

CITY RAIL LINK: REPORT ON PROGRESS AGAINST THRESHOLDS

Reason for this briefing	The reason for this briefing is to: <ul style="list-style-type: none"> • provide you with the first six-monthly report on Auckland's progress against the two thresholds announced by the government that could trigger an earlier business case for the City Rail Link • seek your agreement to the Ministry proactively releasing the monitoring report • update you on the City Rail Link project
Action required	Agree to the Ministry proactively releasing the monitoring report on its website.
Deadline	Friday 20 December 2013.
Reason for Deadline	To enable the timely release of the first monitoring report.

Contact for telephone discussion (if required)

Name	Position	Telephone		First Contact
		Direct Line	After Hours	
Sarah Rolfe	Adviser	09 985 4865		
Hamish Bunn	Principal Adviser	09 985 4828		✓
Martin Glynn	Director Auckland	09 985 4829	withheld under section 9(2)(a)	

MINISTER'S COMMENTS:

Date:	13 December 2013	Briefing Number:	OC02065
Attention:	Hon Gerry Brownlee (Minister of Transport)	Security level:	In-Confidence

Minister of Transport's office actions

- | | | |
|---------------------------------------|---|--|
| <input type="checkbox"/> Noted | <input type="checkbox"/> Seen | <input type="checkbox"/> Approved |
| <input type="checkbox"/> Needs change | <input type="checkbox"/> Referred to | |
| <input type="checkbox"/> Withdrawn | <input type="checkbox"/> Not seen by Minister | <input type="checkbox"/> Overtaken by events |

Executive summary

1. On 28 June 2013, the Prime Minister announced the government is committed to a joint business case for the City Rail Link in 2017 and providing its share of funding for a construction start in 2020.
2. The Prime Minister also announced that the government would consider an earlier business case and construction start date if it becomes clear that Auckland's CBD employment and rail patronage hit thresholds faster than current rates of growth suggest. The two thresholds are:
 - 2.1. an increase in Auckland CBD employment of 25 percent over current levels
 - 2.2. rail patronage is on track to hit 20 million trips a year well before 2020
3. Following this announcement you asked the Ministry to:
 - 3.1. work with Auckland Council and Auckland Transport to establish robust and transparent measures to assess progress against the thresholds
 - 3.2. provide six-monthly reports to track progress against the thresholds
4. The first six-monthly monitoring report is attached. The report indicates that CBD employment has increased by 2.1 percent, or 2,030 employees, on the employment estimate available at the time of the Prime Minister's announcement. The report also indicates that 10.3 million trips were taken on the Auckland rail network for the 12 months ending October 2013, which compares with 10.2 million trips for the previous 12 month period. The report concludes that CBD employment and rail patronage thresholds are unlikely to be met before 2020.
5. Subject to your agreement, we intend to proactively release the monitoring report on the Ministry's website.
6. Auckland Transport briefed the Ministry and the Department of the Prime Minister and Cabinet on the City Rail Link on 28 November 2013. Auckland Council and Auckland Transport are still working towards a construction start in 2016 rather than 2020. However, as far as we are aware, Auckland Council has not committed funding to commence construction.
7. We understand Auckland Transport intends to issue a contract for designing the project by early next year, and are considering constructing the section from Britomart to the bottom of Albert Street as the first phase of the project.

Recommendations

8. The recommendations are that you:
 - (a) **note** the contents of the attached report, in particular that available projections indicate that although significant growth can be expected, the thresholds are very unlikely to be met before 2020
 - (b) **agree** to the Ministry proactively releasing the attached report, *City Rail Link: Yes/No Monitoring of thresholds for considering an early business case and construction start date*, on our website

- (c) **note** that we understand Auckland Transport intends to issue a contract for designing the City Rail Link shortly, but as far as we are aware, Auckland Council has not committed funding to commence construction

Sarah Rolfe
Adviser

Martin Glynn
Director Auckland

MINISTER'S SIGNATURE:

DATE:

Purpose of report

9. The purpose of the report is to:
 - 9.1. provide you with the first six-monthly report on Auckland's progress against the two thresholds announced by the government, which if met, could trigger an earlier business case for the City Rail Link
 - 9.2. seek your agreement to the Ministry proactively releasing the report on its website
 - 9.3. update you on the City Rail Link project

