

Transport Governance in Wellington
**An assessment of the transport implications of local
government reorganisation proposals**

CityScope Consultants

August 2014

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Table of Contents

1.	Introduction	1
1.1.	Background	1
1.2.	Approach	2
1.3.	Report structure.....	3
2.	Current arrangements	4
2.1.	Description of networks.....	5
2.1.1.	Travel patterns	5
2.1.2.	State highway and rail networks.....	5
2.1.3.	Road networks	5
2.1.4.	Public transport networks.....	7
2.2.	Financial performance	7
2.2.1.	Operating Expenditure.....	7
2.2.2.	Capital Expenditure.....	8
2.3.	Planning and programming.....	10
2.4.	Collaborative arrangements	11
2.5.	Issues with current transport governance.....	12
2.5.1.	Outcome of interviews.....	12
2.5.2.	Case studies.....	13
3.	Reorganisation proposals.....	16
2.6.	The reorganisation continuum.....	16
2.7.	Treatment of transport	17
2.7.1.	A Wairarapa Unitary Council.....	17
2.7.2.	A Wellington-Wide Unitary Council	18
2.7.3.	Alternative proposals: Regional Committee and joint transport CCO.....	20
2.8.	Discussion.....	22
4.	Experience elsewhere	24
3.1.	International experience.....	24
3.2.	Case study: the United States	25
3.3.	Auckland governance changes.....	27
3.3.1.	Background: A History of Fragmentation and Changing Arrangements.....	27
3.3.2.	Governance issues	27

3.3.3.	The Recommended Response.....	29
3.3.4.	Performance of the Auckland model	30
3.4.	Lessons for Wellington.....	34
5.	Evaluation of options for reorganisation	37
4.1.	Options evaluated.....	37
4.1.1.	Option 1 - A Wellington-Wide Unitary Council.....	37
4.1.2.	Option 2 - GWRC with control over all local government land transport activities	38
4.1.3.	Option 3-Regional Committee and joint CCO	38
4.1.4.	Summary	39
4.2.	Evaluation criteria	40
4.3.	Evaluation of options	41
4.4.	Discussion.....	43
4.4.1.	Unitary Council.....	43
4.4.2.	GWRC with control over all local government land transport activities	43
4.4.3.	Option 3-Regional Committee and joint CCO	43
4.4.4.	Conclusion.....	44
4.5.	Alternative delivery mechanisms: in house or CCO.....	44
6.	Summary	46

1. Introduction

This report has been prepared by CityScope Consultants Ltd in response to a request by the Local Government Commission (the Commission) for a review of the transport implications of local government reorganisation proposals for the Wellington region. The Commission has requested a report that provides:

- a brief description of the current land transport arrangements in the Wellington region; and
- advice on the optimal land transport governance arrangements, in terms of efficiency and effectiveness, including:
 - a literature review of the optimal governance arrangements (in terms of efficiency and effectiveness) for a region similar to Wellington,
 - assessing the current Wellington region land transport arrangements against the optimal arrangements found in the literature review,
 - advice on the optimal land transport arrangements for the Wellington Region,
 - advice on whether there may or may not be advantages in arrangements that consolidate governance of land transport, with that of public transport and of land use planning.

The Commission has also sought advice on:

- the advantages and disadvantages of possible options that involve consolidation of land transport governance under a single whole of region local authority which is either
 - a newly created unitary authority, or
 - the existing Greater Wellington Regional Council, or
 - a regional committee of representatives from each territorial authority with a council controlled organisation undertaking service delivery.
- The advantages and disadvantages of using a council controlled organisation for the management of land transport in the Wellington region under the following scenarios:
 - one single local authority; or
 - a regional committee.

1.1. Background

The Commission has received two applications for local government reorganisation in the Wellington Region. Both seek a governance structure based on a unitary council to consolidate functional responsibility for local government and regional matters within a single agency, with boards to represent local communities and take responsibility for decisions on local matters.

The first application, referred to in this report as the ***Wairarapa proposal***, was jointly submitted by the South Wairarapa, Carterton, and Masterton District Councils in May 2013. This application proposed amalgamation of the three councils into a single unitary council for the Wairarapa. Letters of support from Lower and Upper Hutt city councils were appended, among others.

An application for a single unitary authority for the whole of the Wellington Region (including Wairarapa) was submitted to the Commission in June 2013 by the Greater Wellington Regional Council (GWRC). This is referred to in this report as the **GWRC proposal**. The proposal included letters of support from Porirua City Council and a variety of commercial associations, trusts, and interest and lobby groups.

The GWRC proposal draws heavily on the report of the joint Working Party on Local Government Reform. This compared a single tier with a double tier council, recommending in favour of the latter mainly on the grounds of maintaining local democracy through shared governance “between the governing councils and the local boards” (p.29). It anticipates achieving savings from combining functions and better utilisation of skilled staff (economies of scale), avoiding duplication of planning and services (administrative economies), and procuring services at lower unit costs (purchasing economies) (p.38).

In response to the two formal reorganisation proposals, the Commission has also received a number of alternative proposals. These include a submission from Hutt City which supports the creation of a unitary council in the Wairarapa and maintenance of the existing councils in western part of the region but, if further amalgamation is favoured, proposes three unitary councils (Upper Hutt and Hutt City; Wellington and Porirua; and Kapiti). A Wellington regional committee, with joint membership from the unitary authorities, would be responsible for regional planning including transport; and a jointly owned Council Controlled Organisation (CCO) would be responsible for transport service delivery.

A submission by Upper Hutt City Council also endorsed a Wairarapa unitary council and the retention of existing territorial authorities, with the establishment of jointly owned regional CCOs for delivery of the three waters and regional land transport services. This submission also proposed a Wellington Regional Committee with membership from the constituent councils responsible for the Wellington Regional Strategy (economic development), the Wellington Spatial Plan, and the Wellington Regional Transport Strategy.

While only two proposals are subject to a formal application – the Wairarapa and GWRC regional proposals – the surveys undertaken by the local councils and their independent submissions support a range of options that fall, more or less, on a continuum from the status quo through to a single unitary council.

The options differ in their treatment of land transport activities. The purpose of this report is to consider the land transport implications of the various options, taking into account the current arrangements for land transport in the Wellington region, and experience with transport governance in other jurisdictions. Against this background, a set of evaluation criteria has been developed, and used to test the strengths and weaknesses of each of the options from a transport perspective. The outcomes of this work will be used to assist the Commission in its consideration of the applications.

1.2. Approach

The review has drawn on information from the following sources:

1. Literature review of transport governance arrangements and issues in other jurisdictions. This includes previous work undertaken for the Royal Commission on Auckland Governance,

updated to take account of more recent developments, including the changes to Auckland governance arrangements in 2010.

2. A review of current arrangements in Wellington. This has drawn on a review of available documentation and relevant data, supplemented with interviews with selected key informants from existing local authorities and the NZTA. The interviews focussed on the following questions:
 - What do you see as the main transport issues facing the Wellington region?
 - Could these issues be better addressed by different governance arrangements?
 - Are any major transport projects or decisions being held back (or have they been held back in the past) by the current governance arrangements?
 - What current arrangements are there for working together? How successful are they, could they be extended/improved under current governance?
 - Does the current size of councils make it difficult to:
 - Get competitive prices for things like road maintenance and renewals, road improvement contracts?
 - Recruit, train and retain staff with needed skills and experience?
 - What other improvements would you expect to see from a change in governance arrangements?
3. A review of how the recent Auckland transport governance changes have performed, and any lessons that can be drawn for Wellington, based on key informant interviews with a range of senior executives who are familiar with the new arrangements in Auckland.
4. Evaluation of transport governance options for Wellington, using evaluation criteria derived from the literature review and key informant interviews.

1.3. Report structure

The report covers the following:

- an outline of current arrangements for the governance and delivery of land transport functions in Wellington,
- issues with the current governance arrangements,
- a brief review of the reorganisation proposals, and how they deal with land transport
- experience elsewhere, including Auckland and overseas examples,
- evaluation of a range of future options for land transport governance and Wellington;
- conclusions and recommendations.

2. Current arrangements

Table 2.1 summarises the current provision of land transport functions in the Wellington region. Strategic planning and programming are undertaken at the regional level, as is the planning and procurement of public transport services. The provision and maintenance of State highways is undertaken by the New Zealand Transport Agency (NZTA), while territorial authorities are responsible for the provision and maintenance of local roads.

Table 2.1: Current responsibility for land transport functions in Wellington

Function	Primary Responsibility	Comments
Strategic planning	Regional	Regional Land Transport Strategy (RLTS) prepared by the Regional Transport Committee. Following recent changes to legislation, the RLTS will be replaced from 2015 by a Regional Land Transport Plan
Programming	Regional	Regional Land Transport Programme prepared by the Regional Transport Committee. From 2015 the programme will be incorporated into the new Regional Land Transport Plan (see above)
Public transport services	Regional	The planning and procurement of bus rail and ferry services is undertaken by GWRC. Rail services are provided under contract by KiwiRail, and bus and ferry services under contract to private operators
Rail infrastructure	National (KiwiRail)	KiwiRail owns and maintains rail infrastructure as part of the national rail network. It also operates passenger rail services under contract to GWRC.
Other public transport infrastructure	Regional & Territorial	GWRC owns or controls railway stations, park and rides, and major off-street interchanges. Other public transport infrastructure (bus stops, bus priorities etc.) is located within the road reserve, and is the responsibility of territorial authorities.
State highways	National (NZTA)	NZTA operates Wellington's motorways and State highways as part of the national state highway network
Local roads	Territorial	All roads other than State highways are the responsibility of territorial authorities as part of their functions as road controlling authorities
Walking and cycling	Territorial	Most walking and cycling infrastructure in the region is the responsibility of territorial authorities
Travel demand management	Regional & Territorial	GWRC plans, promotes and provides training for travel planning programmes. Territorial authorities lead implantation. Territorial authorities and NZTA are responsible for road on-road initiatives such as traveller information systems, HOV lanes, pedestrian etc.

2.1. Description of networks

2.1.1. Travel patterns

Travel patterns in the Wellington region are heavily influenced by the concentration of employment and commercial activity in Wellington City. Approximately 56% of the region's jobs are located within Wellington City, resulting in a significant daily commuter inflow from other parts of the region. **Table 2.2** shows that almost 90% of employed Wellington City residents have a workplace in the City; and that Wellington City also attracts a large proportion of commuters from the west of the region.

Conversely, commuter flows between the Wairarapa and the west of the region are much lower, reflecting the relative geographic isolation of the Wairarapa. Less than 10% of Wairarapa workers have workplaces in the west of the region; and less than 0.4% of workers from the west of the region have workplaces in the Wairarapa.

Table 2.2: Workplace location of usually resident Wellington population (2006 census)

Usual residence	Workplace location				
	Within local district	Wellington City	Wairarapa	Rest of region	Total region
Kapiti Coast District	65.1%	23.4%	0.3%	11.2%	100.0%
Porirua City	43.2%	45.4%	0.2%	11.2%	100.0%
Upper Hutt City	46.1%	25.1%	0.4%	28.3%	100.0%
Hutt City	60.6%	33.3%	0.4%	5.6%	100.0%
Wellington City	*	89.6%	0.4%	10.0%	100.0%
Wairarapa	**	5.5%	91.1%	3.4%	100.0%

* included in Wellington City column

** included in Wairarapa column

2.1.2. State highway and rail networks

The main connections between the different parts of the Wellington Region are State Highways and rail lines, which are both part of wider national networks. State Highway 1 and the North Island Main Trunk Rail Line form the north-south corridor which connects Kapiti, Porirua and Wellington. State Highway 2 and the Wairarapa rail line form the eastern corridor which connects the Wairarapa, Upper Hutt, Hutt City and Wellington City. State Highway 58 forms the east-west route which connects the Hutt valley with Porirua.

2.1.3. Road networks

With the exception of State highways, which are the responsibility of the NZTA, roads and footpaths in the Wellington region are provided and maintained by territorial authorities in their capacity as road controlling authorities. Council expenditure on local roads is funded through a combination of rates and NZTA funding. The level of NZTA input is determined by the funding assistance rate (FAR), which takes into account the size and condition of the

rating network, and the rating base of the Council. In Wellington, the current FAR for road maintenance ranges from 45.8 percent in Wellington city to 64.0 percent in Wairarapa¹.

