funding mechanisms (such as road pricing, congestion charge, tolls and parking charges) can also help reduce traffic congestion.

By charging a fee to use congested roads, during the periods in which congestion occurs, road users who do not have to travel that route at that time can choose to delay or re-route their journey, or use public transport.

This frees up the road for those who have to travel on it at that particular time.

We are interested in your views about the extent to which such funding mechanisms should aim to reduce congestion.

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## THE CITY RAIL LINK (CRL) IS A LANDMARK PROJECT WHICH WILL HUGELY IMPROVE THE EFFICIENCY OF AUCKLAND'S RAIL NETWORK

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## PAYING FOR IT

These projects will cost considerable sums of money. It is estimated that in addition to the \$50 billion that will be spent over the next 30 years on Auckland's transport, another \$10 to \$15 billion will be needed over the next 30 years to fund these projects.

Paying for this additional \$10-\$15 billion will not be easy. In 2011-12, transport in Auckland will cost the New Zealand Transport Agency and Auckland Council \$1.066 billion on roads, traffic management, public transport and related expenses. The graph below shows how this is currently paid for.

All road user revenues (petrol tax, diesel vehicle per km charges and vehicle registration fees) are already being spent on roads, public transport and other land transport expenses.

The Government through the Land Transport Fund controls these sources of revenue. Any additional money from Government-controlled sources will need to come from increased fuel taxes and road user charges (diesel vehicle charges), from other existing sources such as general taxation – or from new alternative funding sources.

There is also a limit to which ratepayers can fairly be asked to pay more rates towards transport related expenses. This is because not all transport costs are generated by property owners in proportion to their property value, neither does all transport spending add to the value of surrounding property.

Given that doing nothing is not an option because of strong population growth, the need to protect quality of life while growing the economy, and that existing funding sources are already committed, alternative funding tools need to be found.

## WHO SHOULD PAY?

Before we begin to examine different funding tools, it is useful to think about different types of transport infrastructure and services, who benefits from them and how.

### Roads, streets and footpaths

Roads and traffic management systems benefit the road user (those using cars, motorcycles, trucks, buses) by providing a corridor that is suitable for their vehicles to travel across.

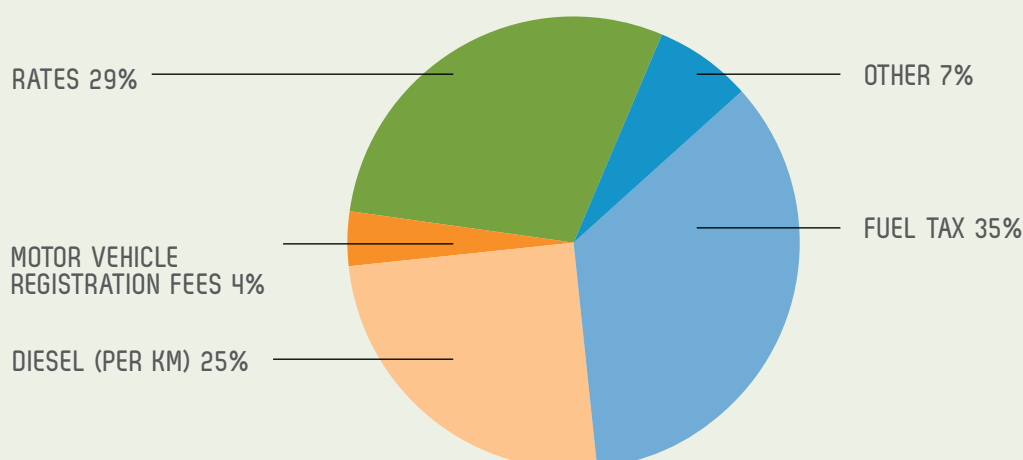
When not congested, this enables easy movement of people and goods from one place to another. It should be noted that heavy vehicles (e.g. loaded trucks) wear out roads at a much greater rate than lighter cars.

Roads also benefit utility companies such as electricity lines, telecommunications, water and sewerage systems providers (Watercare) by providing a corridor which they have rights to use for their networks.

