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Committee Regional Transport Committee  
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## **New Zealand Transport Agency decision on Funding Assistance Rate changes**

### **1. Purpose**

To inform the Committee of the outcome of the New Zealand Transport Agency's "Proposed Changes to 2012 National Land Transport Programme co-investment ratios (funding assistance rates)" review and other changes.

### **2. The decision-making process and significance**

The matter requiring decision in this report has been considered by officers against the requirements of Part 6 of the Local Government Act 2002.

#### **2.1 Significance of the decision**

No decision is being sought in this report.

This report is provided to inform the Committee of the outcome of a review process undertaken by another party.

### **3. NZTA proposed funding changes**

In July 2011, the NZ Transport Agency sought feedback from Approved Organisations (AOs) on two proposals concurrently.

- Proposed Changes to 2012 National Land Transport Programme co-investment ratios
- Proposed changes to work categories for public transport facilities, treatment of administration and professional services related to public transport and State Highways.

A summary of the proposed changes under each of these processes is set out below. Changes to activity class categories affecting travel demand management activities are also described below.

### 3.1 Changes to Financial Assistance Rates

The “Proposed Changes to 2012 National Land Transport Programme co-investment ratios” consultation document proposed changes to Funding Assistance Rates (FAR) policy. The FAR policy determines what portion of a project or programme could be funded from the National Land Transport Programme.

The proposed changes related to specific investment categories (work categories) within public transport, transport planning and road user safety activity classes.

The following table outlines the changes that were proposed.

NZTA work category	Current FAR	Proposed FAR	Reason for proposed change
<b>514 Passenger transport facilities operations and maintenance</b> eg. bus shelter repairs and maintenance.	60%	50%	To remove the NLTP investment stimulus given to public transport infrastructure. This change will align the FAR for these categories with those of bus, ferry and rail passenger services.
<b>531 Public transport infrastructure</b> eg. the capital costs of upgrading/installing new bus shelters, electronic ticketing, real time information systems.	60%	50%	
<b>001 Regional land transport planning management</b> This category includes support for the regional transport committee, preparation and monitoring of regional land transport strategy; plus preparation of regional land transport programme (RLTP) and regional public transport plan from this work category.	0.15% of the relevant Regional Land Transport Programme (RLTP)	Removed	To align with the directions signalled in the GPS 2012 engagement document to improve efficiencies in the transport planning activity class.
<b>002 Transport planning studies and strategies</b> GW undertakes a number of studies and transport modelling activities for Corridor and Implementation Plan investigations funded from this category. GW is currently using this category to fund the Wellington Public Transport Spine study.	75%	<i>For regional councils:</i> the weighted average Construction FAR for the region (56% for Wellington region). <i>For all other approved organisations:</i> Construction FAR (53-64%)	To remove the short-term NLTP investment stimulus given to transport planning studies and strategies in 2008 and return it to the Construction FAR, which applies to activity management planning. This will equalise the co-investment ratios for planning and constructing new transport infrastructure.
<b>432 Road safety community programmes</b>	75%	<i>For regional councils:</i> the weighted average Construction FAR for the region (56% for Wellington region). <i>For all other approved organisations:</i> Construction FAR (53-64%)	To remove the short-term NLTP investment stimulus given to road safety promotion in 2006 and return it to the Construction FAR. This will equalise the FARs for road safety promotion and the construction projects that address safety risks, which is appropriate under the Safe System approach.

### 3.2 Changes to public transport administration

In parallel, NZTA is consulting on a “Proposed changes to work categories for public transport facilities, treatment of administration and professional services related to public transport and State Highways” engagement document.

This proposal involved changing to the way administration costs are subsidised for regional transport administration, public transport administration, and Total Mobility administration. A 2.25% on-cost to the programmes of regional authorities as a contribution towards administration costs.

The funding assistance for public transport information supply, operations and maintenance – eg. bus timetables, operation of ticketing and real time systems, marketing, promotions, and user surveys – now falls into a new category and is subject to a decrease in FAR from 60% to 50%, phased in over 10 years.

### 3.3 Changes to demand management community programmes

When the 2009-12 RLTP was developed, there is an activity class called ‘Demand management and community programmes’ from which the travel behaviour change programmes, walking and cycling programmes, and road safety education and awareness programmes were funded at a 75% financial assistance rate. As a separate process to the FAR review, NZTA has since made changes which removes this activity class.