The local road networks of the 5 territorial authorities in the west of the Wellington region are largely independent of each other. There is one local road connecting Upper Hutt with Hutt City (Eastern Hutt Road), no local roads connecting Upper Hutt with either Porirua or the Wairarapa, no local roads connecting Hutt City with Wellington City, one local road connecting Porirua with Wellington City (Main Road), and no local roads connecting Porirua with Kapiti Coast District.

The roads of the three Wairarapa councils form an interconnected network, but there are no local road connections with the rest of the Wellington region.

The size of the local road networks in each of the local authority areas is shown in **Table 2.3** below. The amount of roading in urban areas (3,679.5 lane km) is very similar to that in rural areas (3,771.6 lane km).

The Wairarapa has 3,451.5 lane km (46% of the whole region) and contains 10% of the urban lane km and 83% of the rural lane km in the region. 89% of lane km in the Wairarapa is rural, whereas in the remainder of the region 19% of lane km is rural.

Table 2.3: Road networks by district²

District	Local roads length (km)	Local Road Lane km	% of total regional network (lane kms)	% rural roading by lane km
Masterton District	797.4	1,289.8	17%	83%
Carterton District	435.4	870.8	12%	94%
South Wairarapa District	652.8	1,290.9	17%	92%
Kapiti Coast District	388.7	767.8	10%	40%
Porirua City	239.8	466.2	6%	16%
Upper Hutt City	236.6	467.8	6%	35%
Hutt City	477.5	946.1	13%	6%
Wellington City	684.1	1,351.7	18%	7%
Total local roads	3,912.4	7,451.1	100%	50%
NZTA State Highways	235.5	628.2		

¹ Overall effective rate 2012/13

² NZTA Network statistics for year ended 30 June 2009

2.1.4. Public transport networks

The core of the Wellington region of public transport network is the rail lines: Waikanae–Wellington, Masterton–Wellington and Johnsonville-Wellington. Rail services running on these lines connect the local bodies with each other and with the Wellington CBD, although there are no direct rail connections between Porirua/Kapiti and the Hutt Valley. There are also bus services connecting local communities with the rail and serving local communities. There is a ferry service connecting Days Bay (in Hutt City) with the Wellington CBD.

There are few bus services which connect local authorities. There are three bus services connecting Upper Hutt with Hutt City, nine services connecting Hutt City with Wellington City, and three services connecting Porirua with Wellington City. Elsewhere, connecting services are sparse or non-existent: there are no bus services connecting the Wairarapa with Upper Hutt, or Kapiti with Porirua; and a single bus service connects Porirua with Hutt City (one trip each direction each day).

Within the Wairarapa, there are seven bus services which currently operate on weekdays. One service connects Masterton, Carterton, Greytown and Featherston; one service provides a commuter service between Martinborough and Featherston; one service connects Greytown with the rail line and there are four services providing connections during the day within Masterton.

GWRC is responsible for the preparation of a Regional Public Transport Plan (RPTP), which sets out the public transport services that the regional council intends to be provided in the region, through contracts with rail, bus and ferry operators. GWRC is also responsible for procuring those contracts, which are funded from regional rates and NZTA funding.

GWRC also owns or controls most of the critical infrastructure – particularly rail stations and park and rides. The territorial authorities provide street works and bus stops. This appears to work reasonably well, although there may be tension developing over the Wellington public transport spine, where Wellington City Council needs to provide enhanced bus priority measures to support the agreed services to be provided by GWRC.

2.2. Financial performance

2.2.1. Operating Expenditure

Transport operating expenditure for the Wellington councils is summarised in **Table 2.4** below. A large proportion of roading operating expenditure is spent on road maintenance, which generally relates to the type of network and length of road. The “Total transport opex” column includes expenditure on public transport as well as roading. For GWRC a large part of this is expenditure on contracts for rail, bus and ferry services. For the territorial authorities, the additional expenditure is largely for public transport on-road expenditure – bus stops, shelters, bus lanes etc.

Table 2.4: Land transport operating expenditure of Wellington Councils, 2011/12³

Council	Roading opex (\$000)	Roading opex per lane km (\$)	Total transport opex (incl PT) (\$000)	Transport opex per capita (\$)	Transport share of total council opex
GWRC			97,685	204	53%
Masterton District	9,511	7	10,337	436	31%
Carterton District	3,002	3	3,370	409	27%
South Wairarapa District	6,116	5	6,759	705	45%
Wairarapa Councils	18,629	5	20,466	492	34%
Kapiti Coast District	11,525	15	11,774	239	20%
Porirua District	5,576	12	7,165	139	10%
Upper Hutt City	8,566	18	8,909	219	20%
Hutt City	20,342	22	21,333	217	17%
Wellington City	38,968	29	52,498	266	14%
Total	103,606	14	219,829	460	24%

It can be seen that the level of roading operating expenditure depends on the size of the road network and whether the network is predominantly urban or rural. The Wairarapa councils have large road networks which are predominantly rural and have relatively low operating costs per km. Kapiti, Porirua, Upper Hutt and Hutt have predominantly suburban road networks with similar costs per km, whereas Wellington City has an urban network with higher traffic volumes, more traffic control devices, more non-vehicle use of road reserves and relatively high costs per km.

Public transport operating expenditure is dominated by GWRC which funds passenger transport services and stations, and Wellington City which funds inner city public transport infrastructure.

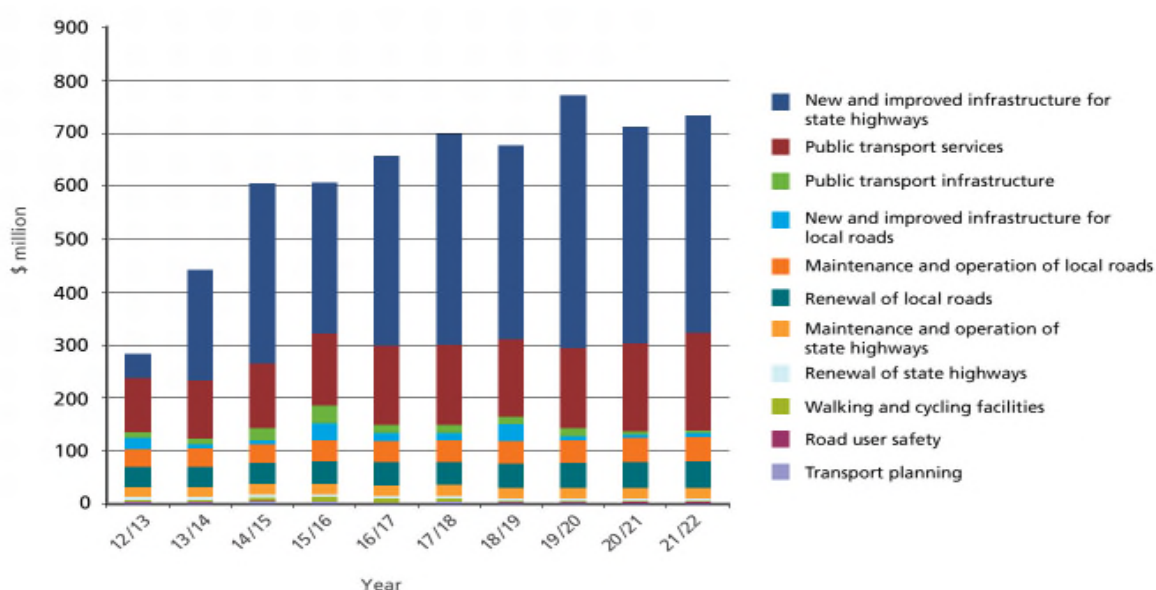
Transport forms a much larger proportion of total council operating expenditure for the Wairarapa councils, reflecting the size of the road network is relative to population, and the more limited services generally provided by rural councils.

2.2.2. Capital Expenditure

Figure 2.1 shows forecast transport expenditure in the Wellington region for the period 2012/13 to 2021/22. It can be seen that more than half planned expenditure will be for state highway improvements and that only a small proportion will be on improvements to local roads.

³ Local government sector profile, www.localcouncils.govt.nz

Figure 2.1: Forecast expenditure for next 10 years by activity class⁴



Planned capital spending on local roads by Wellington councils 2013 – 2022 is shown in **Table 2.5**. Expenditure on renewals is shown separately but it is not clear whether expenditure in this category is strictly comparable between councils. There may be variations in interpretation between councils in how renewals are defined relative to maintenance expenditure.

Table 2.5: Planned roading capital expenditure of Wellington Councils 2013-2022⁵

Council	Roads & footpaths capex: renewals (\$000)	Total roads and footpaths capex (\$000)	Roads and footpaths capex per capita (\$)	Renewals share of roads and footpaths capex	Roads & footpaths share of total council capex
Masterton District	39,764	51,468	217	77%	43%
Carterton District	20,302	21,124	256	96%	50%
South Wairarapa District	21,204	26,002	271	82%	50%
Kapiti Coast District	32,426	63,043	128	51%	22%
Porirua District	16,308	53,782	105	30%	25%
Upper Hutt City	31,005	46,324	114	67%	38%
Hutt City	90,901	138,777	141	66%	31%
Wellington City	286,374	403,611	205	71%	28%
Total	538,284	804,131	168	67%	30%
<i>Wairarapa Councils</i>	<i>81,270</i>	<i>98,594</i>	<i>196</i>	<i>82%</i>	<i>46%</i>
Rest of Region	457,014	705,537	105	65%	28%

⁴ Greater Wellington Regional Land Transport Programme 2012 - 2015

⁵ Local government sector profile, www.localcouncils.govt.nz

Wairarapa councils' capital expenditure per capita is close to twice that of the rest of Wellington, reflecting the much greater length of roading per capita. Roading accounts for almost half of the total planned capital expenditure for the Wairarapa councils, and more than 80% of this is budgeted for renewals. Wellington City also has a relatively high level of planned capital expenditure per capita, with about 25% used to increase levels of service.

2.3. Planning and programming

The Regional Transport Committee (RTC) is a committee of the GWRC, but its membership comprises two members of the GWRC and one representative from each of the Wellington territorial authorities and the NZTA. Until recently the statutory responsibilities of the RTC were to prepare the Regional Land Transport Strategy (RLTS) and the Regional Land Transport Programme. Following a 2013 amendment to the Land Transport Management Act 2003 these two documents will be replaced from 2015 by a new Regional Land Transport Plan.

In the meantime the RLTS provides the strategic planning framework for land transport in Wellington. It sets out regional priorities for the transport system, while reflecting the Government's priorities for land transport funding as set out in the Government Policy Statement. The RLTS forms the basis for coordinating long-term development of the region's transport networks and the operation of public transport. It sets transport targets and provides the framework within which network and particularly corridor planning is undertaken.

The current RLTS sets out the following objectives and outcomes:

Objectives:

- Assist economic and regional development,
- Assist safety and personal security,
- Improve access, mobility and reliability,
- Protect and promote public health,
- Ensure environmental sustainability,
- Ensure that the Regional Land Transport Programme is affordable for the regional community.

Outcomes:

- Increased peak period public transport mode share,
- Increased mode share for pedestrians and cyclists,
- Reduced greenhouse gas emissions,
- Reduced severe road congestion,
- Improved regional road safety,
- Improved land use and transport integration,
- Improved regional freight efficiency.

Implementation is effected through the Regional Land Transport Programme which forms the basis of applications for project funding to the NZTA. The Programme is compiled from a series of proposals advanced by local councils, the GWRC itself, and central government,

prioritised by the RTC to reflect the vision and objectives of the RLTS. Unless projects are included in the Programme, they are not eligible for NZTA funding.

Project priorities decided by the RTC are issued in a draft Programme subject to consultation with the regional community with submissions considered by the RTC in a final Programme adopted by the GWRC. The priorities contained in the 2012-15 Programme are set out below, and are accompanied by a schedule of works and initiatives, responsibilities (by council), programming and rankings. A separate schedule of rankings and commitments is provided for third priority projects.