Background

10. On 28 June 2013, the Prime Minister announced that the government is committed to a joint business case for the City Rail Link in 2017 and providing its share of funding for a construction start in 2020.
11. The Prime Minister also announced that the government would consider an earlier business case and construction start date if it becomes clear that Auckland's CBD employment and rail patronage hit thresholds faster than current rates of growth suggest. The two thresholds are:
 - 11.1. an increase in Auckland CBD employment of 25 percent over current levels
 - 11.2. rail patronage is on track to hit 20 million trips a year well before 2020
12. Following this announcement you asked the Ministry to:
 - 12.1. work with Auckland Council and Auckland Transport to establish robust and transparent measures to assess progress against the thresholds
 - 12.2. provide six-monthly reports to track progress against the thresholds
13. Attached at Annex A is the first of these reports, *City Rail Link: Monitoring of thresholds for considering an early business case and construction start date* (the monitoring report).
14. We invited Auckland Council and Auckland Transport to engage on the development of measures for assessing progress against the thresholds and sought comment on the report. Auckland Council and Auckland Transport chose not to engage, Withheld under section 9(2)(ba)(i) Auckland Transport did, however, provide comment on the report; informing us that the rail patronage numbers for October 2013 are correct.

The measures to assess progress against the thresholds

Auckland CBD employment growth

15. We have defined the CBD as being the five Census Area Units which are broadly bounded by the Waitemata Harbour and the motorways. This is consistent with the definition used in the City Centre Future Access Study.
16. We are using Statistics New Zealand's Business Demographic Database (the Database) to measure employment growth. The Database provides estimates of all employees in the month of February for each Census Area Unit. The estimates are published in October or November each year.

17. In June 2013, at the time of the Prime Minister's announcement, the employment estimates available from the Database were the estimates for February 2012 (which were published in November 2012). We have therefore decided that the February 2012 estimate of 98,140 employees across the five Census Area Units should be the baseline for considering Auckland's CBD employment growth.
18. Further information on the rationale for the approach to measuring progress against this threshold is outlined in the report attached at Annex B.

Auckland rail patronage growth

19. We are using Auckland's public transport monthly patronage reports to measure rail patronage growth.
20. In the monitoring report, we have used patronage figures from the October 2013 patronage report, which are the most recent figures available.

The monitoring report: Key findings

21. The monitoring report, *City Rail Link: Monitoring of thresholds for considering an early business case and construction start date*, provides a snapshot of Auckland's progress against the thresholds.

22. The monitoring report:

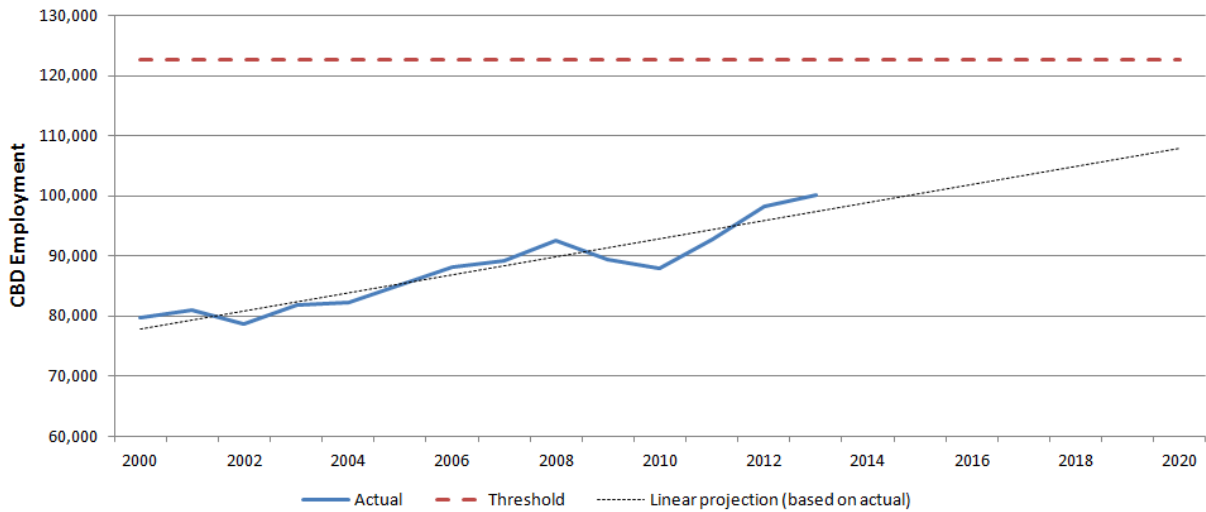
- 22.1 notes that the most recent Business Demographic Database employment estimates that have been released indicate that Auckland's CBD had 100,170 employees in February 2013. This is an increase of 2.1 percent, or 2,030 employees, on the employment estimate available at the time of the Prime Minister's announcement
- 22.2 notes that for the 12 months ending October 2013, 10.3 million trips were taken on Auckland's rail network. This compares with 10.2 million trips for the 12 months ending October 2012
- 22.3 concludes that CBD employment levels and rail patronage are some way from reaching the thresholds set by the government for considering an early start date for construction of the City Rail Link

