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20 August 2001

Mr Garry Poole
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Mr Howard Stone
General Manager
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PO Box 1 1-646
WELLINGTON

Ref

FILE REF:	
TP	6/9
540/010E	In
H. Stone	
TO ACTION:	

Dear Garry and Howard

funding of Wellington Lambton interchange & kick-start funding application

Thank you for your joint letter of 10 August 2001 regarding Transfund funding of the Wellington Lambton Interchange.

Wellington Lambton Interchange

At its meeting yesterday the Transfund Board reconsidered its funding decision of 21 June and agreed to apply a similar approach to that adopted for the Britomart project.

I have attached for your information a draft copy of the Board's resolutions.

As discussed with you last week, we are tabling these resolutions with the Wellington Regional Council for its discussion and agreement.

We thought it would be useful to give further explanation on the detail underpinning the Board's resolutions. The Auckland councils also sought similar clarification of the resolutions approved by the Transfund Board for Britomart.

Conditional payment

All of the payment referred to in the resolutions is condition on the signing of a suitable agreement between Transfund and the Wellington Regional Council (WRC). No funding is payable unless or until such an agreement is reached. We would suggest that the agreement be between all three parties – ie between the WRC, Wellington City Council (WCC) and Transfund – so that the rights and obligations of all three parties are appropriately captured.

Terms of agreement

We are currently taking advice on the terms for the agreement between the three parties. We will get back to you on this in the next few days.

De tails of payments

As noted in the Board’s resolutions, we envisage the Board’s funding contribution being paid to WCC over two financial years, namely 2000/01 and 2001/02. Once the agreement is finalised, we would anticipate receiving an invoice from WCC for the 2000/01 year for work completed during that year.

Adjustments to future patronage funding payments

We have suggested in the case of Britomart that the proposed adjustments to patronage funding rates would not come into effect until the project is completed – in Britomart’s case, therefore, not until mid 2003.

Given construction of the Lambton Interchange will be completed this year, we would propose that the adjustments to WRC’s patronage funding rates take effect as from July 2002.

Our proposed approach to implement the future patronage payment adjustments is to increase the passenger number baseline (above which patronage funding payments are payable), but we are open to further discussions on this point.

We have also not yet agreed the appropriate finance/discount rate to apply to the payment recovery methodology. The Board has asked Transfund officers to explore a ‘neutral’ discount rate that doesn’t disadvantage the WRC. One possibility we are considering is the 90 day bill rate. As you will appreciate, the amount of annual patronage funding foregone by WRC in return for a lump sum payment is influenced by both the applicable discount rate and the capitalised funding repayment period, as illustrated in the following table.

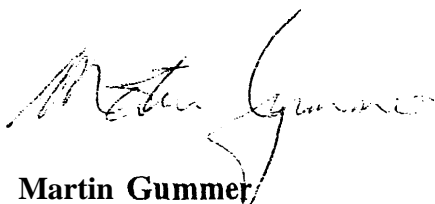
\$ 2,738,000

	10	15	20	25
Retention Period (years)				
Discount Rate	\$0.37	\$0.28	\$0.24	\$0.21
Capitalised Funding Repayment Period	\$0.45	\$0.36	\$0.32	\$0.30

Transfund Board members have expressed a preference for a shorter (eg 10 years) rather than longer (ie 25 years) offset period.

We would welcome any-comment and suggestions the WRC might have on this point, as well as on any of the other matters addressed above. We would like to finalise an agreed approach for implementing the Board’s decisions as soon as practicable. Please do not hesitate to contact us if you require further information.

Yours sincerely



Martin Gummer
Chief Executive

TF 01/8/916 - Wellington Transport Interchange/Hamilton Transport Centre - Transfund Board resolutions (unconfirmed)

The Transfund Board, at its meeting on 16 August 2001:

(a) **reconsidered** its previous decisions made in submission TF 01/6/884;

Wellington Transport Interchange

(b) **agreed** to make a contribution of up to \$2.778 million to the Wellington City Council for the Wellington Transport Interchange project, subject to the following:

- i. An agreement with the Wellington Regional Council, acceptable to Transfund, whereby \$2.738 million of the capital sum will replace half the equivalent portion of the **future** patronage payments which the Wellington Regional Council would otherwise receive;
- ii. That the contribution will be paid to the Wellington City Council over the 2000/01 and 2001/02 financial years;
- iii. That **Transfund** will review the application of **patronage funding** to reflect any relevant amendments to the Act and any future **policy directives from the Government**;
- iv. That **Transfund** will not fund any **project cost-overruns** or funding shortfalls incurred by the project;

Hamilton Transport Centre

(c) **agreed** to make a contribution of up to \$0.348 million to the Hamilton City Council for the Hamilton Transport Centre project subject to the following:

- i. An agreement with Environment Waikato, acceptable to Transfund, whereby the \$0.348 million capital sum will replace half the equivalent portion of the future patronage payments which Environment Waikato would otherwise receive;
- ii. That the contribution will be paid to the Hamilton City Council from the 2000/01 financial year;
- iii. That **Transfund** will review the application of **patronage funding** to reflect any relevant amendments to the Act and any future policy directives from the Government;
- iv. That Transfund will not **fund** any project cost-overruns or funding shortfalls incurred by the project;

(d) **requested** the Chief Executive to complete the necessary administrative arrangements to implement the above resolutions, on a similar basis to that being applied to the Britomart project;

(e) **agreed** that its decisions on Britomart, the Wellington Transport Interchange and the Hamilton Transport Centre are interim arrangements pending the Government's determination of its policy on the funding of passenger transport capital projects, and that no further projects would be considered for funding on this basis;

Wellington City Council kick-start funding -pedestrian shelters

(f) **approves** kick-start funding of \$1.325 million towards the construction of 10 pedestrian shelters by the Wellington City Council.