The overview

The Auckland Regional Council Group (ARC Group) manages the region's natural and physical resources and is responsible for managing regional growth and development, regional parks, public transport, air and water quality, the coastal and marine environment, and natural and cultural heritage.

The ARC has two subsidiaries – Auckland Regional Transport Authority (ARTA) and Auckland Regional Holdings (ARH).

- ARTA is responsible for a range of transport activities across the region, including contracting new and existing bus, train and ferry services.
- ARH owns and manages a number of assets, including financial investments and 100 per cent ownership of Ports of Auckland Limited.

Most of the money generated from ARH's assets is used by the ARC to fund public transport (through ARTA) and water quality projects throughout the region.

Auckland Regional Council TE RAUHĪTANGA TAIAO

ARTA

ARH

Michael Lee
Chairman

Peter Winder
Chief Executive

1.1 Message from the Chairman and Chief Executive

The Auckland region is home to nearly 1.4 million people and is the fastest growing region in New Zealand. Between 2001 and 2006, on average the region gained 79 more people, 21 new houses and 60 additional vehicles every day. This growth creates challenges that are unique in New Zealand. Our intention is to manage this growth in a sustainable way, and the ARC's challenge is to do this without placing an undue burden on ratepayers. This document sets out amendments to the ARC's Long-Term Council Community Plan 2006-16 (LTCCP) in order to progress the electrification of the region's rail network. The amendments include funding from a new regional fuel levy.

A region the size of Auckland requires a reliable and integrated public transport system. Thirty years ago Auckland missed the opportunity to build 'Robbie's Rapid Rail', and we are determined to succeed this time around.

Aucklanders want less traffic congestion, cleaner air, and a safe and friendly city that is easy to get around. Some areas of the region, including outlying areas, are not well-served by the existing network. We need to do much better in connecting people with employment and education opportunities, improving accessibility and quality of life for individuals, families and the wider community.

The region is now gaining some momentum across the transport sector, through the Northern Busway and motorway improvements. Peak time traffic congestion on the harbour bridge is down 11%. Rail patronage is experiencing remarkable growth. We have reached the point where our aging diesels need to be replaced, and fast, clean, quiet electric trains will be cheaper in the longer term. We are also planning to expand rail to the airport, Manukau city centre and eventually the North Shore.

The ARC has been working closely with central government to progress electrification. The government has approved a regional fuel levy, allowing Auckland funding of up to five cents per litre phased in over three years from 1 July 2009. The Government also announced its intention to collect up to a further 4.5 cents in Auckland to fund its share of electrification, and to support the Penlink roading initiative.

This will enable the ARC to raise a significant 30-year loan to fast-track a range of train, bus and ferry projects across the region and achieve our aim of doubling public transport patronage within a decade.

High-frequency trains will also require attention to level-crossings, for safety and to prevent traffic backing up on local roads. These costs largely fall on city and district councils, but the ARC believes the urgency and scale of works required merits regional assistance. The ARC has now been reimbursed by government for money spent on the first stage of double-tracking the Western Rail Line, and we propose to use that money to assist with fixing the region's busiest level crossings. With electrification underway we will turn our attention to the inner city loop rail tunnel.

Changes to our ten-year plan (LTCCP 2006-16)

A number of changes are explained in this document including:

- a regional fuel levy to fund public transport improvements including electrification of the rail network
- increased operating and capital funding to enable ARTA to implement the public transport components of the region's transport strategy.

Further detail about these changes may be found in chapter two.

Copies of this amendment document are also available on our website, www.arc.govt.nz

1.2 How to read this document

This document outlines a number of amendments to the LTCCP forecast, as consulted on in April 2008 and confirmed since the publishing of the Annual Plan 2008/09. This document should be read in conjunction with the Annual Plan 2008/09 and the LTCCP 2006-16.