23. Additional observations on CBD employment and rail patronage growth are outlined below.

Auckland CBD employment growth

24. To reach the threshold of 25 percent growth, Auckland's CBD employment would need to increase from 98,140 employees (the baseline) to 122,675 employees (the target) before 2017 (the date the government has committed to developing a joint business case for the project).
25. To reach the threshold by 2017, Auckland's CBD employment will need to grow by approximately 5,600 employees each year (see Figure 1). Growth of this magnitude seems unlikely.

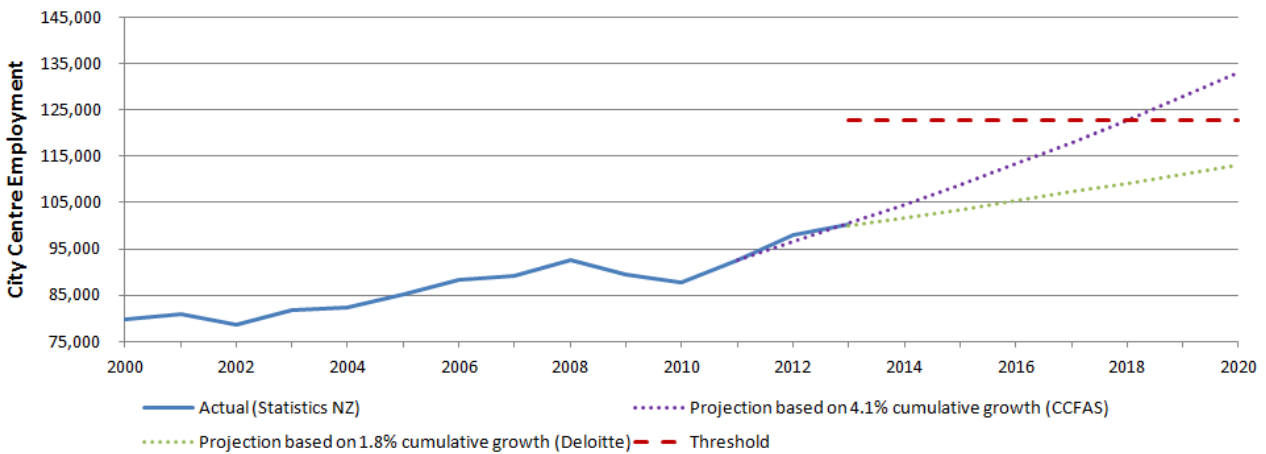
Figure 1 - Growth in Auckland CBD Employment



CBD employment growth forecasts

- 26. Consultants Deloitte, commissioned by Auckland Transport, recently released a report entitled *Growing Public Transport Patronage by 2022*. The report includes a revised projection for city centre employment growth as an input to modelling. Based on actual growth over the last decade, Deloitte projects an annual growth rate of 1.8 percent to 2021. At this growth rate, Auckland’s CBD employment would reach the threshold around 2024. This approach, which we consider reasonable, can be compared with the 4.1 percent annual growth rate used in the modelling that underpins the 2012 *City Centre Future Access Study* (see Figure 2).

