

Activity Planning -2012-2022 Ten Year Plan Strong Communities - District Transportation

The main matter that the Council is being asked to consider is....

- A sustainable reduction in the District Transportation budget.

1. Council direction

The direction provided to staff by the Council in December 2010 was to:

- Retain existing levels of service
- Consider options for reducing levels of service
- Consider how we can change the roading programme to access a higher level of subsidy.

2. What the activity does

The District Transportation activity includes maintenance and renewal of the following assets on Council maintained roads (excludes State Highways):

- Sealed and unsealed roads (maintenance, renewals and improvements)
- Roadside drainage
- Bridges and structures (including retaining walls)
- Signs and road markings
- Street lights (maintenance only)
- Emergency work - initial response and reinstatement works

The Council's *Local Transportation* activity includes a number of different responsibilities, such as maintenance and construction of footpaths and footbridges, street lighting upgrades, town centre upgrades and car park maintenance.

3. What the legislations says

The Council has a legal obligation to form and maintain roads (with the exception of State Highways) within the District.

The Council's transport management decisions are shaped by its 2007 Land Transport Strategy. This strategy is underpinned by Environment Waikato's Regional Land Transport Strategy, the Land Transport Management Act 2003, the Land Transport Act 1998, the Transport Act 1962 and the Local Government Act 2002.

Council's Land Transport Strategy details how Council will meet statutory and policy requirements when managing transportation assets and activities.

4. Proposed activity objective

The proposed activity objective for the district transportation activity is:

To provide safe, reliable and accessible transport routes around the District with consideration for the environment and walking and cycling facilities.

NB: this is slightly different to the objective the 2009-2019 Ten Year Plan, which didn't acknowledge walking and cycling facilities.

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5. How this activity currently would contribute to the Council Outcomes

The activity will contribute to the achievement of the Council Outcomes as follows:

Council Outcome	The District Transportation activity...
A prosperous district	<ul style="list-style-type: none"> • Continues to provide transport and other infrastructure services that enable our economy to grow. • Supports current transport needs.
A liveable district	<ul style="list-style-type: none"> • Provides infrastructure to help build healthy communities. • Makes it easier to get around the Peninsula. • Delivers services in the most affordable manner.
A clean and green district	<ul style="list-style-type: none"> • Helps balance environmental protection with accessibility. • Helps provide for recreation and enjoyment of the Peninsula.

The Coromandel Peninsula Blueprint places expectations on the District Transportation activity to protect the natural environment, to protect key lifeline infrastructure and to connect the community with a safe and secure transport network within and between the main urban hubs of Thames, Whitianga and Whangamata. The District Transportation activity supports the main state highway network through provision of connecting roads.

6. Things to be aware of

- The Waikato Regional Land Transport Strategy has recently been out for consultation, and due to be operative by 26 May 2011.
- NZTA subsidises a major share of the Councils expenditure on roading. Maintenance and renewal activities are subsidised at 43%, and minor safety construction and bridge replacements at 53%. Funding is currently projected to continue at this rate.
- A road maintenance extents review was scheduled for completion during 2011 (last reviewed in 1996). In the interests of efficiency, staff recommend that the Council does not proceed with this review at this time.
- The Council is currently consulting on funding part of the Hauraki cycleway (Thames to Paeroa leg) as part of it's 2011/12 annual plan. If the funding is approved Council share of the short term and any longer term maintenance costs will be an additional charge against transportation whilst the benefits will be in the District economic development.
- The Council does not fund depreciation on the NZTA subsidy portion of expenditure.

7. A word from our community....

- The 2010 community prioritisation survey shows that "roading and signs" was ranked 8th out of 27 when compared to the other activities of the Council.
- In the 2010 Communitrack survey, overall 87% of residents and non-resident ratepayers were satisfied with roads in the District. This result is above the peer group and national average (74% and 76% respectively).