Sections in this Document		Compare to: Annual Plan 2008/09	Compare to: LTCCP 2006-16
Chapter one	Provides an overview of document and summarises the financial implications of the amended plan	Chapter one	Chapter one
Chapter two	Outlines the specific amendments to activities, corresponding policies and budgets relating to those activities.	Chapter three – Groups of activities	Chapter two – Groups of activities Chapter six – Revenue and financing policy Chapter seven - Other policies and charges
Chapter three	Contains a complete set of the amended financial statements for the ARC group.	Chapter four – Amended financial information	Chapter four – Financial information

1.3 Financial overview

Introduction

These amendments to the LTCCP 2006-16 present a significantly different financial outlook to that included in the original plan.

The ARC's 2006-16 Long Term Council Community Plan identified a $700 million funding gap between the public transport funding available from the ARC and the funding required to implement the Auckland Regional Land Transport Strategy. Using rates to provide this funding would have required unaffordable rate rises of 17% every year for 10 years. Partly as a result of this, in 2008, the Government passed legislation to enable regional fuel tax schemes.

The proposed amendments to the LTCCP 2006-16 set out in Chapter 2 include a regional fuel tax scheme to fund public transport capital projects including the purchase of new electric trains, upgraded rail stations, ferry terminals, passenger information and smart-card ticketing, and allow ARTA to bring forward the bus, ferry and rail service improvements set out in ARTA's Passenger Transport Network Plan

While the introduction of a regional fuel tax to fund ARTA to implement public transport capital projects will introduce new equity into the ARC by virtue of regional fuel tax receipts, the timing of payment for ARTA's capital projects will precede the timing of receipt of regional fuel tax revenues.

This timing mismatch will necessitate the ARC entering into significant debt over the period up to 2014/15, after which time the regional fuel tax receipts will begin to enable the accumulated debt to be repaid. This long term debt outlook for the ARC compares with the previous financial environment which only required debt for working capital purposes over a period of three to four months each year.

Details of the proposed funding of ARTA's capital programme are outlined in Chapter 2. Regional fuel tax based debt is projected to peak at $582 million in 2014/15.

The funding cycle for the programme can be described as follows:

- ARC draws down debt
- ARC uses the funds raised to invest in ARTA
- ARTA uses funds from the ARC to purchase public transport assets
- ARC receives regional fuel tax revenues
- ARC repays debt plus accumulated interest.

As a consequence, ARC's investment in its subsidiary ARTA will increase by the amount provided to ARTA for its regional fuel tax funded capital programmes. The ARC's ratepayer equity will increase by the surplus of regional fuel tax receipts over interest on the debt.

The regional fuel tax will also result in distributions from ARH providing an ongoing source of operating funding for public transport (via ARTA).

Chapter 3 includes the following detailed prospective financial statements reflecting the proposed introduction of the regional fuel tax included in Chapter 2, and the Annual Plan for 2008/09:

- Statement of financial performance
- Statement of financial position
- Statement of changes in equity
- Statement of cash flows
- Funding Impact Statement – Operating Revenue

ARC 2008/09 Planning Framework

The Annual Plan 2008/09 was adopted in June 2008, and is not amended by this plan. Information for 2008/09 has however been included for the purposes of allowing comparison with the information provided for consultation.

At the time the 2008/09 Annual Plan was adopted, legislation enabling the regional fuel tax had not come into effect, and the ARC consequently was unable to proceed with the higher levels of funding for ARTA signalled in the draft 2008/09 Annual Plan.

ARH distribution

The ARH distributions contained in the LTCCP 2006-16 were partially debt funded, and would have reduced ARH's net investment fund to a level below that required to provide sustainable funding for ARTA beyond 2016. In this amendment, the requirement for ARH to raise debt to fund distributions will be reduced in comparison with the original LTCCP, allowing ARH to provide a source of ongoing funding for ARTA.

Changes as a result of consultation

After feedback on the impact of the regional fuel tax scheme, the ARC proposed a scheme to government with a delayed start to the tax, and a phased its introduction to be phased.

As a result, the ARC's forecast fuel tax revenue has reduced by approximately $105 million. This revenue has largely been replaced by increased distributions from ARH in 2008/09.


Platform 1
Town centre
MAXX
TRAIN
Kingsland Station