Figure 2 - Actual and Projected CBD Employment

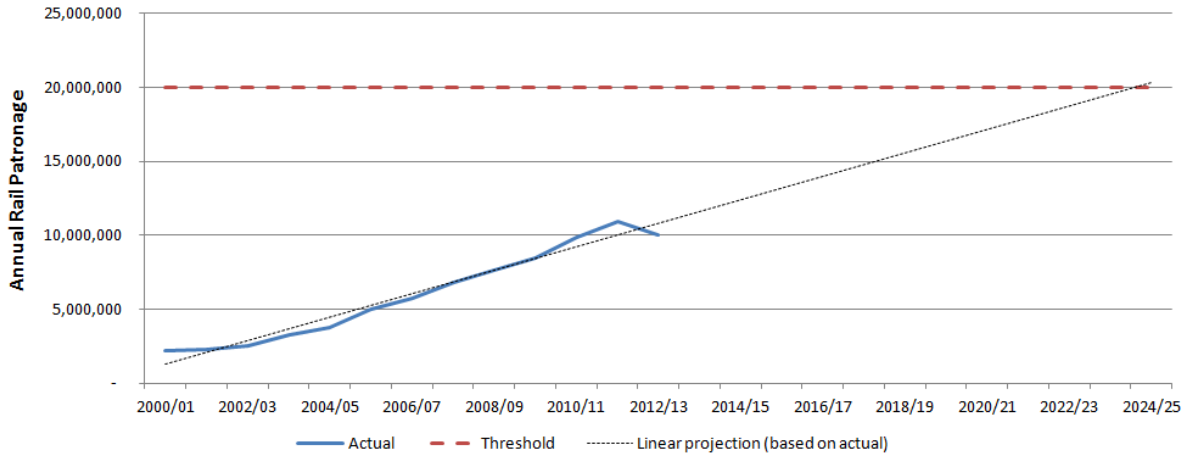


Auckland rail patronage growth

- 27. We have interpreted “rail patronage is on track to hit 20 million trips a year *well before* 2020”, to mean growth that indicates patronage will reach 20 million trips a year around 2018.
- 28. This would require patronage to increase by just under two million trips a year. This is considerably faster than annual rail patronage growth in recent years, which grew by an average of 930,000 trips per year between 2003/04 (when Britomart opened) and 2011/12 (when rail patronage was at its peak).

29. If Auckland's rail patronage continues to grow at historic rates, it will hit around 15 million trips in 2018 (see Figure 3), and 20 million trips around 2024. While the electric trains can be expected to provide a significant boost to patronage, we do not consider this will be sufficient to achieve the 20 million threshold by 2018.

Figure 3 - Growth in Auckland Rail Patronage*



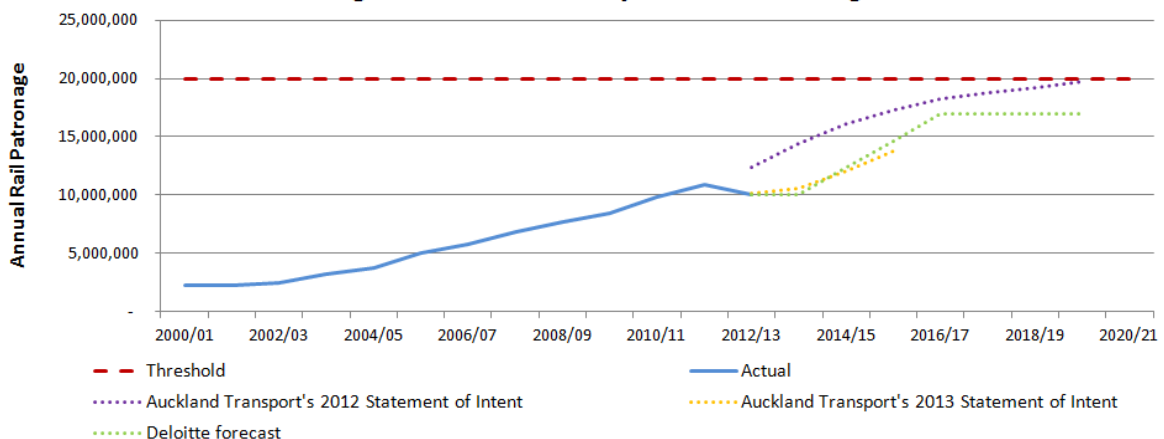
Note: The above graph displays actual rail patronage for financial years through to 2012/13. We note that there has been a small increase in rail patronage in the year 2013/14 to date which is not reflected in the graph.

Rail patronage growth forecasts

30. Our advice on the 2012 *City Centre Future Access Study* in April 2013 [OC1468 refers] drew on Auckland Transport's Statement of Intent targets for rail patronage, which predicted patronage would reach 20 million trips per annum by around 2020/21. Since then, there have been two key downward revisions to forecasts for Auckland's rail patronage (see Figure 4):

- 30.1. Auckland Transport's 2013 Statement of Intent reduced targets for rail patronage by around 20 percent over the next three years, and does not forecast beyond this period
- 30.2. revised modelling included in the 2013 Deloitte report forecasts that patronage will rise to around 17 million trips per annum once the new electric trains are in service, and will then remain largely unchanged until the City Rail Link is in place