Pedestrians benefit from the use of footpaths along the public corridor and from pedestrian friendly traffic management systems that stop or slow traffic so that they can cross roads safely.

## TRANSPORT IN AUCKLAND – FUNDING SHARES (2011/2012)

TOTAL = \$1.066 BILLION INCL ALL STATE HIGHWAY + AUCKLAND COUNCIL ROADS OPERATIONAL EXPENDITURE ONLY



<sup>3</sup> This includes debt servicing which must be funded in the current year, but not new debt raised this year – as its costs will be spread over future years. In this sense, the \$1.066 billion is the actual cash required for the year.



Property owners also benefit through access to a corridor that links their property to services and enables them to travel freely to other properties.

### **Public Transport**

Buses, trains and ferries clearly benefit the people travelling on them, or people would not use the service. This is why people are asked to pay to use these services.

There is an additional benefit of public transport, however, and that is the benefit of lowered congestion to those travelling in other vehicles. One example of this is the reduction in congestion on the Auckland Harbour Bridge, which has actually been reduced by the dramatic increased use of the Northern Busway.

This is why the Government is willing to use funds from road users (fuel taxes, etc.) to subsidise public transport – because private motorists benefit from lowered congestion.

Increasing public transport use also benefits the environment – therefore providing a benefit to all. If the Auckland region is to meet goals to reduce carbon emissions and improve air quality, we must make significant investments into public transport to increase patronage.

There is now also good independent evidence that Auckland property values rise faster in places that are conveniently close to public transport services such as trains. Property owners are therefore also beneficiaries of public transport services.

The range of direct and indirect benefits and the range of people, properties and businesses benefiting from them is the reason why a range of funding sources are used to pay for our transport infrastructure and services.

Any new or alternative funding sources for transport will need to take into account who benefits from transport infrastructure and services and how.

### **FINANCING**

Transport infrastructure projects tend to be large, involve large sums of money, be built in a few years and then used over many decades. It is not fair, or practical, for Auckland Council to ask current ratepayers and transport users to pay for all of the cost of a project over the period in which it is being built.

Instead, councils borrow for the cost of the infrastructure and then pay the debt off over many years. This means that over many years, those using the transport infrastructure will pay for it as they use it.

This is especially important in Auckland because when we build transport infrastructure it needs to have enough capacity to deal with our growing population.

The flipside of this, however, is that there will be more ratepayers and transport users in the future over which to spread the costs of these projects. A mix of new and existing funding sources, however, is still needed to service the debt.

Some transport projects are delivered through 'public-private partnerships' (PPPs). These often take the form where the public sector (council or government) allows companies to bid to provide a transport service and charge directly for it, e.g. a new toll road, or public transport service.

These are usually fixed-term arrangements and once the term is up, the ownership or control of the service and any infrastructure transfers back to the public sector, e.g. the council.

These arrangements work well when the private sector can bring efficiencies or risk management tools not available to the council. They do not, however, remove the need for public funding of the service, or provide access to cheaper sources of debt.

### **ABILITY TO PAY**

When thinking about who should pay for new transport infrastructure and services, we need to think about whether people can afford to pay.

Those on lower incomes often have little choice over when they have to arrive at work, which often means travelling at peak times. They also have less choice over where they can live, which can mean living considerable distances from where they work.

These factors combined can create the situation where low-income workers have to spend disproportionately larger shares of their household incomes on travel expenses (the average Auckland household already spends 13% of its household budget on transport).

The Council will take into account 'ability to pay' on low-income individuals and households, when designing any new funding tools for transport.



## AUCKLAND IS NOT THE FIRST CITY TO FACE THE PROBLEMS OF CONGESTION, GROWING POPULATION AND LIMITED TRADITIONAL FUNDING SOURCES

### ALTERNATIVE FUNDING

Auckland is not the first city to face the problems of congestion, growing population and limited traditional funding sources. Fortunately, we can learn from international experience what works and what doesn't.

We can also assess the strengths and weaknesses of alternatives by applying standard criteria for the assessment of tools for funding public expenditure on roads, public transport and other transport infrastructure and services. These are:

**Fairness** - that the amount to be paid by individuals or groups should reflect their ability to pay, balanced with the benefit received for the service funded by tax or charge.