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8. Strengths, weakness, opportunities and threats

- A strength is that the Council has robust forward work programmes. We have a good understanding of short term (1-3 year) road renewal programmes and can implement maintenance intervention strategies that optimise the type and timing of intervention treatment thereby reducing any duplication of effort and avoiding sunk costs.
- A weakness is that the topography of the land often results in damage to road assets from storm events. Council often needs to fund large road repair costs associated with storm events and road users may experience travel delays due to road closures.
- There is an opportunity to improve integration of forward work programmes: within the transportation activity; across Council activities and utility companies and with neighbouring Councils, transport agencies (eg NZTA and HDC).
- There is an education opportunity to increase the understanding of this activity with our customers.
- There is an issue that some roading assets created through historical developments are of low quality.
- There is an issue is that there is a backlog of historical road legalisation work to be completed.
- There is a risk that legislative changes, such as the national code of practice for utility access in road corridors and TAFM benchmark reporting may result in additional compliance/reporting costs.
- There is risk that climate change could result in more frequent and/or higher intensity storm events as well as sea level rise in the longer term.
- There is risk that the rate of bitumen and energy price increases may be higher than inflation projections allowed for in the ten year plan.

9. Proposed levels of service options

The levels of service associated with the District Transportation activity are proposed to be:

Level of Service	This means...
District roads enable me to get around the district.	District road closures are minimised and customers are kept informed regarding road closures. (NB: option 2 below would decrease this level of service)
District roads are safe.	The social and economic costs of road crashes are minimised. (NB: option 2 below would decrease this level of service)
District roads are comfortable.	That 80% of residents and ratepayers will be fairly/very satisfied with the roads. That 80% of vehicles are exposed to smooth sealed roads. Potholes and pavement defects are repaired within contract response times
The environment is considered when road works are carried out.	That the Council will incur no infringements against environmental legislation.

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In order to reduce expenditure in this activity, the following options exist:

Option 1: Sustainably reducing spend in this activity, and a focus on efficiency

The Council's consultant runs a road deterioration model annually. This model is used to check that the appropriate level of investment is being made at a network level in road pavement and surfacing renewals. The June 2010 model indicates that a similar level of service could be achieved if the total pavement and surfacing renewal budgets were reduced by up to 8%pa (or \$415k gross inclusive of NZTA subsidy) for the next 10 years. This budget reduction will need to be reviewed once additional data has been collected to qualify assumptions in the current model.

In addition, the Council has in the past maintained a Joint Development Project budget of approximately \$120,000 per annum. This budget was used for developments where Council had made a commitment to contribute toward the cost (eg Earl Street, Kopu). This is an underutilised budget item and in future could be managed by individual budget requests to Council or as submissions to Annual Plans.

Staff propose to redirect the funds previously set aside for the Joint Development Project. The area of greatest benefit (or where the greatest return could be achieved) would be improving road drainage across the district. Roothing lifecycles are directly related to pavement strength which is affected by moisture content. Improving drainage would reduce future road pavement maintenance and renewal costs as well as reducing the risk of damage associated with weather events.

Option 2: Decrease levels of service

Further reductions are possible although, this would not be sustainable, likely to result in reduced levels of service and asset lifecycles. The long-term effect of this option is likely to be an increase in the cost of service. Under this option the Council could consider either or both of the following:

a) Remove the dust seal programme. This is a non-subsidised programme of improvement projects designed to improve quality of life through reducing dust nuisance effects on adjoining properties. Other than traction sealing, dust sealing is the only activity that improves the level of service on rural unsealed roads. Discontinuing or reducing the scope of the dust sealing programme is unlikely to be a popular decision, but would reduce annual expenditure by approximately \$100k per annum.

b) Minor safety improvements is another area where budget reductions could be made, although this budget is the only available to improve road safety and it could be difficult to argue Council were serious about road safety if there was to be a reduction in the level of investment in this area. Minor safety improvement works also attract a 53% subsidy from NZTA and therefore provide good value for money. Reducing any of the road maintenance or renewal budgets (other than road pavement and surfacing) is likely to be unsustainable.