Priority	Activities
Committed	Activities that have had funding approved but are not yet completed. Committed activities are automatically included in the RLTP and are not prioritised.
Automatically included	Automatically included activities are: <ul style="list-style-type: none"> + Local road maintenance and renewals + Local road minor capital works + Renewals and minor capital works (including demand management activities) + Existing public transport services Automatically included activities are not prioritised.
First priority	First-priority activities include: <ul style="list-style-type: none"> + Public transport infrastructure maintenance and renewals + Public transport operations for new capital projects + State highway maintenance and renewals + Activity management plans + Statutory transport planning
Second priority	Second-priority activities include: <ul style="list-style-type: none"> + Transport planning studies including investigation phases for large new projects, feasibility studies and scheme assessments, transport model maintenance and upgrades, state highway studies and local transport studies + Walking, cycling and public transport activities costing less than \$5 million, including walking and cycling programmes, minor public transport improvement programmes and specific identified infrastructure projects + Minor road safety activities costing less than \$5 million including road safety promotion and education programmes + State highway block programmes, which are primarily safety projects, costing less than \$5 million
Third priority	Third priority activities are high cost, large, new projects costing more than \$5 million. These activities are of national, regional or interregional significance and are ranked according to Policy 8.8 of the RLTS (refer section 2.6). The ranking of third priority activities is covered in section 4.1.

Source: Wellington Regional Land Transport Programme, 2012-2015, p.7

2.4. Collaborative arrangements

The local authorities work together at officer level in a variety of ways. Technical Advisory Groups made up of officers from all local authorities work together satisfactorily on the RLTS, Regional Land Transport Programme, and Corridor Plans. There are a number of informal arrangements where neighbouring councils, particularly the Wairarapa councils and Upper Hutt and Hutt City Councils, are moving to better align specifications and procurement processes to take advantage of shared knowledge and perhaps of lower prices for services. Some councils also cover each other in the absence of key staff.

A joint traffic operations centre is currently being established by Wellington City Council and NZTA, and it is expected that the other territorial authorities will also become involved. The joint operations centre will have responsibility for all road traffic operations including state highways and local roads.

The Wairarapa councils have recently re-let their road maintenance contracts. They formed common specifications, common contract conditions and issued the request for tender as a group contract under NZTA tender rules. The tenders were evaluated jointly and a group

tender was let to a single supplier under an arrangement through which the successful tenderer then contracts independently with the separate councils. Masterton District Council staff manage Carterton District road contracts.

There is a consensus that officers from all local authorities have worked together well historically and that this has improved recently. There is a view that further incremental improvements can be made. It appears, however, that there are currently no formal arrangements for councils to work together in the transport area, with the exception of the Masterton/Carterton road contract management arrangements outlined above. This means that the level and effectiveness of cooperation still depends largely on the personnel involved and the goodwill between councils.

2.5. Issues with current transport governance

2.5.1. Outcome of interviews

The reorganisation proposals highlighted a number of issues that have arisen with the current land transport governance arrangements in Wellington. Key informant interviews were used to gain insight into these issues, and to determine how widespread and significant they are.

Most of the individuals interviewed agreed that in a number of areas Wellington is not moving ahead as fast as it could and as fast as it needs to, and that improved decision making on regional matters is necessary. Transport issues are not the main driver in this thrust but they are an important part of it, and there are examples of regionally important transport projects which are progressing only slowly because of lack of regional unity.

While interviewees were not unanimous, the following themes arose:

- A single regional view on the need for and priority of major transport projects would lead to more positive engagement with NZTA and faster delivery of key transport projects. While the current RLTS and the corridor plans provide guidance, the agreement reached is not being maintained and some councils no longer fully support some projects.
- A regional land use plan (often referred to as a spatial plan) needs to be agreed and adhered to which would provide a degree of certainty over how land will be developed and would not be continuously re-litigated. A regional land use plan is necessary in its own right but would also provide a basis to ensure major transport projects support land use and would give greater clarity to the role of key transport projects.
- There is room for improvement in how transport services are delivered and a regional delivery agency would provide improved efficiencies and greater resources and skills. These improvements are not expected to be huge however, and cost savings in particular are not a strong driver for change.
- Differences in priority between regional and territorial authorities. While officers generally work together to reach consensus an underlying tension remains in a number of cases. The RTC has not been able to establish a clear and enduring agreement on

regional priorities that the constituent councils are able to support (although it should be noted that this problem is certainly not unique to the Wellington region).

While there was general agreement on the value of changes to address these issues, there is disagreement on how urgently changes are needed or how great a change in governance is required.

The Wairarapa councils have proposed that Wairarapa form a separate Unitary Authority. However, the GWRC considers that the Wairarapa economy and its future are integrally connected with the rest of Wellington Region as currently defined, and that the Wairarapa should remain a part of it. Interviewees from other organisations either considered that from a transport perspective the Wairarapa is separated physically from the rest of Wellington and is primarily rural in nature and should not form part of the Wellington network, or were neutral on the matter.

2.5.2. Case studies

Major transport projects which were raised as not progressing as fast and as smoothly as they need included the following.

Petone-Grenada link road

The Wellington geography focuses development on two corridors - a northern corridor around SH1 (and the rail line) and an eastern corridor around SH2 (and the rail line). The Petone – Grenada link is a proposed new road which would connect these two corridors between SH1 at Grenada North and SH2 at Petone.

The road would provide a direct connection between the northern Wellington suburbs, Porirua and Lower Hutt, improving access between these key freight and employment centres. It would take traffic off SH1 and SH2 south of the new link and would reduce congestion on that part of the network. It would improve the resilience of the regional network by providing an alternative access route in the case of a significant weather, earthquake or other natural hazard event. The new road would also provide access to currently undeveloped land in the north eastern part of Wellington City and allow the provision of a substantial amount of new housing.

There is agreement between officers on the merits of the proposal and it forms part of the Western Corridor Plan which has been approved by the Regional Land Transport Committee as supporting the Regional Land Transport Strategy. As such it forms part of the agreed transport planning for the region.

The project is progressing only slowly however. An issue has been lack of clarity on the roles of Porirua and Gracefield/Seaview as employment hubs and therefore the need for and value of linking them. There is also uncertainty as to whether the opening of new residential development as a consequence of the new road will be at the expense of planned residential development in Upper Hutt and, if so, whether this is desirable from a regional point of view.

There is further uncertainty as to how the new road would connect with the Transmission Gully project which has also hindered progress.

Overview: A project which has the potential to make substantial improvements to network flows and resilience and improve the regional economy, and which has been previously

agreed as part of regional transport plans is making only slow progress through lack of agreement on land use impacts and lack of a single local voice to negotiate with NZTA on funding and connections to the state highways.

Central public transport spine

The Public Transport Spine Study was undertaken jointly by the Wellington Regional Council, Wellington City Council and the NZTA to establish the most appropriate public transport system through the Wellington CBD between the railway station and the Basin Reserve, then splitting to routes to Newtown and Kilbirnie. Options were developed and evaluated, consultation undertaken, and agreement reached that the most appropriate option is Bus Rapid Transit.

Implementation is now in the hands of two separate organisations – Greater Wellington which is responsible for provision of bus services and Wellington City which is responsible for physical changes to the road and footpath environment. The route passes through the heart of the CBD where space is at a premium and difficult compromises must be made between the needs of cars, trucks, buses, pedestrians, cyclists and local businesses. There are impacts on street amenity and urban design issues to be resolved. Tension is apparent between the organisations over the outcome of these compromises and the speed of the process.

Overview: There is agreement on the problem and the solution but implementation of the project by two separate organisations is slower than expected and is giving rise to tension between the two organisations, with no mechanism to resolve the issue in a way that takes into account both the regional and local issues. In a vertically integrated organisation these tensions would be resolved internally, but with separate organisations resolution is more difficult and may spill over into the relationship between the organisations.

Cross Valley Link

The Cross Valley Link is a new route proposed to connect the Seaview/Gracefield industrial area with SH2. The existing link through The Esplanade is becoming increasingly congested and is approaching capacity. The new route is entirely within Hutt City. The new route has a low B/C when calculated on the basis of traffic benefits alone, and its justification relies on supporting economic activity in Seaview/Gracefield and on improving amenity values on The Esplanade.

Overview: The Cross Valley Link would support regionally important economic activity and would enhance a regionally important waterfront location. Hutt City Council has limited resources to progress the project however. An organisation with a regional perspective would be able to make the arguments for regional benefits more convincingly and would have the resources to explore them in more depth and to argue the funding case with NZTA.

Basin Reserve flyover

The Basin Reserve flyover forms part of the Wellington Northern Corridor, identified as a Road of National Significance in the Government Policy Statement on Land Transport Funding (2012). The Project is to construct a two lane one-way bridge on the north side of the Basin Reserve in Wellington City, as part of State Highway 1 between Paterson Street and Taranaki Street.

The Basin Reserve flyover delivers transport and economic benefits but does so at the expense of urban amenity and historic values in the local environment through which it passes, including the Basin Reserve Historic Area. This conflict has resulted in strong opinions for and against the project among stakeholders, advocacy groups, and within Councils. It has proved difficult for the various local government units to consider the regional network benefits and local costs in a comprehensive and cohesive way and reach a well-supported and agreed position.

In the event, the Board of Enquiry cancelled the Notice of Requirement and declined the resource consent on the grounds that alternatives had not been adequately considered.

Overview: A Unitary Council with responsibility for overall network performance and economic development as well as community and environmental impacts may have been better resourced and better placed to reach a decision, and to work with NZTA in doing so. A more robust process could possibly have resulted in a different conclusion by the Board of Enquiry.

Conclusions from case studies

The case studies have highlighted examples of significant transport projects where fragmented decision-making processes have led to delays or a lack of progress. While tentative agreement can be reached (generally at the RLTS level), this can subsequently be undermined by the differing objectives and priorities of councils. The ability for the region to form a meaningful working relationship with the NZTA, which is an important component in major projects, is also threatened by a lack of council agreement.

The case studies have highlighted examples of significant transport projects where fragmented decision-making processes have led to delays or a lack of progress. While general agreement on transport projects can be reached (at the RLTS level), the differing objectives and priorities of councils, including lack of a common view on economic development and the land use planning necessary to support it, can threaten the robustness of that agreement, and support for the project can then fall away. The ability for the region to form a meaningful working relationship with the NZTA, which is an important component in major projects, is also threatened by a lack of council agreement.

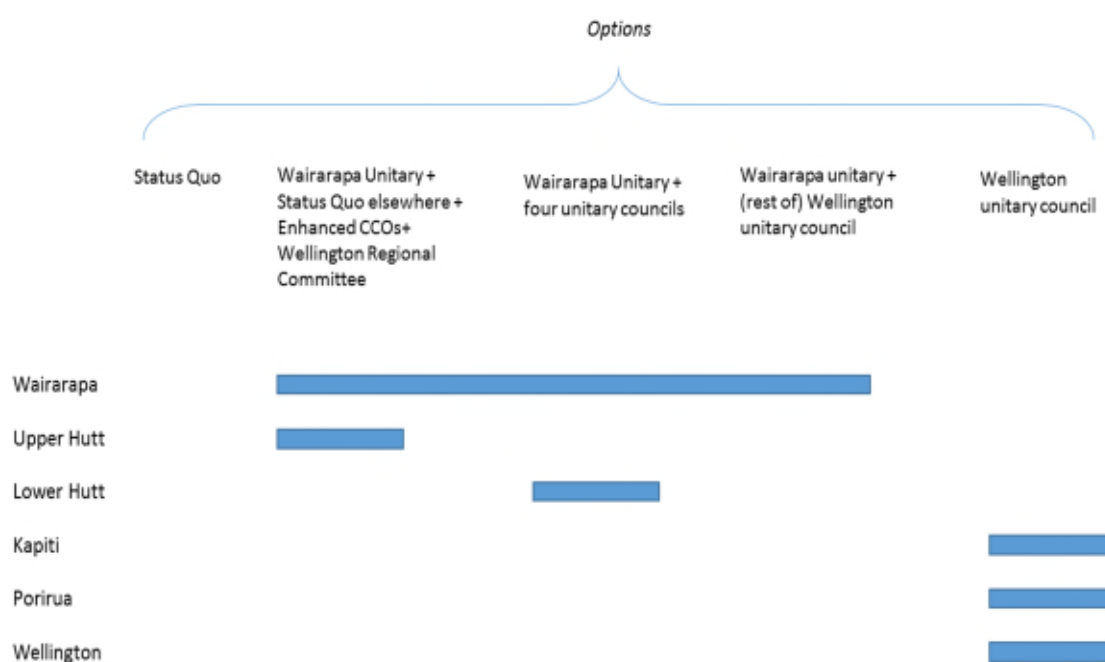
Despite these difficulties, it does not automatically follow that structural change alone will deliver better governance, investment, and operational outcomes. An organisation with region wide responsibility for economic development and land use planning as well as transport can make decisions in a timely and more integrated manner and can follow through on those decisions, but this can be at the expense of a contestability of views. Faster decisions do not necessarily deliver better outcomes unless the information and skills brought to bear are of a higher standard and the processes followed are more robust.