**Administrative efficiency** - the costs of raising the revenue should only be a small percentage of the amount to be raised. That is, it should not cost 50 cents to collect a dollar.

**Transparency** - those paying should know how much they're paying and what it is they are paying for.

**Neutrality** - paying the tax or charge should not cause undesirable changes in behaviour, e.g. congesting suburban streets because charges are payable on motorways.

**Capacity** - the source of funds should be large enough to provide the revenue needed without causing unacceptable hardship to those paying.

An analysis, using these funding criteria against each of the funding options. See pages 13-17.

It should be noted that the use of any of the following mechanisms alone is unlikely. Not all the benefits of efficient transport system goes to vehicle users, public transport passengers, property owners or the general public. Because there are multiple benefits to multiple groups of people, a mix of revenue mechanisms is likely.



# FUNDING OPTIONS

## GENERAL RATES

This is the most common form of local government taxation in New Zealand. After setting its budget, a council adds up all those activities to be paid for through general rates and divides this sum by the total government valuation (capital value) of all the properties expected to pay for it. This gives a 'rate per dollar' of property value, so that multiplying it by your property value gives you your general rates bill.

General rates can be 'differentiated', that is, different types of property (e.g. residential, commercial, farms) can be charged different rates per dollar of property value.

General rates are used to fund council activities that are available to all, or generally benefit the whole region.

**Fairness** - approximately 80% of all private personal wealth in New Zealand is held as real estate, so rates can be seen as wealth tax. The wealthier people are however, the lower the proportion of their total wealth is tied up in property, so rates tax a higher proportion of the wealth of the less wealthy.

Councils have wide discretion over the impact of rates on properties, so unfairness can be designed out of the system to some degree. Property valuations, and therefore rates paid, are only partially related to the quality of surrounding transport systems.

**Efficiency** - the costs of raising rates are relatively low compared with amount raised.

**Transparency** - people see their rates bill, have access to and can make submissions on council budgets.

**Neutrality** - councils have wide discretion over the impact of rates on properties. They usually charge the same rate per dollar for all properties in each rating class, e.g. residences, all businesses, etc.

**Capacity** - Auckland rates, per property are similar to those paid throughout New Zealand. Rates are less than one tenth of central government taxation.



## TARGETED RATES

Targeted rates are similar to general rates, but are used to fund a specific council activity or programme, usually in a defined geographic area. They are usually only levied on specific types of property (e.g. businesses) and/or properties in a specific area (e.g. a shopping precinct).

**Fairness** - councils have wide discretion over the impact of rates on properties, so a fair system can be designed. Targeting allows councils to levy rates against properties benefitting most from transport expenditures.

**Efficiency** - the costs of raising targeted rates are relatively low compared with amount raised.

**Transparency** - because targeted rates are used to pay for specific services, they are even more transparent than general rates.

**Neutrality** - councils have wide discretion over the impact of rates on properties. They usually charge the same rate per dollar for all residences, all businesses, etc.

**Capacity** - targeted rates are used to fund specific services or groups of related services. The amount raised through a targeted rate should be limited to the cost of the service.

## DEVELOPMENT CONTRIBUTIONS

Development contributions are payments for physical assets such as roads, pipe networks and parks. They are payable when a property is developed in such a way that it creates more demand for council services (e.g. a building is added or added to, its use is changed, or is sub-divided).

The reason for charging development contributions is that existing properties already paying for the physical assets needed to 'service' those properties. If it is considered unfair for existing properties to pay for the additional assets required by newly developed properties, a development contribution is charged only to the newly developed property as part of the development process.

**Fairness** - development contributions are targeted at those properties creating a need for new council infrastructure. They are designed so that existing residences and businesses do not have to pay for additional infrastructure capacity.

**Efficiency** - they can only be levied once the property development process begins, so there can be a lag between the time that the infrastructure is provided and when the property pays for it. The council must cover this with borrowing in the meantime.

**Transparency** - development contributions are a complex mechanism and not everyone required to pay them understands what they are paying for and why it is fair that they do pay.