10. How is this activity managed?

Both management and maintenance of roading maintenance works are delivered through multi-year contracts. Roothing professional services are delivered through a

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combined contract with Hauraki District Council. The timing of the procurement process for maintenance contracts is aligned with the Hauraki District Council. The advantages with this method of delivery include:

- Enhanced market competition -the opportunities for suppliers wishing to enter the local market are more attractive.
- Increased likelihood of supplier innovation - suppliers are more likely to invest in innovation as there is a greater opportunity to gain a return on investment.
- Improved supplier buy-in to management strategies - suppliers gain a better appreciation of Council's roading goals and vision.
- Improved job security - suppliers are able to offer a more secure working environment and therefore attract suitably skilled and experienced staff.
- Improved relationships - relationships between suppliers and Council strengthen over time, ensuring a "best for network" focus is maintained.

Renewal projects are generally packaged geographically, and delivered through annual contracts, one of which is a combined contract with Hauraki District Council. Again the timing of this procurement process is aligned to generate the best possible options for the Council and the advantages with this method of delivery include:

- Programme flexibility, allowing adjustment of work programmes to meet network need.
- Increased supplier interest, due to the relative low value of annual contracts, smaller (often local) suppliers are able to compete for work.
- Less financial risk. Council is not locked into significant value multi-year contracts which can attract significant cost fluctuations.

11. What do we currently spend on this activity?

As a proportion of Council's annual budget for the 2011/2012 year, the District Transportation activity represents approximately 19.93% of total spend.

2011/2012 Draft Annual Plan	
Operating Expenditure (excluding internal interest cost)	\$11.76m
Capital Expenditure	\$8.37m
Total budgeted spend for District Transportation for 2011/2012	\$20.12m
Total Budgeted spend for Council for 2011/2012	\$100.97m
Total percentage of budget spent on District Transportation	19.93%
2009-2019 Ten Year Plan	
Operating Expenditure (excluding internal interest cost)	\$136.00m
Capital Expenditure	\$92.26m
Total budgeted spend for District Transportation for 10 years	\$228.26m
Total Budgeted spend for Council for 10 years	\$1,295.64m
Total percentage of budget spent on District Transportation	17.62%

12. How this activity is funded, and why

The District Transportation is currently funded as follows:

Funding rationale summary as outlined in the 2009-2019 Ten Year Plan

The provision of an effective and well-planned transportation infrastructure is an expectation of a modern motorised society, and the lack of an efficient system would

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be detrimental to the District as a whole. Residents, businesses and visitors all benefit from having a roading network that is safe, convenient and comfortable for the passage of all classes of users. Even housebound people benefit from the availability of roads through the services that visit and 'service' them. It would be difficult to identify any non-users of the roading network as most parts of a modern society rely to some degree on transport.

The Council believes the transportation network should be viewed as an 'integrated' whole (rather than as a number of different networks serving different geographical areas) as users are able to move freely over all parts of the network depending upon their transportation need.

The funding mechanisms used to fund operating expenditure are:

General Rates	UAGC	Targeted Rates	Fees & Charges	Grants & Subsidies
20-39%	20-39%		Capital value - 20-39%	

The funding mechanisms used to fund capital expenditure are:

Develop. &/or Financial Contribution	Borrowing	Asset Sales	UAGC	Depreciation	General Rates	Targeted Rates	Fees & Charges	Grants & Subsidies	Lump Sum Contribution
✓	✓	✓	✓	✓	✓	✓		✓	

Staff recommend no changes to the funding policy for the District Transportation activity.

13. Staff recommendation

- In light of the Council's direction to align the annual rates increase to CPI, staff recommend Option 1: a sustainable reduction in expenditure, and redirecting funds into road drainage to realise long-term efficiency and improvements.
- With regards to funding the funding policy for the District Transportation activity staff recommend no changes.