



Wednesday, 3 June 2020

Hon Phil Twyford
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Hon Julie Anne Genter
Associate Minister for Transport
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Local government funding – transport investments

Tēnā kōrua Ministers Twyford and Genter,

I am writing to you to express my concerns regarding the impact of COVID-19 on local government funding, and more particularly on transport-related investments.

What's the issue?

As you will be aware, most councils have seen a significant decline in operating revenue due to COVID-19 while having to maintain critical services for residents. Several councils are struggling even more due to their heavy reliance on non-rates revenue, which has been hit especially hard. While some can take on debt to ease this challenge, many high-growth councils, are up against their debt ceilings. That leaves only two options:

1. Increase rates - unpalatable at the best of times
2. Cut spending - addresses the immediate issue, but at a high cost to the economy and our environment

So, somewhat unsurprisingly local government is gravitating to the austerity-based approach.

Auckland is a perfect storm

While local government funding is an issue right across the country, it's arguably most acute in our largest city.

Last Friday, Auckland Council released its emergency budget. In short, the budget forecasts a massive drop in revenue for the coming year, with income across the council group \$525 million below budget.

This fall in revenue results from reduced dividends; a sharp fall in revenue from venues, and facilities, public transport fares and parking; and reduced income from regulatory fees.

To try and plug the hole, the council has proposed savage cuts to both operational and capital programmes.

Capital spending takes the biggest hit

The council's capital programme bears the brunt of this retrenchment, meaning many projects won't be happening any time soon. The irony is this comes at a time when the central government is wanting to get as many projects as possible underway in a bid to kick start our economic recovery.

As an example, Auckland Transport has been forced to find between \$200m and \$250m of savings to its capital budget. This means they will pause or cancel:

- Significant road safety improvements - this delay will lead to more deaths and serious injuries
- All walking and cycling projects not under construction – failing to capitalise on the love we found for active transport during the lockdown
- The purchase of electric buses – failing to decarbonise our transport infrastructure, and provide climate-friendly options

To me, this is a classic example of kicking the can down the road, prioritising the status quo, and pushing the future costs and consequences onto our young people.

A challenging position

I understand that Auckland Council is in a challenging position, and they have had to make some unpalatable choices.

But, if we are serious about the climate, and transforming our economy, then surely now isn't the time to rollback such projects? It's hard to see how this aligns with the government's Zero Carbon Act, our Vision Zero approach, or the budget's focus on jobs.

We must be future-focused

Climate change, in particular, is looming over us, and we now have less than ten years before our 2030 emission reduction commitment is due. COVID-19 has shown us what forced change feels like and each delay in reducing our emissions reduces the options available to tomorrow's communities.

Central government support is needed

While local government is between a rock and a hard place, with no decent options available, the central government is, by contrast, well placed to respond.

Thankfully the government has already indicated they are going to use their healthy balance sheet to support the struggling economy. That's good news; however, substantive support for local government has been conspicuously absent.

I'd argue that providing support to councils is one of the smartest investments the government could make. That's because for every dollar the government grants, local government could potentially leverage up to \$2.50 in additional investment through borrowing. So, a \$200 million grant could unleash an additional \$500 million for investment. Such investment should, of course, be for critical future-focused issues.

I firmly believe this should not be about central government versus local government; both must play their part. In a time of crisis, we need an all-of-government approach to the issues we face.

Thank you for your attention to this matter. I remain hopeful that our budgets and our values will align and that we won't pass the buck to the next generation.

Nāku noa, nā

A handwritten signature in black ink, appearing to be the name 'Paul Evans'. The signature is stylized with a large, looping 'P' and a smaller 'E'.

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About ACE New Zealand: ACE New Zealand is a firm-based membership association that represents consulting and engineering organisations throughout Aotearoa. Founded in 1959, we have more than 200 member firms who employ some 13,000 staff who play a critical role in the design and delivery of our nation's construction and infrastructure sectors.