3. Reorganisation proposals

This section summarises the key feature of the reorganisation proposals received by the Commission, with a particular focus on the arrangements mooted for land transport, the principles underlying them, and their ramifications for governance, decision-making, and operations.

3.1. The reorganisation continuum

While only two options are subject to application – a single unitary council for all of Wellington and a unitary council for the Wairarapa local authorities only – the surveys undertaken by the local councils and their independent submissions raise several options that fall, more or less, on a continuum from the status quo through to a single unitary council, as illustrated below.



The calls for unitary councils clearly see a consolidation of responsibilities in a single agency, increasing the scale of operations and reducing both vertical (regional council-local authority) and territorial divisions.

The options before the Commission vary on dimensions other than boundaries and scale, however. Details of governance arrangements include, for example, different powers and forms of organisation for local community input and responsibilities through boards or advisory committees. There is a recognition of a continuing need for local input and responsibilities on two grounds, however. The first is in the interests of local democracy, whereby communities can influence the outcomes that most affect their locality. The second acknowledges the principle of subsidiarity, whereby responsibilities for service delivery may be most effectively discharged at the lowest possible level.

3.2. Treatment of transport

The reorganisation proposals and submissions vary in their treatment of land transport. Most acknowledge the need for some form of regional organisation, particularly for planning and prioritisation. The proposals reflect variations on a common theme for the delivery of services through arm's length delivery agencies (CCOs) subject to region-wide control in the case of the three waters (water supply, liquid waste disposal, and drainage – or catchment management) and transport.

3.2.1. A Wairarapa Unitary Council

The Wairarapa proposal is for a Wairarapa Unitary Council and focuses on the proposed Council. It could operate with whatever form of local government operates in the rest of the current Wellington region. The summary below therefore relates only to the proposed Wairarapa Unitary Council.

There are only two transport links between the Wairarapa and the western part of the Wellington region. These are SH2, which would be unaffected by the proposal, and the Wairarapa – Wellington rail line owned and operated by KiwiRail. Rail freight services are commercial in nature and would be unaffected by the proposal. The Wairarapa – Wellington passenger rail service operates under a contract let by Wellington Regional Council and funded jointly by Wellington region ratepayers and NZTA and would be affected by this proposal.

Under the Wairarapa proposal, land transport functions will be treated as follows:

- **Roading.** Roothing functions for all roads other than State Highways would be delivered by the Unitary Council.
- **Public transport.** All public transport functions would be delivered by the Unitary Council. The passenger rail service operating between the Wairarapa and Wellington would be the subject of negotiation between the Wairarapa Unitary Council and whatever governance unit operates for the western part of the Wellington region.
- **Local area transport.** Responsibility of Unitary Council. Community Boards would be formed for each of the 5 urban areas and would advise the unitary Council on local transport matters.
- **Transport integration.** All transport functions except Stat Highways are within a single organisation. State highway activities would be integrated with Unitary Council transport activities through the Regional Land Transport Plan.
- **Land Use / transport integration.** Responsibility for both land use planning and transport planning would be within a single organisation.

The Wairarapa proposal is built on arguments with respect to the economic and planning benefits of consolidation and coordination. Separation from Wellington is argued on the basis that the new entity will be viable, an observation of the limits to economies of scale (or potential diseconomies with size), physical separation, and a strong regional community of interest in the Wairarapa. The proposed new arrangements are seen to offer financial benefits and productivity improvements relative to the status quo (pp.15-to 18) and streamline planning and decision-making.

With respect to transport it is proposed that vesting a single roading network in the consolidated council would improve asset management, lead to better decision making based on local priorities and consequently more effective use of funds at the same time as reducing operating costs. (p.16). It was acknowledged though, that there may be a need for a joint regional transport plan between Wairarapa and Wellington, especially with respect to public transport (p.41).

3.2.2. A Wellington-Wide Unitary Council

The GWRC proposal is for a single unitary authority for the whole of the existing Wellington region. Under this proposal, land transport functions will be treated as follows:

- **Roading.** Roading functions for all roads other than State Highways would be delivered by the Unitary Council. Whether delivery would be done in house or through a CCO would be a decision for the new Unitary Council.
- **Public transport.** All public transport functions would be delivered by the Unitary Council. Whether delivery would be done in house or through a CCO would be a decision for the new Unitary Council.
- **Local area transport.** Responsibility of local boards
- **Transport integration.** All transport functions except State Highways are within a single organisation. State highway activities would be integrated with Unitary Council transport activities through the RLTP.
- **Land Use / transport integration.** Responsibility for both land use planning and transport planning would be within a single organisation.

The GWRC proposal draws heavily on the conclusions of the Joint Working Party on Local Government Reform which identified advantages with transport being planned and delivered by a single regional entity. Among the gains anticipated are removing the inconsistencies associated with divided decision making. The Working Party highlighted transport as:

One particular area where the current responsibilities are very fragmented, with planning and delivery split between the nine local authorities and the New Zealand Transport Agency. This makes it very difficult to agree on priorities, is expensive to administer and reduces the scope for efficient delivery (p.39).

This is reflected in the arrangements proposed in the GWRC application. It advances an argument based on the fragmentation of transport responsibilities under the current arrangements, the inadequacy of coordinating and integrating arrangements, and the need to retain the Wairarapa councils in the Wellington Region on transport grounds.

In terms of fragmentation, overspill of the effects of decisions among jurisdictions is seen as a “key driver” for amalgamation. The application says that a “disconnect” among councils “on transport, economic development and land use planning can affect other areas or communities of a regional nature”. It also constrains the ability to deal with region-wide “strategic issues and challenges”, something evident for economic development, transport and water infrastructure issues (p.20).

Consolidation is seen as increasing the expertise available for plan preparation and review in transport (and other functions), reducing the cost of contracting consultants, and at the same time improving the quality of plan provisions and administration (p.37).

The argument is presented that “attempts to address the fragmentation of decision-making for key regional infrastructure have not successfully provided a comprehensive planning framework to guide decisions on a regional basis”.

The application picks up on the Working Party prognosis, and cites transport infrastructure and services *“as one of the key matters that would be better managed through a single council”*. Delivering effective transport infrastructure and *“effective planning and delivery can be hampered by the current governance arrangements and fragmented decision-making”* (p.38), describing To respond to these issues the application calls for a unitary authority that becomes a the single governance body responsible for decisions on key regional infrastructure capable of achieving economies of scale, prioritise growth across the region, and seamlessly dealing with issues that cross current administrative boundaries. A key to the cross-regional coordination would be a spatial plan which, the application states, *“would only be possible with unified governance arrangements for the region”* (p.36).

The cross-regional character of transport infrastructure is highlighted, including not only road and rail connections but also the *“strategic walking and cycling network”* based on the State Highways with *“several off-road sections such as the Hutt River Trail and the proposed Wellington to Wairarapa cycle trail”* p.52

The GWRC application extends its analysis to the Wairarapa application, stating that:

Specifically relating to appropriateness of scale for transport operations, an effective regional transport network must be operated as a whole across the region. This means it is unlikely that a Wairarapa unitary authority would satisfy the criterion of having a district or region that is appropriate for the efficient performance of its role in this context (p.8).

In addition, current legislation does not provide for collaboration in the preparation of public transport plans across regions (or unitary council) boundaries. Yet, a public transport plan covering all of the current Wellington Region is seen as desirable given the economic linkages between the two areas, including around 1,400 southbound and 700 northbound commuters according to the 2006 Census, and the fact that many Wellington residents visit the Wairarapa for recreational purposes (p.7).

In the proposed structure the application nevertheless recognises some limited vertical division of transport responsibilities. Hence, local boards would be responsible for:

Local transport (walking and cycling networks and plans, funding, oversee local infrastructure improvements and signage, road and public place safety, public transport local service reviews) (Table 3, p16)

The council would be responsible for

Transport planning
– *Statutory strategy*
– *Includes public transport, road and rail planning*

Public transport – procurement and network management
Road construction and maintenance – for entire network
Regional planning applications and consents and regionally significant land use and transport proposals (Table 4, p.17)

In terms of delivery, the application states;

Drawing together the collective transport resources of all the region's local authorities within a single entity will increase the overall capability and capacity of transport planning and delivery in the region. It will also avoid the current duplication, and enhance the coordination and connection between strategy and delivery. The result will be an overall improvement in the efficiency and effectiveness of the regional response to the region's transport issues. Reducing the number of different organisations with transport responsibilities will help to improve the clarity and transparency of transport decision-making, and reduce complexity in terms of public and stakeholder participation. (p.39)

While there is a strong preference for consolidating transport planning and decision making functions and responsibility for delivery to a single unitary council covering the whole of the current region, there is no reference to the form of delivery agency in the application.

With respect to the possibility of a Council Controlled Organisation (CCO) this is consistent with the ambivalence of Wellington Regional Local Government Review Panel (Appendix 14, *Future Wellington - Proud, Prosperous and Resilient*, October 2012). The panel's position was that while there have been successful CCOs this is appropriate where the council owns a commercial business that needs to be subject to commercially sound decision-making (such as CentrePort). Activities that combine business and social functions, though, are less well suited. It was the panel's view that a new Greater Wellington Council should decide what CCOs to establish. Given the focus on commercial functions the panel also expressed the view that councillors should not be appointed to their boards and that, in any case, CCOs should "operate in accordance with the mandate and performance standards laid down by the Greater Wellington Council" so that elected representatives have ultimate control (p.13).

3.2.3. Alternative proposals: Regional Committee and joint transport CCO

The submissions from Hutt City and Upper Hutt City put forward alternative arrangements for land transport governance, through the formation of new regional committees. The Hutt City submission proposed the formation of four sub-regional unitary authorities (including Wairarapa), together with new regional entities to undertake functions which would continue to be provided at the regional level, including some transport functions.

Under this proposal, land transport functions would be treated as follows:

- **Roading.** Roding functions for all roads other than State Highways would be delivered by a new company, Greater Wellington Transport, covering the whole of the Wellington region. Functions would be delivered under contract to the Unitary Councils, each of which would set service levels and fund activities within its area.

- **Public transport.** All public transport functions over the whole of the Wellington region would be delivered by Greater Wellington Transport. Functions would be delivered under contract to each of the Unitary Councils, which would set service levels and fund activities within their area.
- **Local area transport.** Responsibility is not specifically discussed, but would be the responsibility of each Unitary Council.
- **Transport integration.** Transport decisions would be integrated under a Greater Wellington Regional Committee, which would have responsibilities including preparation of the RLTP and RPTP. The Regional Committee would have binding decision making power in this regard
- **Land Use / transport integration.** The responsibilities of the Greater Wellington Regional Committee would include preparation of a Greater Wellington Regional Strategy and a Greater Wellington Spatial Plan which would integrate land use planning with infrastructure planning. The Regional Committee would have binding decision making power with regard to these documents. It is not clear what responsibility the Regional Committee would have for implementation.

The Upper Hutt proposal is similar to that from Hutt City, in that it envisages the formation of a regional committee and a jointly owned transport CCO for the region. However, it does not involve amalgamation of any of the territorial authorities in the western part of the region (although the formation of a Wairarapa Unitary Council is supported).

The Upper Hutt proposal would involve the following arrangements for land transport:

- **Roading.** Roothing functions for all roads other than State Highways would be delivered by a new roading CCO covering the whole of the Wellington region. Functions would be delivered under contract to each of the territorial authorities, which would set service levels and fund activities within their area.
- **Public transport.** Public transport functions would continue as at present, with GWRC responsible for planning and delivering services and providing key infrastructure. These functions would continue to be funded jointly by regional ratepayers and the NZTA.
- **Local area transport.** Responsibility is not specifically discussed, but would continue to be the responsibility of each territorial authority.
- **Transport integration.** Transport decisions would be integrated through a Wellington Transport Strategy prepared by the Wellington Regional Committee, and through preparation of the RLTP by the transport CCO. The Regional Committee would have binding decision making power in preparing the Wellington Transport Strategy.
- **Land Use / transport integration.** The Wellington Regional Committee would integrate land use planning with infrastructure planning through preparation of a Wellington Regional Strategy (economic development focus), a Wellington Spatial Plan, and a District Plan for the Wellington region. The Wellington Regional Committee would have binding decision making power with regard to these documents. It is not clear what responsibility the Regional Committee would have for implementation.

