

**File Reference:** 8.00049  
**Significance of Decision:** Low



**Report To:** Regional Transport Committee  
**Meeting Date:** 27 August 2014  
**Report From:** Christine Jones, Tauranga City Council  
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## Variation to the Regional Land Transport Programme 2012-15 – Route K

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### Executive Summary

Regional Transport Committee approval is sought for inclusion of a new project titled 'Route K' within the 2012-2015 Regional Land Transport Programme. This is a one-off payment from NZ Transport Agency to TCC on 30 June 2015 of (projected) \$62.5 million equivalent to the Route K associated costs at that date less \$1 million – to recognise the value of the forward payment to TCC. The payment is to recognise TCC's foregoing the future tolling revenue stream when Route K is declared a State highway.

Inclusion of the Route K activity in the RLTP will not have a significant impact on the delivery of the overall NLTP or any reduction in funding to activities currently within the approved RLTP. Payment will be made from the NLTF. All Transport Agency costs, including the upfront payment, will be recovered through toll tariff revenues.

The timing of the decision is to achieve best value toll gantry and tolling equipment commercial terms in mid-September 2014, to allow The Transport Agency to meet 2015 timelines for the Tauranga Eastern Link and Route K.

The decision is not considered to be significant as it is directly connected to the State highway Declaration of the corridor.

### 1 Recommendations

**That the Regional Transport Committee under its delegated authority:**

- 1 Includes a new project titled 'Route K' within the 2012-2015 Regional Land Transport Programme.**
- 2 Confirms that as this matter is directly connected with Route K becoming a State highway corridor, this decision is not significant.**
- 3 Confirms that the decision is within the Bay of Plenty Regional Council's strategic planning framework (Council's Ten Year Plan, and planning**

**documents and processes under the Resource Management Act 1991, Biosecurity Act 1993, Land Transport Management Act 2003, Civil Defence and Emergency Management Act 2002, and Local Government Acts 1974 and 2002).**

## 2 Background

1. NZ Transport Agency and Tauranga City Council (TCC) staff have been actively progressing TCC resolutions passed in February 2014 related to declaration of Route K as a State highway corridor from mid-2015.
2. Technical and legal issues have arisen with the mechanism to give effect to the resolutions (an Income Replacement Programme).
3. The Transport Agency agrees to provide a one-off payment to TCC to recognise TCC's foregoing the future tolling revenue stream when Route K is declared a State Highway, provided the activity is included within the 2012-15 RLTP.
4. The value proposition to the Transport Agency of owning Route K is:
  - Providing a consistent user experience through electronic tolling;
  - Delivering travel time savings to customers;
  - Supporting the Transport Agency toll system with additional transactions, reducing the overall per transaction cost; and
  - Managing and operating a nationally strategic highway
5. The value proposition to TCC of Route K being declared a State highway and receiving a one-off payment in recognition of forgone tolling revenue is:
  - Immediate significant reduction in financial risks
  - Likely credit rating upgrade from A+ to AA-
  - Removes cost risk associated with unplanned events or natural disasters
  - Removes Route K traffic volume and associated revenue risk
  - Removes operational risks of managing a toll road.
  - Ongoing management and funding of renewal works removed and also need for associated cost recovery.
  - TCC staff time savings.
6. It is proposed that there be a one-off payment from the Transport Agency to TCC on 30 June 2015 equivalent to the Route K associated debt at that date (projected to be \$63.5 million) less \$1 million. The \$1 million represents value of the forward payment.
7. The transaction needs to be included as an activity in the Regional Land Transport Programme (RLTP) by way of a variation. This is considered to be appropriate as the Bay of Plenty Regional Land Transport Strategy 2011-2041 (RLTS) recognises the national importance of State Highway 29 as an inter-regional link between the Bay of Plenty and the rest of the upper North Island for the movement of people and freight. It also identifies that one of the key challenges is to improve access to the Port to ensure efficient flow of goods for the benefit of the national economy.

8. The Route K activity in the RLTP will be for a 100% Funding Assistance Rate contribution. The payment will be from the National Land Transport Programme 'New and Improved Infrastructure for Local Roads' activity class. Inclusion of the Route K activity in the RLTP will not result in any reduction in funding to activities currently within the approved RLTP. The payment will not have a significant impact on the delivery of the overall NLTP.
9. The RLTP has a significance policy to guide the Regional Transport Committee's decision whether to amend the RLTP and add an activity. As the activity will arise directly from the declaration of Route K as a State highway no public consultation is required under the Land Transport Management Act 2003.
10. To enable the proposal to progress there needs to be approval by the Transport Agency, approval by TCC, inclusion in the Regional Land Transport Programme by way of a variation approved by the Bay of Plenty Regional Transport Committee and then sign-off by Cabinet (for the Transport Agency to collect toll tariffs to recover costs).

### 3 Implementation Issues

11. The proposed approval and implementation process is:
  - Transport Agency Board meeting considered the matter and approved funding - 15 August.
  - Tauranga City Council considered and approved the matter - 18 August
  - Report to Regional Land Transport Committee seeking approval for inclusion of activity in RLTP – 27 August
  - Cabinet to consider the approval associated with an Order in Council for tolling under the Land Transport Management Act – 1 September.
  - Recommendation by Cabinet to the Governor-General for approval of Order in Council for a road tolling scheme - prior to the election.

### 4 Financial Implications

#### Current Budget

The financial implications to Tauranga City Council and the New Zealand Transport Agency are outlined in the report. There are no financial implications to the Regional Council.

#### Future Implications

The financial implications to Tauranga City Council and the New Zealand Transport Agency are outlined in the report. There are no future financial implications to the Regional Council.

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**27 August 2014**