Programmes with a significant road safety element (greater than 50% direct contribution to road safety) will now be funded from W/C 432 ‘Road safety community programmes’ at 56% for Greater Wellington and between 53-64% for local councils in the region. All other behaviour change and sustainable transport programmes will now need to seek funding from the ‘Local road maintenance and operation’ category which has a FAR of 46% for the Wellington region.

Previous activity class: Demand management community programmes	Previous subsidy: 75%	New FAR in 2012-15 for demand management activities without a primary safety contribution:  For regional councils: the weighted average Base FAR (46% for Wellington region).
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## 4. Key points submitted to NZTA

Greater Wellington, local councils (Hutt City Council, Upper Hutt City Council, Wellington City Council, Kapiti Coast District Council, Porirua City Council, and Masterton District Council) and the Regional Sector Group of Local Government NZ made submissions to the proposed FAR review. These submissions focused on the impact that the proposed changes would have on the activities that local government carry out.

Greater Wellington's submission was in opposition to many of the proposed changes. This highlighted the significant financial impact that the proposals could have on Council and ultimately ratepayers. The submission also noted the lack of a sound rationale for many of the changes and the significant difficulties it will have for the affordability of our transport activities. The submission asked that the proposed changes to the FAR policy be retracted and reconsidered in the context of a wider and more comprehensive review, in full consultation with Approved Organisations.

Greater Wellington officers also coordinated a joint submission for regional councils and unitary authorities through the Local Government New Zealand's Regional Sector Group.

That joint submission represented the collective view of the regional councils and unitary authorities and made the following general points concerning the proposed changes:

- The desire for more efficient use of funding is acknowledged, but the effect is likely to be detrimental to efficient and effective transport outcomes. FAR ratios should be determined principally by the level at which benefits accrue, rather than as a tool for managing behaviour
- There appears to be a lack of any consideration of the affordability to local government, and any funding changes should be phased in over time or delayed to the comprehensive FAR review proposed for 2013
- The removal of the *Regional land transport planning management* grant is not supported and the reduction of the *Transport planning studies and strategies* funding rate is not the appropriate tool to reduce any unnecessary duplication of transport studies
- Reducing FARs for *Public transport infrastructure* will have significant costs for AOs which may mean planned and committed investment would be delayed or abandoned. The new public transport administration grant is confusing and inefficient. It gives NZTA too much discretion and reduces councils' ability to recover costs
- The proposed FAR reductions for road safety, demand management and behaviour change activities fail to recognise the importance of these activities in delivering road safety, health and congestion relief co-benefits and will most likely result in the inability to provide regional coordination for these activities
- The reduced FAR for road safety activities is inconsistent with the high priority given to road safety impacts in the Government Policy Statement.
- Linking road safety funding to the Construction FAR is:
  - inconsistent with the content and nature of these programmes which are targeted to risk (ie. alcohol, young drivers, fatigue and speed)
  - inappropriate because it is biased towards regions with long roads and low populations while road safety benefits largely accrue in dense urban areas
- Moving demand management and behaviour change funding to the *local road maintenance and operations* category will be detrimental to these programmes by placing eligibility criteria on these activities that would be very difficult to

satisfy. This will exacerbate already heightened funding competition in this category due to signalled budget cuts

- The consultation process has been inadequate and does not reflect a true partnership between joint funding agencies.

## **5. Outcome of the review**

The consultation period for feedback on the proposed FAR changes closed on 21 July.

NZTA received 48 submissions from stakeholders in response to the proposals. The summary of submissions that accompanied the NZTA Board Paper on the FAR changes noted that ‘the majority of submitters disagreed with the proposed changes on the basis that AOs were unable or unwilling to raise additional local share to maintain their planned level of activity’.

At a meeting on 5 August 2011, the NZTA Board considered the feedback from stakeholders, but decided to go ahead with almost all of the proposed changes to FARs.

The exception was the work category (W/C) 001 – regional land transport planning management. NZTA agreed to continue working with regional councils to develop a solution in relation to this work category and is expected to report back to the NZTA Board in November. Possible solutions currently being discussed are a 50% FAR or an Average Construction FAR for W/C 001, instead of the current grant.

The changes proposed to public transport administration, under the parallel consultation process described in section 3.2 above, are also being considered further. NZTA will not be going ahead with the application of a 2.25% on-cost. NZTA will work with regional councils on the detail of the cost allocation methodology for professional services. Council procurement strategies are to be amended to address professional services undertaken in-house by 1 July 2012.

## **6. Implications of the FAR changes**

### **6.1 Transport Planning**

There will be an overall reduction in the level of financial assistance from central government for both regional transport planning activities and other transport planning studies and strategies.