3.3. Discussion

There appears to be acceptance in each proposal that some form of consolidation will lead to more effective decision-making, administrative savings and some service economies, and savings in implementation. From a regional perspective, there is also an expectation that larger units will provide a stronger degree of regional unity, and a more effective voice for Wellington.

The options present a range of possible future spatial arrangements for local government in the region. At one extreme, the existing territorial authorities would be retained, with some fine tuning of regional coordination and more joint purchasing and delivery of services (driven by the expectation of savings). The proposals for sub-regional unitary authorities, both in the Wairarapa and in the western part of the region, appear to be primarily based on the potential for improved efficiency and better coordination of plans, projects, policies, and delivery.

The single regional unitary proposal appears to place less emphasis on efficiency gains, with the main benefits being delivered by a stronger ability to make and sustain decisions on key regional issues associated with spatial planning, economic development, and associated infrastructure, and to increase the region's influence with central government.

With respect to transport, the push for unitary councils seems to be saying that the current measures – RLTS, RLTP and RPTP – are not achieving the coordination or the balance between regional and local interests that the proponents think is appropriate. This may be influenced by current frustrations at the resource management planning process as the regional transport planning process (e.g., Basin Reserve, Transmission Gully). However, there seems to be consensus that strategy, planning, and prioritising should lie with a single regional body.

Unlike the Hutt and Upper Hutt proposals, neither of the two formal applications actively promotes the delivery of transport activities through CCOs. The GWRC proposal refers to the concerns expressed in the Panel on Local Government report over the suitability of CCOs for services where there are mixed public (social) and private (commercial) elements to services – which certainly applies to transport. While the GWRC proposal suggests that any decision on whether or not transport should be operated by a CCO should be left to the new unitary council, it would appear that in-house provision of services would be preferred.

In contrast, the Hutt and Upper Hutt models, which retain local government entities at the sub-regional level, involve a CCO model for service delivery. This mirrors the current arrangements for the three waters through the jointly owned Capacity CCO, but it also appears to be a response to the need for some aspects of service delivery, particularly public transport, to be undertaken at a regional level.

Wairarapa makes a good case for cross-regional collaboration in transport planning and for shared or joint services where there are inter-regional services or interests (public transport, arterial roads and rail). Wellington uses these common transport interests as an argument against a separate Wairarapa unitary, arguing that there will be even greater economies of

scale if they are included and that Wairarapa would not succeed economically on its own. Wairarapa, on the other hand, argues for a separate unitary based on a distinctive community of interest, physical separation, and efficiency gains (compared with the status quo).

From a transport perspective, the reorganisation proposals raise the following fundamental questions:

- Is Wairarapa separate from Wellington, and can it sustain its own unitary authority?
- For the remainder of the region, are there are advantages in consolidating councils into larger units?
- If so, should these larger units be sub-regional, or a single unitary authority?
- What is the appropriate delivery mechanism transport functions that are currently undertaken regionally, including strategic planning and programming, and public transport?
- Is there a role for a regional transport CCO in Wellington? If so, how much resource decision making should be given, and how will be council-CCO governance issue be managed?
- What is the appropriate transport role for local boards under a unitary authority?

4. Experience elsewhere

This section summarises transport governance experience in other jurisdictions, with a particular focus on Auckland, and identifies the possible lessons for Wellington.

4.1. International experience

A review of international approaches to transport governance in metropolitan regions undertaken as an input to the report of the Royal Commission on Auckland Governance (2008) highlighted the following issues:

- Problems are similar elsewhere: the transport governance issues faced by New Zealand metropolitan areas are not unique, and it is apparent that similar challenges are being faced around the world.
- The increasing complexity of issues associated with urban mobility and sustainability has led to a much stronger focus on transport operations and demand management.
- Integrated solutions to transport problems are required in the future, across modes, between disciplines, and between transport and land use planning and decision making.
- Governance structures appear to be more successful where decision-makers are obliged to represent the interests of the metropolitan area as a whole. This suggests that political accountability should be through representation at the regional level rather than through a federation of local councils.
- The more successful overseas models have the mandate to both develop and implement strategic plans. This implies a stronger alignment between regional land transport plans and a broader range of regional responsibilities including public transport, major roads and demand management.
- State or provincial governments usually play an important role in transport funding and decision-making. This implies that in New Zealand, with the absence of an intermediate tier of government, a successful transport governance structure will require the active support of central government agencies.

These issues remain applicable, both internationally and in the New Zealand context. In other jurisdictions, the tendency has been towards the establishment of regional transport authorities, although their specific governance and funding arrangements vary considerably, and reflect the specific governmental and legislative circumstances that apply in each location.

However, there has been little evidence of a diminishing public role with the quest for more effective planning and delivery focusing on governance issues – especially at the interface between elected representatives and appointed officers – and issues remain around funding and its relationship with governance arrangements.

A recent study into the arrangements for strategy, planning and programming, and service delivery among the states in the US provides some insights into these key issues.

4.2. Case study: the United States

Governance – bridging the political-executive divide

A 2011 study by the US Department of Transport compared the arrangements of the states for governing and paying for what were generally considered to be aging transport systems with diminishing ability to fund the necessary maintenance as well as expansion.

While there are obvious differences in scale at state level compared with New Zealand regions, many of the transportation issues and principles are common across jurisdictions, and they are no less complex in terms of integration vertically and horizontally. Indeed, the associated challenges of achieving the governance, organisational, and operational alignment may be greater in New Zealand given more limited resources and capacity. Nevertheless, the structural arrangements in the US may hold relevant lessons for New Zealand.

While all states have an elective body (divided the governor and the legislature, itself generally divided between an upper and lower house) responsible for policy, programming and *“to some extent appropriations”* and a department or agency (the executive, most often a Department of Transport) responsible for highway functions, detailed structure, scope, and responsibilities vary considerably among them. There is not only considerable variation among states in the allocation of functions between the elected arm and the executive, but also in how the elective arm itself operates. In some cases the governor is very active, while in others ad hoc meetings replace formal structures and processes. According to the survey, however, in all cases *“legislators and DOT executives overwhelmingly agreed that maintaining regular, open, honest and transparent communication is one of the most vital elements of effective transport governance”* (p.viii).

The separation of powers is not definitive: there are *“many areas of overlap”* which can give rise to tensions. Different ways of sharing responsibilities were identified. Legislation is generally called on to authorise activities by the department, although even then decisions may be subject to a governor’s veto. In a number of states the departments can also initiate or request transportation-related legislation or may be called on to provide feedback on planned legislation.

On the other hand legislatures may review and evaluate the activities of the departments. This might be through oversight committees, or participation in the appointment of departmental executives and leaders.

In 43 states the legislature may review administrative rules and regulations applying to the departments, and may monitor performance measures.

Oversight in 48 states is based on specialised programme evaluation procedures including, in some instances, sunset reviews to determine whether there is an ongoing need for a particular function or regulation. In addition, 45 states require regular reports to the legislature, with most states providing performance information which feeds into the budgeting process (p.x).

Funding

Funding requests are usually submitted by the executive branch to the Governor’s office and to a legislative committee. In some states the state legislature has little or no involvement in

the flow of federal funds, although in others the legislature may have a significant influence or at least require additional approvals prior to spending federal funds (p.xii).

The states themselves supply nearly half of funding for surface transport, sourced in “about half” from fuel taxes. Just under half the states limit such funds to roading expenditure, others allocate it more widely to general, multi-modal transport activities.

Local governments receive a portion of transport funding from the legislature and departments by way of aid. Over the country as a whole municipalities own 77% of the nation’s roads and raise around 30% of surface transportation funding.

In summary, the US example indicates a variety of practices, some more complex than others, some allowing greater discretion to the departments, and others reserving stronger powers to the democratic body – itself subject to varying arrangements, though, regarding the role of the governor’s office relative to the legislature. 27 states allocate funding according to statutory formulas based on population, road mileage or other prescribed criteria. Discretionary programmes, where they exist, involve both the political and executive arms of state government.

Under funding pressure a number of states are adopting new mechanisms, including growth bonds and debt, federal debt financing, and public-private partnership. Some of these require special legislation.

Implications

The US example reinforces the fact that issues of governance, planning, delivery and funding remain challenging in transport, with no single response standing out as the most appropriate means of avoiding the issues around divided responsibilities. Generally, however, the states are the key agents across their jurisdictions – moderating and influencing federal funding, accounting for the bulk of funding in their own right, accounting for a large share of local funding, and approving innovative local funding mechanisms.

The implications for the current exercise are that we can expect a continuation of split arrangements but that the issues of coordination and accountability may best lie with the region subject to its own capacity to raise funds (through regional taxes – primarily rates) and to secure national funding through the claims it can make on central government-controlled fuel taxes. This points towards a regional authority with responsibility for decision-making and funding, subject to the existing procedures to align regional and local funding with the government’s priorities (enunciated through the GPS). The allocation of funding to cover local responsibilities (by way of local boards, one or more unitary councils, or existing territorial authorities – perhaps subject to some amalgamation) would depend on the responsibilities delegated by the RTA, and should perhaps be subject to mandatory formulae for the division of funding (1) between the RTA and the local council (which would rely on rates and would therefore reflect local discretion in terms of the place making functions of corridors) and (2) among local boards or councils, among them.

The responsibility for implementing the regional programme would lie with one “executive” agency which would also provide both the technical capacity for planning and programming as an agent of the RTA and, through its own planning and budgeting, its own suggestions for consideration in the strategy, plans, and policies ultimately provided by the RTA. Given the

potentially powerful position this could place the executive agency in relative to elected officials, however, its role and performance should be subject to a mandatory performance review procedures.

4.3. Auckland governance changes

The reorganisation of Auckland's local government in November 2010 presents a useful case study against which the Wellington proposals can be considered. Although Auckland is much larger and faster growing, the legislative, institutional and funding arrangements for land transport that existed prior to the 2010 changes were similar, particularly before 2004, when the Auckland Regional Transport Authority (ARTA) was formed.

4.3.1. Background: A History of Fragmentation and Changing Arrangements

Until 2004, land transport governance in Auckland was similar to the current arrangements in Wellington. Transport functions were generally divided along modal lines: territorial authorities had responsibility for local roads, Transit NZ (now NZTA) for state highways, and the Auckland Regional Council (ARC) for strategic planning and public transport.

Concerns over transport funding and governance arrangements emerged as the regional institutions found that they were severely constrained in their ability to implement the major policies of the RLTS. This problem was particularly acute for public transport, where the need for significant improvements had been identified (particularly for the rail network) but the organisations responsible for planning were not able to progress implementation.

The government took steps to remedy this situation in 2004 with the establishment of a new Auckland Regional Transport Authority (ARTA), and an increase in funding for transport. ARTA took over the ARC's public transport service planning and funding role and responsibility for preparing the annual Regional Land Transport Programme, which consolidated all territorial authority local roading expenditure and ARTA's public transport expenditure, with the requirement to give effect to the Regional Land Transport Strategy.

Despite these changes transport responsibilities remained fragmented, particularly for the key focus area of passenger rail where responsibility for asset ownership and operations in public transport was divided between different organisations and was not vertically integrated. Responsibilities for strategic planning and funding were also divided between different statutory bodies. The need for coordination between these bodies resulted in the establishment a wide range of ad hoc regional or project-specific groups, which added further confusion to the governance arrangements.

4.3.2. Governance issues

Concerns over the lack of progress on transport issues in Auckland were one of the main reasons for the establishment of the Royal Commission on Auckland Governance, which reported in March 2009. A review of transport governance for the Royal Commission⁶ identified a number of governance issues that needed to be addressed. These contributed to

⁶ *Transport Governance in Auckland*, in Report of Royal Commission on Auckland Governance, Vol. 4: Research Papers, March 2009

the formation of Auckland Transport and may also provide guidance regarding the relevance of that particular model for Wellington.

Fragmented decision-making: Responsibilities for transport functions were divided among a number of organisations, leaving no clear regional leadership. This was reflected in the membership of the Regional Land Transport Committee, with 23 members plus three observers. In addition, individuals and organisations participating in the decision making process faced a complex planning landscape, which added to transaction costs.

Responding to future needs: The Auckland transport governance structure did not appear capable of making the decisions necessary to shift from predicting and providing for increased demands towards the efficient management of existing capacity, with a greater emphasis on operational matters, network management and pricing. Decisions on major transport infrastructure typically involve large capital expenditure and long lead time, which necessitates a consistent approach between organisations, and over time.