**Neutrality** - development contributions requires those developing property to pay the full costs of their development.

**Capacity** - these can only be used for infrastructure required for new development, so the amount that can be raised is limited.

## TAX INCREMENT FINANCING

This is a targeted rate under the Local Government Rating Act 2002. Tax increment funding (TIF) is a tax on the increase in property value brought about by a project. Providing services to properties, such as water and sewer connections, roads and public transport, increases their value. The increase in value is assessed and a tax is calculated as a percentage on that increase in value.

**Fairness** - This tax is fair in that those properties which have had capital gains from the availability of transport services would pay for that benefit. Other non-transport factors might affect property values.

**Efficiency** - This would be quite difficult to administer, e.g. how do you prove that any capital gain was the result of transport service availability. People might choose to challenge their assessments in the High Court.

**Transparency** - The relationship between tax and what it is used for would be quite clear.

**Neutrality** - The amounts raised would not be larger than the capital gain, so should not distort investment decisions.

**Capacity** - If there is an economic downturn, property prices might be depressed leaving little or no capital gains to be taxed.



## NEW REGIONAL FUEL TAX AND ROAD USER CHARGE/DIESEL LEVY

This would be levied regionally and paid by the petroleum companies to the Government, or directly to Auckland Council.

It is inexpensive to administer and considered a very effective tax.

A weakness experienced the last time regional fuel taxes were used was that it was easier for petroleum companies to levy it across the whole country, than to only charge it through fuel retailers within a region's borders.

There is also a long-term weakness in that supplies of the world's fossil fuels are running out. This is already leading to increasing prices and a shift to more fuel-efficient vehicles. Declining use of petrol and diesel would mean the tax per litre would need to be regularly increased to maintain revenue. Increases in tax, however, would add further downward pressure on fuel consumption. This raises a question about its long-term usefulness.

**Fairness** - there is a close relationship between fuel tax paid and transport use.

**Efficiency** - the tax is relatively easy to collect.

**Transparency** - the amount of the fuel price going to tax would need to be made clear.

**Neutrality** - increases in fuel cost will discourage vehicle use. This however is desirable in congestion situations so long as alternative transport options are available.

**Capacity** - fossil fuel production has peaked and is expected to decline. Vehicles are also getting more efficient. Reliance on fuel taxes to pay for large parts of transport is not a long-term solution.

## TOLLING NEW ROADS

The toll road between Silverdale and Puhoi is an example of this. Under current law, an existing un-tolled alternative road must be available.

**Fairness** - a key feature of the existing rules on tolling is that an existing free route must remain available. This means that the toll pays for a new road, while those not wishing to use it can continue to use the existing road. Those using the existing road remain no worse off, so long as the existing road is maintained to a reasonable standard, and possibly better off due to reduced congestion.

It is important that the new road does not siphon off funds that would have otherwise been spent on the old road. If achieved some road users are better off, while others are no worse off, making society better off as a whole.

**Efficiency** - tolling requires billing or cash collection systems. These can be expensive depending on their design. The size of any system designed as a revenue raising system to fund large parts of Auckland's transport system, could be designed so that collection costs were not large in relation to the total amount collected.

**Transparency** - tolls are very transparent because people know how much they are paying and what they are paying for.

**Neutrality** - undesirable behaviour would not be a problem because the system is deliberately designed so that road users can use the old road without charge, or the new road with charge.

**Capacity** - the amount of revenue raised should be limited to the cost of the new road. Using the new road to generate larger amounts of money for the wider transport system is likely to see the price set too high and traffic choosing to use the existing road.



## ROAD PRICING ON EXISTING ROADS

This can take two forms:

**1. Network charging**, where vehicles are charged no matter where they are on the city's roading network. Practicality means that charging points, and the technology needed for them, would be placed on motorways and major arterials. It is not primarily designed to deal with congestion by discouraging use of congested parts of the network; its main function is to raise revenue.

Because the charge is payable across the whole network, it is unlikely to alter where firms and households choose to locate.

