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Report PE 02.97

28 February 2002

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[02.97_djw]

Report to the Policy and Finance Committee
From Dr D J Watson, Divisional Manager Transport

Lambton Bus/Rail Interchange Funding

1. Purpose

To update the Committee on actions taken to resolve the Lambton Interchange funding issue and to seek a Council resolution on what should be the next step.

2. Public Excluded

The reason for dealing with this report in Public Excluded is “to enable the Council to carry on, without prejudice or disadvantage negotiations (including commercial confidentiality)”.

3. Background

Attached is Report PE 01.773 (**attachment 1**) that was considered by the Council at its 8 November 2001 meeting. The Council resolved then to seek a meeting with the full Transfund New Zealand Board to discuss their funding offer.

A meeting with the Transfund New Zealand Board was held on Thursday 13 December 2001. Cr Shields, Cr McDavitt and Dr Watson attended the meeting along with Mayor Prendergast, Cr Hutchings and Mr Poole of Wellington City.

The outcome of the meeting was that the Board asked their officials to report on the Regional Council’s proposed funding arrangement at their next meeting to be held on 21 February 2002.

We have been advised this week informally that the decision of the Board was to make no change from their earlier offer of funding. The formal response should be available in time for the Committee meeting.

It is worth noting that the Council’s proposal appeared to be received favourably by the Transfund officials leading up to the February 2002 Board meeting.

4. The Board Funding Proposal

The Transfund New Zealand Board's funding offer is that set out in the 20 August 2001 letter from Mr Gummer to Mr Stone and Mr Poole (**attachment 2**).

It should be noted under (b)(iii) of the Board's resolution that Transfund will review the application of patronage funding to reflect any amendments to the Act and any future policy directives from Government.

5. Ways Forward

The Council has three basic options. It can continue to refuse the Transfund Board's funding offer and leave the "hole in the ground", it can accept the offer and work with Wellington City Council to ensure that the Lambton Interchange project is completed within the current funding constraints, or it can just wait to see if the Government's announcements on new transport policy, expected shortly, will provide an answer.

At this stage the only rationale for refusing the funding offer is one of principle. This matter of principle may be resolved by the awaited government announcements on public transport funding.

If the offer is accepted, the issues remaining are ones of project cost and available funding. From Wellington City's point of view it will receive Transfund New Zealand's contribution to the project directly, not through the Regional Council. The proposed service contract between the two Councils provides the city council with sufficient funds to complete the project without any changes to project scope. The financial implications relate to the ongoing "claw back" of patronage funding and this is relevant only to the Regional Council. Depending on the "claw back" period the effect on the Council's patronage growth funding would be between \$100,000 and \$180,000 a year for about ten years. The Council in its draft annual plan process for 2002/03 has made an assumption of \$4m for patronage growth income with this remaining static in future years. It appears that the "claw back" requirement has little affect on the Council's future transport budgets as current assumptions on future patronage are clearly very conservative.

By the time the Committee meets the Government should have made its transport policy announcement. The third option may therefore have been overtaken by events.

6. Communications

Whatever decision is taken it is important that all stakeholders and public transport users are fully informed of the situation. The Chairperson should make a media release at the conclusion of the meeting.

7. Recommendations

That the Committee recommend to Council that it:

1. *Receives the report and notes its contents.*

2. *Either:*
 - 2.1 *accepts the Transfund New Zealand Board funding offer for the Lambton bus/rail interchange*
 - 2.2 *rejects the Transfund New Zealand Board funding offer for the Lambton bus/rail interchange*
 - 2.3 *waits for the Government's announcement on its public transport funding policy before either accepting or rejecting the Transfund New Zealand Board funding offer.*
3. *Note that a formal approach will be made to Wellington City Council to appraise them of the Transfund New Zealand Board's decision and that of this Council.*
4. *If the Council accepts the Transfund New Zealand Board's funding offer then the Divisional Manager Transport be authorised to sign off a service agreement with Wellington City Council for the Lambton bus/rail interchange which is no worse than the original proposal as set out in the Long Term Financial Strategy.*

DAVE WATSON
Divisional Manager, Transport

Attachments:

- 1- **Report PE 01.773**
- 2- **Letter dated 20 August 2001 from Transfund to WRC**