Barriers to integration: An increased focus on a network-wide transport solutions require stronger integration across modes and across jurisdictions, which had traditionally been addressed through ad hoc, situation-specific responses to decision making. At the same time transport and land use decisions have become increasingly inter-dependent.

However, internalising decisions within a single organisation does not necessarily guarantee effective integration, as internal silos may persist, defined on a combination of functional, areal, and professional lines. Consequently, governance frameworks should maintain an appropriate level of policy contestability, to provide sufficient checks and balances and ensure a robust consideration of all options.

The role of central government: The integrity of national networks is important to the central government agenda, and needs to be reflected in regional governance structures. It is also important to recognise and accommodate the Government's role in transport funding.

Geographic context, skills and capability: While there was general acceptance that major transport infrastructure and public transport should be planned and coordinated regionally, it was considered important not to overlook local issues which account for a substantial proportion of the region's transport budgets, staff time, and public interaction.

In addition, the appropriate geographic context for particular transport functions differs, as do the professional and political skills, capability and community interactions needed for the decisions at the different levels. The concerns raised in this respect were that (1) priorities were being set on the basis of how resources might be allocated (or "shared") among councils rather than on the basis of regional needs, and (2) local government was having difficulty retaining the specialist transport staff necessary to deal with long term planning. Small councils were seen to be particularly vulnerable.

Mandate: Lack of a clear mandate for any particular organisation to take responsibility for all the actions necessary to implement a particular transport policy was seen as impeding progress in transport. Hence, regional transport planning institutions were not responsible for the funding and implementation of their plans.

Funding: Many of the transport governance problems identified in Auckland stemmed from a lack of alignment between desired actions and the ability or willingness to pay. This was linked with accountability issues, with expenditure decisions made by agencies without the political accountability for funding.

4.3.3. The Recommended Response

The report of the Royal Commission on Auckland Governance in March 2009 proposed substantial reform with the objective of bringing:

All elements of transport, including roading, rail, public transport, and planning for pedestrians and cyclists under the management of one body, which would be a council-controlled activity of the Auckland Council (p.541)

The Royal Commission proposed a Regional Transport Authority (RTA), which would undertake strategic planning through the preparation of the regional transport plan to give effect to the Council's "overarching regional spatial strategy". It would also be responsible for implementing the plan, including the management and development of arterial roads and public transport infrastructure, service planning, and procurement. The Royal Commission proposed that the RTA should also have a joint role with the NZTA in planning and managing State Highways and arterial roads. Responsibility for local roads would remain with the local councils that were proposed by the Royal Commission, but their funding would have to be approved by the RTA to ensure that they were consistent with the regional plan.

While the Royal Commission's recommendations for the formation of an Auckland Council and a transport CCO were broadly accepted by the Government, the detailed reforms contained some important differences, especially in the treatment of local boards and the scope of functions for the transport CCO.

The Government agreed in-principle to include all local transport functions within a single regional transport authority (*Making Auckland Greater*, 2009), a proposal which was confirmed in a subsequent Cabinet Paper, alongside some details on responsibilities and governance which compared it with four other options (given that the commitment had already been made to a unitary council for all of Auckland).

The paper favoured a CCO over an in-house agency on the grounds of relative simplicity, integration, and direct accountability. The advantages of a CCO were seen as:

- greater focus on transport delivery
- greater continuity in investment and operational decisions
- ability to draw on a wider pool of expertise with an appointed board

The paper also noted that a separate authority was warranted given that Auckland's growth pressures and the complexity of transport issues were greater than elsewhere.

Auckland Transport was subsequently set up as a statutory CCO with its governance arrangements and functions set in legislation (the Local Government (Auckland Council) Amendment Act 2010). This means that, unlike other CCOs, any substantive changes to Auckland Transport's governance, powers and functions cannot be made by the shareholder,

Auckland Council, without a legislative change. The Act established as the functions of Auckland Transport:

- Preparation of the regional land transport programme (subsequently replaced by the regional land transport plan),
- Management of the Auckland transport system, performing the statutory functions of a local authority and as a requiring authority under the RMA,
- Research, education and training relative to land transport in Auckland,
- *“any other transport functions that the Auckland Council may lawfully direct it to perform or delegate to it”,*
- any functions, powers, and duties in respect of State highways that the New Zealand Transport Agency may lawfully delegate to it.

The Act requires a Board of between six and eight voting directors for Auckland Transport, to be appointed by the Auckland Council. Two of the appointed directors may be elected members of Auckland Council. The Board must also include a non-voting director nominated by NZTA. The Auckland Council appoints the chairperson and deputy chairperson but may not nominate an elected member of Auckland Council to either of those positions.

The Minister appointed the Auckland Transport Board on 30 June 2010 and senior managers were appointed over the following months. The new organisation commenced operation on 1 November 2010.

4.3.4. Performance of the Auckland model

Auckland Transport is one of seven CCOs of the Auckland Council. A 2012 review of the Auckland Council transition process by the Controller and Auditor General⁷ reported some concern about overlapping functions, in particular:

“both Auckland Transport and the Council having strategy functions, with Auckland Transport needing the transport implications of the Council’s strategies and plans to be co-ordinated” (p.61).

Council-CCO tensions and relationship difficulties were noted for Auckland Transport (and Watercare Services) because it provides what are traditional core local authority services, although it was noted that about 35% of Auckland Transport’s revenue is sourced from through NZTA. The Audit Office noted that the provision for one or two council members on the Auckland Transport Board suggests that a closer Council relationship was anticipated for it than for other CCOs (p.64). However, some Auckland Transport officers suggested that the detail of output budgeting required by the Council did not fit the regional and long term planning needs of transport assets.

More generally, the Auditor General advised that a strong and appropriate governance framework is important for the Council’s relationship with its CCOs. She suggested that arrangements should:

⁷ Controller and Auditor General, December 2012: *Auckland Council: transition and emerging challenges*

- reflect the importance of the CCOs to the Council,
- enable governing body members to pursue their political interest in CCO business openly and transparently,
- offer opportunities for genuine engagement between the Council and a CCO at appropriate intervals and levels of seniority on Council strategy and priorities and CCO performance and risks,
- enable adequate consideration of draft statements of intent and asset management and funding plans,
- comply with relevant legislation; and ,
- avoid imposing a “compliance burden” (p.20).

Interviews with key informants in Auckland undertaken for this project generally concluded that the new transport governance arrangements have been successful to date. Despite some settling in problems, some ongoing issues in relation to the governance relationship between Auckland Transport and the Council, and the role of local boards the new system is seen as a significant improvement on the pre-2010 arrangements.

The new organisation has delivered the following advantages:

- The removal of previous geographic and functional barriers to integration. This has allowed progress to be made on projects which affect more than one geographic area, and has enabled better integration of public transport and road operations.
- The ability for significant transport decisions to be taken at the regional level without then being re-litigated by organisations that were required to agree before progress could be made on implementation. The single regional organisation has removed the previously parochial approach to major projects, and meant there is no more patch protection, because *“there are no patches to protect”*.
- A stronger focus on delivery is evident with the new organisation, which has achieved good levels of delivery on its capital programmes,
- A much closer partnership with the NZTA, with the ability to take a one network approach across the entire land transport system. State highways and arterial roads are controlled from a single joint traffic operation centre, which has enabled significant improvements in operational efficiency and effectiveness, and better outcomes for road users.
- The “one network” approach enables more robust project prioritisation, whereby projects are assessed across the whole network rather than relative to just one part.
- A significantly larger financial capacity, which allows very large projects to be progressed without “swamping” the financial resources of the organisation. For example, the Auckland-Manukau Eastern Transport Initiative, AMETI, is unlikely to have progressed to the same extent under the previous governance arrangements.
- The scale of the organisation, with a large range of projects coming on stream at any one time, has enabled it to undertake a dynamic approach to programming, which allows resources to be more easily reallocated so that replacement projects can be progressed in situations where current projects meet unforeseen delays.

- Greater staff capacity and capability, enabling specialisation, and the ability to shift staff resources into a high priority projects as required, and quickly assemble the resources needed to resolve significant issues.
- Improved staff capability has also resulted in an increased level of financial delegation from NZTA, allowing a more flexible approach to expenditure and funding.
- Because of their scale and influence, the single Council and transport organisations in Auckland command much greater attention and credibility with central government, which means that central government is more aware of Auckland's issues.
- Harmonisation of levels of service, which previously differed between local council areas, has provided a platform for a more efficient approach to service delivery and reduced transaction costs.
- The increased scale of the organisation has enabled it to enter into larger contracts, especially for road maintenance and renewals, with associated economies of scale. Note however, that some respondents expressed concern at a potential loss of competitiveness which could negatively impact on costs over the longer term.

Most of these improvements can be put down to a combination of the larger scale of the new Auckland Transport organisation. However, most of the informants considered that separate CCO delivery model had also played an important part, particularly in relation to organisational focus and delivery, and staff capability. The fact that Auckland Transport is separate from the Council was seen as an advantage in its ability to attract high quality staff to certain areas, enabling a more commercial and customer focused approach.

While the new organisation has largely been seen as successful, some issues have emerged, particularly in relation to the governance relationships with the Council governing body and local boards.

The Controller and Auditor General's report in 2012⁸ found that the substantive CCO's, including Auckland transport, were achieving the focus sought in the establishment, but that governance tension is inherent, and the Council's response was being directed towards providing greater guidance to CCO's about shareholder expectations. However, it expressed concern that the Council may not be able to build the more future-oriented and trust-based culture it seeks by using more formal processes and mechanisms.

The report also highlighted some overlap of functions between the Council and Auckland Transport, particularly in the strategy and planning area. Since the report was released, changes to land transport legislation have removed the requirement for preparation of a regional land transport strategy (previously and Auckland Council responsibility). The statutory responsibility for transport planning now sits more firmly with Auckland Transport, which is responsible for preparing the new regional land transport plan.

These changes may result in a strategic planning void between the high level Auckland Plan, prepared by the Council, and the regional land transport plan. Auckland Transport is

⁸ Controller and Auditor General, December 2012: *Auckland Council: transition and emerging challenges*

preparing a non-statutory Integrated Transport Programme in an attempt to fill this void. The Council is involved in this process. However, the overall role of the Programme in strategic planning remains somewhat unclear.

Another area of friction has been at the local level, where Auckland Transport has decided not to delegate any of its road controlling authority powers and functions to local boards. This has attracted some criticism from local boards, which had an expectation that they would be able to take decisions in relation to “place-making” activities in their local areas. The lack of a clear definition on exactly what activities would be included in “place-making” has resulted in a different interpretation being taken by Auckland Transport and the local boards.

In response, Auckland Transport has increased the amount of resource allocated to local board liaison and a total of \$10 million for discretionary local board projects in the road reserve. However, the criteria for allocation of these funds are reasonably narrow, which has meant that local boards have struggled to put forward complying projects.

There is a difference of view over whether further financial and functional delegation to local boards is appropriate. On the one hand, there is a concern that retaining all road corridor and streetscape functions in Auckland Transport could lead to an over emphasis on standardised design, and a failure to reflect local character and aspirations. Countering this is the view that delegation of decision-making will inevitably involve overlaps and conflict, and will deflect resources away from higher priority activities.

There is also a mismatch between Auckland Transport’s shareholding (100% Auckland Council) and its funding, which is shared between the Council and NZTA. This can potentially create some governance tensions where the Council and NZTA priorities are not aligned.

The ability of the Council to appoint elected members to the Board of Auckland Transport, unlike other CCO’s, was criticised by some informants, who considered that this arrangement inevitably led to conflicts for the members concerned.

Because Auckland Transport was established by statute, the Council is not able to dissolve it and bring its functions back in house, despite being the sole shareholder. The Council also has some statutory limitations over its involvement in transport functions. For these reasons, the future of Auckland Transport is outside of the scope of the review of CCO is that is currently underway by Auckland Council.

Notwithstanding this exclusion however, the criteria that the Council is using to assess whether a CCO model is appropriate may be applicable in the Wellington situation. They include consideration of the following factors:

- The need for a commercial focus,
- The need for flexibility of decision-making,
- Requirement for specialist skills,
- Effectiveness and efficiency,
- The level of public and shareholder interest and decisions,
- The amount of integration with other council services or outcomes,
- The ratio and level of ratepayer funding and accountability to ratepayer funds.