**Fairness** - network charging if designed well will charge all road users the same amount. Charging those coming on and off the network can be limited to a maximum amount per day. Alternatives such as effective public transport need to be available as an alternative to private vehicle use.

**Efficiency** - network charging can be quite efficient because it captures large numbers of vehicles across the whole roading network, allowing costs to be spread. Increasing the cost of private vehicle use will also reduce congestion to a limited extent.

**Transparency** - network charges are very transparent because people know how much they are paying and what they are paying for.

**Neutrality** - because network charges are payable by all vehicles on the network, the amount charged per vehicle can be relatively low.

**Capacity** - there are over 1.5 million trips of around 10 kilometres in Auckland every working day, so charges would not have to be high to generate significant amounts of revenue.

**2. Congestion charging** is primarily designed to reduce traffic on congested parts of the network. Charging points therefore need to be placed at the entrances to, or within, congested areas. It is used, for example, in London and Singapore.

If it is effective, the congestion charge will cause some firms and households to locate outside of the tolled area. This can lead to undesirable development patterns and cause the city as a whole to be less economically efficient.

**Fairness** - travelling on congested parts of the network at peak time, imposes a cost on everyone else travelling alongside. Charging people for the scarce resource of peak period capacity is a means of rationing this capacity and getting motorists to face the costs they impose on each other.

**Efficiency** - congestion charging can be efficient providing it is understood that its purpose is to reduce congestion and how well it achieves this purpose. It is unlikely to be efficient at raising revenue for wider transport projects because it only charges for use of congested parts of the network.

**Transparency** - congestion charges are transparent in that people know how much they are paying. The reason people are required to pay it might, however, be difficult for some to understand.

**Neutrality** - congestion charges are designed not to be 'neutral'. That is, they are designed to change driver behaviour, discouraging them from driving during peak traffic times.

**Capacity** - revenue raising capacity is not the primary purpose of congestion charging. It is designed to get private motorists to face the cost of using up peak period capacity and to make alternative choices such as travelling at different times, or using alternative transport.



## ADDITIONAL CAR PARKING CHARGES

It is possible under current legislation to tax car parks using a targeted rate (see previous page). This would have the effect of making parking more expensive and cause motorists to choose other means of transport, e.g. public transport. It could, therefore be a useful tool for reducing congestion.

Such charges would apply to off-street car parks. On-street car parks could have their prices increased to maintain relativity.

Like congestion charging, however, it could lead to undesirable business and household location decisions.

**Fairness** - this would only see those road users who actually park, in commercial or business car parks, paying for additional transport projects. This means it should not be relied on to pay a large proportion of additional transport projects.

**Efficiency** - the council can easily levy targeted rates according to the use of property, e.g. car parking. Council could also ask Auckland Transport to increase on-street carpark prices.

**Transparency** - it might not be clear to users of car parks that increased car park rates and charges are earmarked for transport purposes.

**Neutrality** - if rates on car parks were increased too much, owners would have an incentive to attempt to disguise the purpose of the property. Discouraging cars as a means of commuting into the City Centre and encouraging public transport use would assist in relieving congestion.

**Capacity** - considerable amounts of money are raised from on-street parking and car parking buildings. Reasonable increases in these charges, however, would only generate enough revenue to supplement the transport system and could not be expected to fund it in its entirety.

## VISITOR TAXES

These can take the form of additional rates levied on visitors (tourist and business visitors to Auckland) specific sectors such the commercial accommodation sector.

**Fairness** - Visitor taxes are fair, providing any visitor taxes fund a fair share of infrastructure and services that benefit visitors and businesses for who they are a principle clientele.

**Efficiency** - Levying rates on commercial accommodation is relatively straightforward and is effectively a targeted rate.

**Transparency** - providing it is made clear to commercial accommodation providers what the targeted rate is for, it is a relatively transparent mechanism.

**Neutrality** - the tax would need to be set sufficiently low, so that it did not have a significantly negative effect on visitor numbers.

**Capacity** - approximately 3 million visitors spend 6 million 'guest nights' in Auckland commercial accommodation each year. A dedicated per night charge from this source would be a significant contributor to transport funding in the Auckland Region.