Figure 4 - Actual and Projected Rail Patronage



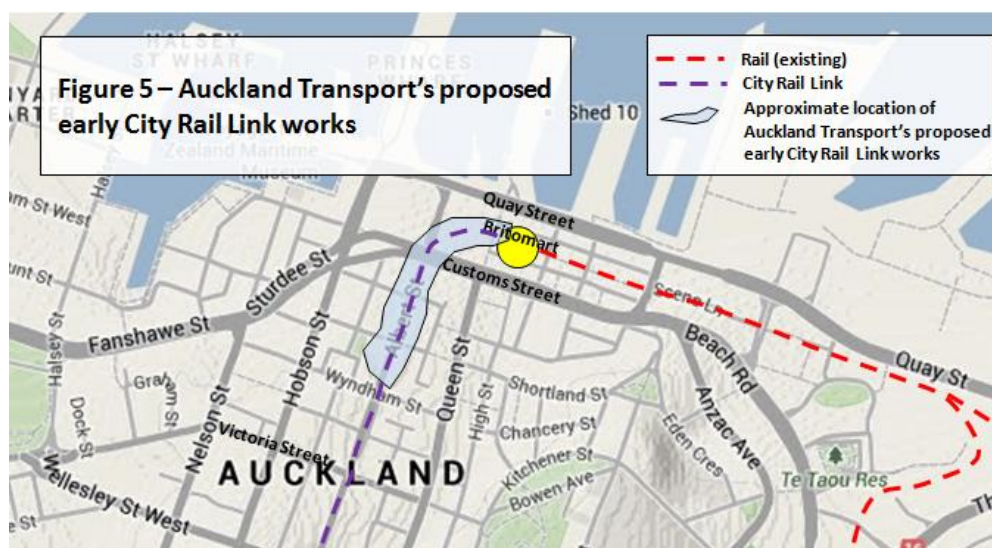
31. Deloitte's revised assumptions about the rate of city centre employment growth are a key reason for the lower rail patronage forecast by the model. However, we consider that an increase in annual trips in the order of seven million by 2017 still seems ambitious, particularly in light of past patronage growth rates.

Proactive release

32. There is considerable public interest in the City Rail Link, including the government's position on the project. We therefore expect there may be a high level of public interest in the government's monitoring of the thresholds which could trigger an earlier business case.
33. Subject to your agreement, we intend to proactively release the monitoring report (attached at Annex A) on the Ministry's website. This will provide transparency both in terms of how the government is measuring progress against the thresholds and how progress is tracking to date.
34. Given that the information in the report is factual, we consider there is a low risk that it will trigger any adverse media comment.

Update on the City Rail Link project

35. Auckland Transport briefed the Ministry and the Department of the Prime Minister and Cabinet on the City Rail Link on 28 November 2013.
36. Auckland Council and Auckland Transport are still working towards a construction start in 2016 rather than 2020. We understand Auckland Transport intends to issue a contract for designing the City Rail Link by early next year. However, as far as we are aware, Auckland Council has not committed funding to commence construction.
37. One option that Auckland Transport officers are considering is to construct the section from Britomart underneath the Downtown Shopping Centre to the bottom of Albert Street as the first phase of the project, beginning in 2016. This is because Auckland Council would like to allocate more road space for pedestrians, particularly on the waterfront. However, this cannot occur until the City Rail Link construction works in this area are complete, due to the disruptive effect they will have on traffic, particularly across Customs Street.



38. We consider that constructing the project in more than one phase raises a number of issues:

- 38.1. it may increase the cost or risks of the project, and Auckland Council may expect the government to share these additional costs
 - 38.2. it will increase stakeholder expectations that because part of the route is being built starting in 2016, the whole route should be constructed on this timeframe
 - 38.3. Quay Street and Customs Street are both busy arterial roads (carrying around 28,000 and 25,000 vehicle trips per weekday respectively). We are not sure that the proposal to significantly reduce the capacity of Quay Street, which provides a key east-west connection, including to the Port, and to redistribute this traffic onto Customs Street is consistent with the government's overall objective of increasing access to the CBD
39. We will monitor Auckland Council and Auckland Transport's work in this area and will provide you with further advice once we have more clarity on their plans for progressing the project.

Next steps

40. We plan to provide future six-monthly reports to coincide with Auckland Transport's reporting of rail patronage for the calendar year and financial year. We will therefore provide you with reports on rail patronage around February and August each year.
41. As noted, the Statistics New Zealand Database employment estimates are only released annually. We will therefore provide CBD employment estimates when we report on rail patronage for the calendar year.