4.4. Lessons for Wellington

The establishment of Auckland Transport appears to have been a satisfactory response to the issues faced by the region at the time of its creation, providing improved integration of planning and delivery, administrative and technical efficiencies, and increasing alignment of modes. It meets coherence criteria and can focus on prioritisation and delivery of major projects across the city. At the same time, it has encountered issues around governance, particularly the relationship with Auckland Council as the governing body, attributed in part to the inclusions of elected representatives on the Board. There have also been some issues around the delegation of functions relative to the expectations of local boards.

It is likely that with a well-specified contract, communications processes, and performance monitoring arrangements would ensure the alignment of strategy at the council level with the investment and operations at the level the CCO. The spatial plan is central to this. The Auckland Council–Auckland Transport relationship should ensure the transport investment necessary to give effect to spatial plan outcomes is put in place. It should also ensure that those outcomes are informed by the capacity of the transport system and sector in the city.

Clarity over roles and responsibilities at the local board level by way of clear delegation at the outset should resolve tensions at that level. In this area, the Unitary Plan will also have a significant influence over local decisions.

One of the key areas in which governance relationships have been effective has been with respect to the relationship with central government. Auckland Transport as an agent of the Council (representing one third of the national population and business) can deal with the NZTA as an equal partner in decisions affecting transport investment and operations in the city. This alone should increase the consistency and consequently the effectiveness of transport-related decisions.

While many of the identified advantages of the new transport governance arrangements in Auckland could reasonably be expected to apply in Wellington Region, the relevance of the Auckland experience is tempered by quite different circumstances. According to the 2013 Census Auckland had population of 1,416,000, and had grown by an average of 15,800 residents a year (1.2%) since 2006. The equivalent figures for Wellington are 471,000 residents in 2013, growing by 3,200 per year (0.7%).

The difference is even more pronounced when growth in traffic volumes is compared. Table 4.1 shows that the total vehicle kilometres travelled (VKT) on the Auckland road network increased by 17.8% to 12.7 billion in the 10 years to 2013. In Wellington, VKT increased by a modest 0.6% over the same period, to 3.5 billion. On the Wellington local road network, traffic volumes decreased by 1.3% compared with a 21% increase in Auckland.

Table 4.1: Vehicle kilometres travelled in Wellington in Auckland, 2002/03 to 2012/13⁹

	Road type	2002/03 VKT (m)	2012/13 VKT (m)	% change
Wellington	Local roads	1,855	1,831	-1.3%
	State Highways	1,631	1,676	2.8%
	Total	3,485	3,507	0.6%
Auckland	Local roads	6,788	8,235	21.3%
	State Highways	4,009	4,482	11.8%
	Total	10,797	12,717	17.8%

Reflecting this difference in the transport demand environment of the two regions is the difference in planned spending on new transport infrastructure. Capital expenditure of \$5.2 billion is planned for local roads and footpaths during the 10 years from 2012/13 to 2021/22 in Auckland, of which renewals account for 40%. This contrasts with planned capital expenditure of \$804,000 on local roads and footpaths in Wellington over the same period, two thirds of which is for renewals¹⁰.

As a result, the transport issues in Wellington do not appear to be as pressing as those that have confronted Auckland. Indeed, a number of major transport infrastructure decisions have been made under the existing governance arrangements in the region, notably Transmission Gully, the Basin Reserve, and rail rolling stock replacement. Although several major projects have been identified as stalled through lack of regional agreement, it is questionable whether this justifies the costs and risks of a major change to regional governance arrangements.

It is difficult to see Wellington's transport issues as similar to those that confront Auckland and consequently it is difficult to justify major reforms which offer only limited gains and potentially carry some risk on the basis of precedent. Indeed, the only comparative rationale that might support consolidation of transport functions in Wellington may lie in the creation of a united voice and an enhanced capacity to collaborate with NZTA and central government. Such a rationale may be interpreted as a response to the increased influence Auckland is perceived to have established as a result of its reforms. Such an initiative in Wellington can be expected to make it easier for NZTA to work with the region and participate in projects that have region-wide benefits and acceptance.

In conclusion, caution should be exercised in concluding that the Auckland experience should be replicated in Wellington. It simply provides one model which may be used to help shape a transport agency if it is decided to establish a unitary council for the region, with or without the inclusion of Wairarapa. In particular, lessons can be drawn from issues around governance, although acknowledging that the GWRC application provides for a greater level of responsibility at the local board level than was the case in Auckland.

The experience reviewed for this study can be summarised as follows:

- (1) Issues around transport planning and delivery are endemic in urban areas faced with difficult land use patterns and decisions, particularly if they are subject to growth pressures;

⁹ NZTA road network VKT data

¹⁰ Local government sector profile, www.localcouncils.govt.nz

- (2) Generally, funding and overall planning are undertaken at one level, and delivery at another;
- (3) Delivery requires detailed planning and prioritising (among areas, modes, and projects) to meet wider objectives while working within budgetary constraints. This is addition to the normal implementation and operational tasks of a transport infrastructure and service provider;
- (4) A split between governance and delivery bodies is therefore common if not inevitable;
- (5) Such a split should yield technical and purchasing efficiencies also;
- (6) Generally, the governance body sets directions and determines funding. Difficulties at the interface of the two may be compounded by a cross-over between political and corporate governance;
- (7) Governance difficulties may be further compounded when there are additional relationships for delivery purposes – with central government (NZTA) and local communities (boards, councils) and the relationships and roles with respect to these parties need to be clearly set out with respect to both the governance and the delivery agency;
- (8) One question that arises is how far governance issues at the interface are compounded or hidden by internalising them within single organisation;
- (9) Consolidation at the regional level at least removes one potential source of “conflict” in decision-making.

5. Evaluation of options for reorganisation

5.1. Options evaluated

This section presents an evaluation of options for transport governance in Wellington identified from the reorganisation proposals. It focuses on the following options for the regional consolidation of land transport governance identified in the terms of reference for this review:

- a newly created unitary authority for the Wellington region,
- the existing Greater Wellington Regional Council, or
- a regional committee of representatives from each territorial authority with a council controlled organisation undertaking service delivery.

The evaluation also considers the advantages and disadvantages of using a council controlled organisation (CCO) for the management of land transport in Wellington Region, under either a single local authority or a regional committee.

We have not been asked to report on the proposal for a separate Unitary Authority comprising the Wairarapa territorial authorities.

5.1.1. Option 1 - A Wellington-Wide Unitary Council

We have based our analysis of this option on the application for a single Unitary Authority covering the whole region put forward by GWRC. Under this proposal, land transport functions will be treated as follows:

- **Roading.** Roothing functions for all roads other than State Highways would be delivered by the Unitary Council. Whether delivery would be done in house or through a CCO would be a decision for the new Unitary Council.
- **Public transport.** All public transport functions would be delivered by the Unitary Council. Whether delivery would be done in house or through a CCO would be a decision for the new Unitary Council.
- **Local area transport.** Responsibility of local boards
- **Transport integration.** All transport functions except State Highways are within a single organisation. State highway activities would be integrated with Unitary Council transport activities through the RLTP.
- **Land use/transport integration.** Responsibility for both land use planning and transport planning would be within a single organisation.

The option draws heavily on the conclusions of the Joint Working Party on Local Government Reform which identified advantages with transport being planned and delivered by a single regional entity.

5.1.2. Option 2 - GWRC with control over all local government land transport activities

This option has evolved from consideration of the applications and submissions. It involves GWRC controlling all local roading, walking and cycling activities, as well as transport planning and travel demand management, in addition to its current responsibility for public transport.

Transport corridors fulfil many functions in addition to transport, including provision of open space, place making, utility corridors, and green corridors. Consequently the definition and extent of a transport corridor is imprecise. We have taken the view arrived at in establishing Auckland Transport as our basis for comparison – that GWRC would control the whole of the road reserve from property boundary to property boundary, including through town centres.

We have assumed the following arrangements for land transport functions:

- **Roading.** Roding functions for all roads other than State Highways would be delivered by the GWRC. Whether delivery would be done in house or through a CCO would be a decision for GWRC.
- **Public transport.** All public transport functions would be delivered by GWRC. Whether delivery would be done in house or through a CCO would be a decision for GWRC.
- **Local area transport.** Responsibility of GWRC
- **Transport integration.** All transport functions except State Highways are within a single organisation. State highway activities would be integrated with GWRC transport activities through the RLTP.
- **Land Use / transport integration.** The TAs would continue to be responsible for land use planning. Integration of land use planning and transport planning would be achieved through informal arrangements.

5.1.3. Option 3-Regional Committee and joint CCO

We have based our analysis of this option on the submission from Upper Hutt City Council. The Upper Hutt proposal envisages the formation of a regional committee and a jointly owned transport CCO for the region. The current territorial authorities would remain (although the formation of a Wairarapa Unitary Council is supported). Hutt City Council also submitted in support of a joint regional committee with a joint transport CCO, but proposed the existing TAs form four Unitary Authorities.

We have assumed the following arrangements for land transport functions:

- **Roading.** Roding functions for all roads other than State Highways would be delivered by a new roading CCO covering the whole of the Wellington region. Functions would be delivered under contract to each of the territorial authorities, which would set service levels and fund activities within their area.
- **Public transport.** Public transport functions would continue as at present, with WRC responsible for planning and delivering services and providing key infrastructure. They would continue to be funded jointly by regional ratepayers and the NZTA.
- **Local area transport.** Responsibility is not specifically discussed, but would continue to be the responsibility of each territorial authority.

- **Transport integration.** Transport decisions would be integrated through a Wellington Transport Strategy prepared by the Wellington Regional Committee, and through preparation of the RLTP by the transport CCO. The Regional Committee would have binding decision making power in preparing the Wellington Transport Strategy.
- **Land use/transport integration.** The Wellington Regional Committee would integrate land use planning with infrastructure planning through preparation of a Wellington Regional Strategy (economic development focus) a Wellington Spatial Plan and a District Plan for the Wellington region. The Wellington Regional Committee would have binding decision making power with regard to these documents. It is not clear what responsibility the Regional Committee would have for implementation.

5.1.4. Summary

Table 5.1 summarises the key elements of each of the three options, together with the status quo.

Table 5.1: Options Evaluated

	Status Quo	Option 1: Regional unitary	Option 2: GWRC	Option 3: Regional Committee & Joint CCO
Arrangement of councils	Existing territorial authorities and GWRC retained	One unitary authority for the whole region	Existing territorial councils retained (with some possible consolidation); GWRC retained, but with broader transport functions	Existing territorial councils retained (with some possible consolidation); transport functions overseen by a new regional committee in place of GWRC
Land use planning	Territorial authorities	New unitary authority	Territorial authorities	Territorial authorities
Strategic transport planning & programming	Existing RTC as committee of GWRC	New unitary authority*	GWRC	New regional transport committee
Public transport services	GWRC	New unitary authority*	GWRC	Jointly owned CCO
Rail infrastructure	KiwiRail	KiwiRail	KiwiRail	KiwiRail
Other public transport infrastructure	GWRC (rail stations, park & ride, major interchanges) and territorial authorities (bus stops, priorities etc)	New unitary authority*	GWRC	Jointly owned CCO
State highways	NZTA	NZTA	NZTA	NZTA

	Status Quo	Option 1: Regional unitary	Option 2: GWRC	Option 3: Regional Committee & Joint CCO
Local roads	Territorial authorities	New unitary authority*	GWRC	Jointly owned CCO
Walking and cycling infrastructure	Territorial authorities	New unitary authority*	GWRC	Jointly owned CCO

* Under the Regional Unitary option, transport functions could be delivered either by the Unitary Council itself, or by a CCO owned by the Unitary Council (as is the case in Auckland).

5.2. Evaluation criteria

The following criteria have been used to evaluate the transport governance options outlined above. They draw from governance principles identified in the literature, the review of transport governance in Auckland, and the input of stakeholders in the Wellington region (in particular, the principles identified by the NZTA¹¹).

- **Geographic coherence:** Does the option provide a coherent framework for transport decision-making that reflects the geographic nature of transport networks and demand patterns, enables clear roles and accountabilities, and minimises the potential for overlaps or disputes?
- **Efficiency and effectiveness:** Does the option enable the efficient and effective use of available resources, ensuring value for money?
- **Capacity and capability:** Will the organisation(s) responsible for transport activities have sufficient financial and staff capacity and capability to undertake the required work?
- **Integration:** does the option provide the opportunity for improved vertical integration (between strategy and delivery); horizontal integration (between transport and land use); and alignment between different transport modes.
- **Responsiveness:** How effectively will the organisation(s) be able to respond to community and stakeholder interests?
- **Mandate:** Does the option provide the organisation(s) with a clear mandate and the statutory authority to take the necessary actions to implement current and future transport plans?
- **Accountability:** Does the option provide mechanisms to ensure good decision-making (and identify and sanction poor decision-making) with respect to national, regional and community objectives, fiscal responsibility, and efficient and effective use of resources?