## AIRPORT DEPARTURE TAX

This would entail adding a dedicated tax to people leaving Auckland on international flights. The cost for departing Auckland is low comparable to many Australasian cities and adding a dedicated tax (subject to legislative change) to fund infrastructure development is a common form of revenue raising in many jurisdictions.

**Fairness** - airport departure taxes are fair and would enable Auckland to fund infrastructure upgrades from international visitors, and which would benefit those visitors and businesses for whom they are a principle clientele.

**Efficiency** - airports already levy a service charge on departing passengers and therefore the addition of an additional tax would be relatively straightforward.

**Transparency** - airport departure taxes is a relatively transparent mechanism, provided it is made clear to departing passengers what the departure tax is for.

**Neutrality** - the tax would need to be set sufficiently low, so that it did not have a significantly negative effect on visitor numbers (although it should be noted Auckland has relatively low costs for departure compared to many Australasian cities)

**Capacity** - more than 70% of all international visitors to New Zealand arrive and depart from Auckland Airport. Annually, Auckland International Airport processes approximately 3.3 million departures - meaning that increasing the cost of departure of those who are leaving (to comparably or less than the cost of departing many Australasian cities) would generate significant contributions to transport funding in the Auckland Region.

## CONCLUSION

We hope that this discussion document has been helpful to you in understanding some of the issues facing Auckland's transport system. Its purpose is to give you the opportunity to shape the future of our region. Please take the time to read the following questions and give the Auckland Council your views.

# FEEDBACK FORM:

## WE WANT YOUR OPINIONS ON THE ALTERNATIVE FUNDING OPTIONS FOR TRANSPORT

Additional copies of this document are available at:

- Council libraries, service centres and local board offices
- Online
- Auckland Council customer call centre, 09 301 0101

**Submissions open 23 February and close at 4pm 24 March 2012.**

Fill out the form in this booklet or make an online submission at

**[www.aucklandcouncil.govt.nz/haveyoursay](http://www.aucklandcouncil.govt.nz/haveyoursay).**

Your feedback will be provided to the Mayor and councillors for their consideration.

In June the council will meet to decide any transport funding alternatives it wishes to investigate in more detail as a result of your feedback.

If the council then decides it wishes to develop funding proposals further, this process will include further consultation with the Auckland community and major stakeholders such as government.

### YOUR CONTACT DETAILS

Title \_\_\_\_\_

Full name \_\_\_\_\_

Organisation \_\_\_\_\_

Postal address \_\_\_\_\_

\_\_\_\_\_

### ALTERNATIVE FUNDING FOR TRANSPORT – QUESTIONS FOR AUCKLANDERS

**Q1 Do you agree that Auckland's congestion problem is unacceptable?**

☐ Yes ☐ No

**Q2 Do you agree that additional funds are required to address Auckland's transport problems?**

☐ Yes ☐ No

**Q3 If Auckland is to adequately invest in roads and/or public transport it will require an additional \$10 billion over the next 30 years.**

**What is your preferred mix of funding mechanisms for where this money should come from (please tick any boxes below that you feel transport funding should come from):**

- ☐ General Rates on all properties in Auckland
- ☐ Targeted rates on properties in the city centre
- ☐ Development contributions on newly developed properties
- ☐ Tax increment funding
- ☐ Regional fuel taxes
- ☐ Tolling on new roads
- ☐ Network charging across the whole Auckland roading network
- ☐ Congestion charging on those parts of the Auckland roading network that are congested
- ☐ Additional car parking charges
- ☐ Visitor taxes
- ☐ Airport departure taxes

For more information go to **[www.aucklandcouncil.govt.nz/haveyoursay](http://www.aucklandcouncil.govt.nz/haveyoursay)**

Comments

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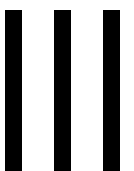




Find out more: phone 09 301 0101  
or visit [www.aucklandcouncil.govt.nz/haveyoursay](http://www.aucklandcouncil.govt.nz/haveyoursay)

Freepost Authority Number 239296

**Free** 



Submission - Alternative Funding For Transport  
Auckland Council  
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Auckland 1142