Regional land transport planning management was previously funded by a grant to regional councils. This grant was 0.15% of the relevant RLTP (\$325,000 in 2011/12). For the Wellington region, this was sufficient to cover regional transport planning activities. While the new funding regime for this work category (W/C 001) is still being considered, a 50% FAR or similar would provide significantly less funding for the planning work undertaken by regions.

The costs of administering the Regional Transport Committee previously fell within the grant funded W/C 001 work category. Any meetings relating to RLTP or RLTS preparation and adoption are likely to continue to be funded from this category at the new agreed FAR rate (to be determined). The cost of meetings relating to other matters would be borne by Greater Wellington.

The funding assistance for other transport planning studies and strategies under W/C 002 has also been reduced from 75% to around 56%.

## **6.2 Implementing the Regional Land Transport Programme**

There will be less central government funding assistance available for some of the public transport, road safety and travel demand management activities in the RLTP.

The likely impact on these activities is described below.

### **6.2.1 Public transport facilities and infrastructure**

The FAR for the operation and maintenance of public transport facilities (W/C 514) has been reduced by 1% each year for the next ten years, or from 60% to 50%. The FAR for public transport infrastructure (W/C 531) has also been reduced from 60% to 50%, to commence immediately in 2012/13.

As a result of these changes, planned investment in public transport infrastructure may need to be delayed or reduced. This will affect both Greater Wellington and territorial authorities in the region (whose current investment in public transport infrastructure is essential to maintain appropriate service levels). In particular, it may impact on Greater Wellington's ability to introduce electronic/integrated ticketing over the medium term.

### **6.2.2 Road safety and travel demand management activities**

Currently, all of the road safety, demand management and behaviour change activities receive a 75% FAR under Road safety community programmes work category (W/C 432). This allows Greater Wellington to fund and coordinate the following programmes and activities:

- Regional School Travel Plan Programme
- Workplace and Business Travel Plan Initiatives
- Regional Carpooling Programme (Let's Carpool)
- Regional Travel Awareness Programme
- Regional Road Safety Coordination and Campaigns
- Active Transport – walking and cycling promotion, information and road safety

Delivery of both regional and local road safety community programmes, which include road safety promotion, education and coordination, will also be significantly affected by the reduction in FAR for this work category from 75% to around 56%.

In addition, demand management and behaviour change activities have been moved from the road safety category and can now only be funded from the Local road maintenance and operation work category - unless they can show that more than 50% of the benefits contribute directly to road safety. This will mean that funding for many travel demand management activities will be reduced from 75% to 46% FAR for the regional council, or in some cases no funding subsidy will be available.

### **6.3 Response to FAR changes**

Regions will still need to support Regional Transport Committees and meet the statutory planning requirements for Regional Land Transport Strategies and Programmes as set out by the Land Transport Management Act (LTMA) 2003.

Changes to the LTMA are expected in the next 12 months and this is likely to result in more flexible, less prescriptive requirements around regional transport planning and consultation. However, for the larger urban regions like Wellington, there will still be a need for regional transport planning to develop an agreed regional transport strategy framework and to develop an agreed regional programme.

Greater Wellington is currently reviewing its options for carrying out regional transport planning in future that would fit within the new legislative framework and provide efficiencies that respond to reduced funding for this work category.

Both regional and local councils will need to consider, through their respective Long Term Plans, whether they are prepared to continue the current level of activity in the affected programmes through an increased local funding contribution, or whether the level of service will need to be reduced by amending, delaying or removing projects or programmes.

In relation to the road safety and travel behaviour change activities that Greater Wellington currently coordinates, there is likely to be an expectation for Greater Wellington to continue this work. However, the funding issues outlined above could mean the loss of momentum and positive gains made in the region over the last five years.

## **7. Engagement and future FAR reviews**

As outlined in section 4 above, AOs were disappointed with the lack of early engagement by NZTA in relation to the FAR changes, particularly considering the significant impact of these on local government who are key partners in funding the transport system.

The retention of some subsidy for the regional land transport planning was a significant change agreed by NZTA as a result of regional council feedback.

NZTA has now committed to a process for working more constructively with local government by ensuring regular and continued dialogue about upcoming NZTA reviews and projects.

A wider review of all FARs is expected to be undertaken in 2013 and this will feed into the 2015-18 RLTP.

## 8. Recommendations

*That the Committee*

1. ***Receives the report.***
2. ***Notes the content of the report.***

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