¹¹ See GWRC Proposal, Appendix 13

- **Financial performance:** Will the option enhance financial performance and improve fiscal responsibility?

5.3. Evaluation of options

Table 5.2 summarises the evaluation of the options against the criteria identified above.

Table 5.2: Evaluation of regional land transport governance options

Criteria	Option 1: Regional unitary	Option 2: GWRC	Option 3: Regional Committee & Joint CCO
Geographic Coherence	Incorporates all local government transport activities in the region into one organisation, removing potential for overlaps and conflicts between authorities. Enables a stronger and more credible regional “voice” There is a risk that the main focus and energy will be on urban transport issues and the Wairarapa rural transport needs will not be fully recognised and resourced	Incorporates all transport activities in the region into one organisation. Potential for overlaps and conflicts between authorities reduced, although possible conflicts between GWRC transport role and residual functions of territorial authorities. There is a risk that the main focus and energy will be on urban transport issues and the Wairarapa rural transport needs will not be fully recognised and resourced	Incorporates all local government transport service delivery into a single organisation, potentially enabling a more coherent arrangement for local roads, although existing networks are reasonably self-contained. Provides potential for a stronger and more credible regional “voice” for transport issues, but this could be undermined by disagreements between constituent councils.
Efficiency and effectiveness	Potential for efficiencies and local road provision through setting of common specifications and levels of service, amalgamation of contracts, and regional approach to project selection and prioritisation; Some risk of diseconomies from scale and a diminished (or regionally monopolistic) labour market for the relevant skills	Potential for efficiencies and local road provision through setting of common specifications and levels of service, amalgamation of contracts, and regional approach to project selection and prioritisation; Some risk of diseconomies from scale and a diminished (or regionally monopolistic) labour market for the relevant skills	Potential for efficiencies and local road provision through setting of common specifications and levels of service, amalgamation of contracts, and regional approach to project selection and prioritisation; Some risk of diseconomies from scale and a diminished (or regionally monopolistic) labour market for the relevant skills. Regional committee likely to involve higher transaction costs than other options
Capacity and capability	Larger Wellington unitary council provides stronger financial capacity and greater potential for staff specialisation	Increased functional scope of GWRC provides potential for staff specialisation	Regional CCO with wider functional scope provides potential for staff specialisation
Integration	Potential for improved vertical and horizontal integration through increased capacity; land use and transport decisions would be made and implemented by the same organisation;	Potential for improved vertical integration through increased capacity, and consolidation of planning and service delivery roles. Land use and transport decisions would continue to be	Potential for improved vertical integration through increased capacity, Land use and transport decisions would continue to be made and implemented by different organisations

Criteria	Option 1: Regional unitary	Option 2: GWRC	Option 3: Regional Committee & Joint CCO
	<p>Greater potential for partnership with NZTA.</p> <p>Modal alignment enhanced as decisions on all transport modes would be made and implemented by the same organisation.</p>	<p>made and implemented by different organisations;</p> <p>Non transport functions in road reserves may not be properly catered for, leading to friction between GWRC and TAs, particularly in town centres.</p> <p>Greater potential for partnership with NZTA.</p> <p>Modal alignment enhanced as decisions on all transport modes would be made and implemented by the same organisation.</p>	<p>Greater potential for partnership with NZTA.</p> <p>Modal alignment enhanced as decisions on all transport modes would be made and implemented by the same organisation.</p>
Responsiveness	Some loss of community responsiveness likely as a result of much larger organisation with a primarily regional focus.	Some loss of community responsiveness likely as a result of much larger organisation with a primarily regional focus.	Some loss of community responsiveness likely as a result of much larger organisation with a primarily regional focus, although this may be partially offset by retention of local councils
Mandate	A single unitary authority will have a clearer mandate to take transport decisions in response to agreed regional land use and economic development strategies, and to implement its decisions without reference to other councils in the region	<p>GWRC will have a clearer mandate to take transport decisions but land use differences between TAs will remain.</p> <p>GWRC will have power but no mandate for non-transport functions within the road reserve.</p>	The relationship between the Regional Committee and the constituent councils presents some issues in relation to mandate. There is potential for Regional Committee decisions to be re-litigated by councils, as they will remain responsible for funding and land use planning and
Accountability	Consolidation of transport functions into a single unitary authority will provide direct accountability to the electors and ratepayers. However, some potential for loss of local accountability in a single regional authority.	Consolidation of transport functions in GWRC will provide direct accountability to the electors and ratepayers. However, some potential for unclear lines of accountability between GWRC and local councils for some streetscape issues.	Indirect lines of accountability via councils, regional committee and CCO may result in a disconnect between Regional Committee and CCO decision making roles and the democratic and financial accountability of constituent councils
Financial Performance	Potential gains from vertical and horizontal integration	Potential gains from vertical integration	Potential gains from vertical integration but may be offset by increased transaction costs associated with multi-tier governance structure.

5.4. Discussion

5.4.1. Unitary Council

The evaluation suggests that in transport terms **Option 1**, which provides for a single unitary authority for the Wellington region, would have a number of advantages over the status quo and over the other options.

The single unitary council would enable better integration of transport activities within a single authority and provide for a better alignment between transport and land use decision making. It would provide a stronger and more coherent regional voice, and would have a clear mandate to take and implement decisions with a reduced risk of issues being re-litigated. It would be well-placed to liaise with NZTA regarding state highway development in the region.

However, consolidation of transport activities into a single regional entity does present a risk that the organisation will be less responsive to local community issues than the existing local authorities. This would be a particular risk with respect to the Wairarapa, where transport needs are largely rural and different to those in the rest of the region.

Service delivery under this option could be undertaken in house or through a separate CCO. The pros and cons of delivery options are considered in more detail in **section 5.5** below.

5.4.2. GWRC with control over all local government land transport activities

Option 2 would consolidate all local government transport activities into the existing GWRC, while territorial councils would be retained for other functions. In essence, this would involve a shift in responsibility for local roads from territorial authorities to the regional council. While this option would deliver many of the transport advantages of Option 1, it would involve potentially difficult demarcation issues between transport and other council activities, especially in relation to land use, urban design and streetscape issues. Also, because the local road networks managed by the existing territorial authorities are relatively self-contained, the advantages of this option from a roading perspective may be limited.

5.4.3. Option 3-Regional Committee and joint CCO

Option 3 has some potential for improved efficiencies and for financial gains and improvements in staff capacity through consolidation into a single regional CCO responsible for delivery, but any such benefits are likely to be modest and could be offset by the prospect of disagreement between the Regional Committee and the constituent councils on priorities and funding allocations. The threat is an increase rather than a reduction of transaction costs without necessarily achieving regional unity of purpose. This might include potentially high transition costs relative to anticipated benefits.

While it is likely that the Regional Committee would be given stronger powers than the existing GWRC in relation to strategic planning, it would not be able to make funding decisions on behalf of constituent councils. Indeed, if that were to be the case, it would probably need to take the form of a directly elected regional transport authority to maintain the appropriate levels of democratic accountability.

While regional decisions may be made by the Committee, underlying differences can be expected to remain and implementation is likely to be problematic. Funding allocations and decisions on related activities such as land use planning would still be in the hands of the constituent councils. As an appointed rather than elected body, the Regional Committee would arguably have a weaker mandate and less financial accountability than current arrangements provide for.

In our opinion, the gains likely to arise from this option are limited compared with the status quo while the transaction costs – the costs of plan alignment, communications, negotiation, and achieving satisfactory funding outcomes across borders and agencies - may increase.

5.4.4. Conclusion

While we do not see the same imperative from a transport perspective for amalgamating transport functions as existed in Auckland prior to the formation of Auckland Council and its CCO Auckland Transport, and do not necessarily see transport as the driver for amalgamation, the option likely to offer the greatest transport benefits is the creation of a new unitary council for Wellington region.

5.5. Alternative delivery mechanisms: in house or CCO

The terms of reference call for an assessment of the pros and cons of using a council controlled organisation (CCO) for the management of land transport in the region, under either a single local authority (e.g. a unitary council as in Option 1 above, or the GWRC as in Option 2); or jointly owned under a Regional Committee (as in Option 3).

Our analysis of the Auckland governance changes, including the creation of Auckland Transport as a separate CCO, suggests that there are likely to be some advantages from the formation of a CCO from increased focus on delivery and greater staff numbers in one location.

However, these advantages may be offset by the need for a close alignment between transport and spatial and economic strategic planning, which would remain the responsibility of the parent council(s); and less decision making transparency compared with a local authority. Local democracy through the role proposed for local boards is a strong theme in the GWRC proposal, reflecting the region's distinctive settlement pattern, and care would be needed to ensure that the CCO's actions were closely aligned with the wider regional strategy without unduly undermining local capacity for activities that impact on the quality of a locality. This will call for a clear demarcation between regional and local responsibilities for such matters as non-transport activities in road corridors, the quality of landscape and signage, and the impact of local roads on local land use.

The use of a jointly owned CCO responsible to a Regional Committee, as envisaged in Option 3, is likely to exacerbate the issues outlined above. Our evaluation of this option has failed to establish a strong case for a jointly owned CCO under a Regional Committee made up of appointees from the territorial authorities. A jointly owned CCO could potentially deliver

some economies of scale in local road services through harmonisation of service levels, and improved contracting. Enhanced staff capacity and capability would also be likely. However, the potential problems associated with the Regional Committee arrangement, as outlined above, are likely to constrain the ability of the CCO to take full advantage of these benefits. The need for a multi-party ownership model, combined with its reliance on funding from constituent authorities, is likely to restrict its effectiveness.

6. Summary

Transport is an important part of the reorganisation proposals in Wellington, but is not a primary driver for change. Despite the matters raised in the application documents, transport does not emerge from the interviews and our understanding of current processes and issues as requiring a major reorganisation. The transport issues the region faces bear little resemblance to those facing Auckland when Auckland Transport was established.

There are clearly some problems associated with the ability to reach and sustain decisions on regionally significant transport projects and with developing a transport network which supports the economic growth and land use aspirations which lie behind reorganisation proposals. If reorganisation proceeds, it should ideally lead to a structure which resolves or reduces these issues. Although transport is not necessarily a major driver of the proposed local government reforms, there should be advantages to transport efficiency and effectiveness from some of the proposals under consideration.

Our evaluation has concluded that there are several potential gains from consolidating transport activities within a single unitary council. Again, it is not likely that transport advantages on their own are sufficient to warrant such a change. We note, however, that land use planning and transport planning are intimately related and that land use and transport together can be drivers of economic development. It may be that the integrated planning and delivery of economic development, land use and transport together form a reason to consider a single unitary authority.

Should a single regional unitary authority not be pursued, we have assessed options that would involve the consolidation of transport functions at the regional level, either under the existing GWRC; or through the formation of a new Regional Committee and a jointly owned CCO for service delivery.

The GWRC option would enable some of the benefits of a single unitary authority to be realised, but these are likely to be offset by the potential for demarcation issues to arise between regional transport activities and local decisions on other functions, especially streetscape and land use planning issues. We are not convinced that there is a sufficient need for regional consolidation of territorial authority transport activities to justify this change.

We do not support a model that would involve a new Regional Committee and jointly owned CCO. This would enable consolidation of local road functions, but it would require new arrangements to replace the strategic planning, programming and public transport functions which are already delivered at the regional level. The governance and funding arrangements for these new entities appear to be problematic as they rely on agreement between the constituent authorities for funding and implementation. As this is one of the problems identified with the current arrangements, this option does not appear to hold any advantages from a transport perspective.

Should the status quo remain, with or without some consolidation of territorial authorities (e.g. in Wairarapa), there may be some gains possible from fine-tuning the activities and the powers of the regional council, but no significant reforms of transport could be justified beyond that. In our view, strengthening the mandate of the existing regional council would be the most productive and least risky approach, while enhancing the capacity of the region to

align its transport programme with regional economic and land use plans, and more effectively engage with central government.

From a transport perspective therefore, we have concluded that if there is going to be consolidation of local government units in Wellington Region, this needs to be into either one unitary council for the whole region, or two unitary authorities (comprising Wairarapa and the remainder of the region). A larger number of unitary authorities carries the risk of fragmenting existing regional functions, while not addressing the core problem of a lack of regional unity.