

Greater Wellington Regional Council Submission to NZTA on targeted changes to the 2012 National Land Transport Programme FAR rates and changes to work categories, administration and professional services

Greater Wellington Regional Council (Greater Wellington) appreciates the opportunity to comment on the proposed changes to Funding Assistance Rates (FAR) and to work categories, administration and professional services.

This is a draft submission which has not yet been approved by the Regional Council. A final submission with any amendments approved by Council at its 27 July 2011 meeting will be provided immediately following the meeting.

1. Support of RSG submission

Greater Wellington supports the submission made on behalf of Local Government New Zealand's Regional Sector Group (RSG). That joint submission represents the collective view of the regional councils and unitary authorities and makes 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
- The consultation process has been inadequate and does not reflect a true partnership between joint funding agencies
- The consultation documents are vague and lack sufficient detail – and the Agency has been unable to provide consistent and clear explanations
- The timing of the proposed changes is problematic, due to other concurrent changes affecting the sector
- 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 W/C 001 grant is not supported, and any changes should be postponed until further consideration can occur
- The reduction of the W/C 002 funding rate is not appropriate and funding approval by the Agency should be used as the key tool to reduce any unnecessary duplication of 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, gives the Agency too much discretion and reduces councils' ability to recover costs. The same rules are not being applied to HNO's funding arrangements
- 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 FARs for road safety activities is inconsistent with the high priority given to road safety impacts in the current GPS and the 2012 GPS engagement document
- Tying 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 maintenance and operations category will be unnecessarily 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.

2. W/C 001 – regional transport planning management

Greater Wellington is very concerned about the proposal to remove the current grant for W/C 001. We disagree that removing this grant would improve efficiency because it will threaten effective “whole of network” regional planning and modelling activities that are crucial to support and inform effective transport investment.

The Wellington region contains one of the three main urban areas in New Zealand, several other important regional centres as well as significant rural areas. The transport pressures and issues that Greater Wellington is responsible for managing are therefore diverse, complex and interrelated.

In order to maintain an awareness of the pressures and issues affecting our regional transport network, as well as identify, coordinate and prioritise effective solutions and optimum investment, Greater Wellington has developed a series of corridor and implementation plans that support the Wellington RLTS. These are the four corridor plans (Ngauranga to Wellington Airport, Western, Hutt and Wairarapa) and the five implementation plans (Road Safety, Travel Demand Management, Walking, Cycling and Freight). Greater Wellington also produces the Public Transport Plan, Rail Plan and carries out public transport service reviews.

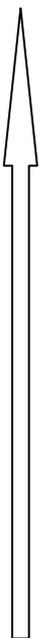
It is noted that the Wellington's corridor plans are developed in partnership with the NZ Transport Agency, and that Agency officers have previously indicated how useful these have been in providing an integrated multi-modal strategy that supports, for instance, the Government's current investment in the RoNS. These corridor plans enable the region to prepare a more effective RLTP, as well as enabling public engagement at a level that the community can easily understand.

Even with the changes signaled (but yet to be considered by Parliament) to the Land Transport Management Act, we believe that the development of an effective “whole of network” strategic policy framework for the Wellington region will still require regional planning and the development of detailed regional policy, in addition to the RLTP.

The current grant enables Greater Wellington to prepare and maintain planning documents that are in line with current Agency advice on best practice for fully integrated regional land transport planning and investment. We refer to Figure 1 in the Agency’s paper to the Public Transport Leadership Forum titled “Optimising the Public Transport Effectiveness Action Plan”. This Agency paper states that:

*“In order to realize the full benefits of the [PT Effectiveness Action] Plan’s activities in improved public transport effectiveness, they **must not be delivered in isolation of the wider land transport planning environment** (emphasis added). [The PT Leadership Forum] need to ensure a continued shift in thinking within embedded planning and investment processes and organizational cultures towards (emphasis added) a **“whole of network” approach to all aspects of land transport planning** (including that relating to networks as well as transport modes such as public transport).”*

Greater Wellington’s planning documents relate to Figure 1 of the Agency’s “Optimising the Public Transport Effectiveness Action Plan” paper as follows:

Level	Function	Role	Equivalent GW plans
 <p>Outcomes</p>	High level integrated regional plan	Purpose: Regional integration (where, why) Visionary – Regional vision Long term – 30+ years Integrated – Land use & infrastructure	Regional Land Transport Strategy
	Long term transport strategy	Purpose: Regional aspirations (what, when, how) Practical – Funding & staging Long term – 30+ years Integrated – All modes	Corridor Plans – Ngauranga to Wellington Airport – Western – Hutt – Wairarapa
	Short term functional transport plans	Purpose: Proposed (what, when, how) Functional – Work programmes Medium term – 10 years Targeted – Specific modes/networks (eg. PT network plan)	Implementation Plans – Road Safety – Travel Demand Management – Walking – Cycling – Freight Regional Public Transport Plan Regional Rail Plan
	Land transport programme	Purpose: Specifics (what, when) Targeted – Specific projects Short term – 3 year funding horizon	Regional Land Transport Programme Bus service reviews
Outputs			

Removing this grant will cost the Council an estimated \$325,000 that would have to be recovered at ratepayers' expense or through reduced levels of service. Greater Wellington acknowledges that Agency officials have recently signaled that any changes to this category will be postponed pending a further review - this is supported, but the Council is adamant that the Agency must reconsider this proposal in consultation with the affected councils and recognizing the difference between effective regional planning and other unrelated transport studies.

3. W/C 002 – Transport planning studies and strategies

We agree that there is a need to be more efficient around the number of transport studies undertaken and to reduce unnecessary or duplicated work. However, this change may well result in some studies that are necessary being abandoned and a greater risk that unsuitable or non-optimum projects are proposed for funding.

This work category funds transport modelling work and essential studies that provide a clear rationale for future projects. For example, Greater Wellington is now conducting the Wellington Public Transport Spine study at a total cost of \$1 million over two years. This is a study that has been supported by the Agency, indeed in which it is a core partner. We believe that this study is necessary to provide a clear long-term direction for improving public transport in Wellington. Under the current FAR ratio 75% of this cost is covered by the Agency with the remainder divided between GW and Wellington City Council. The proposed change would effectively double the local government contribution, and may threaten the viability of such future studies. We believe that this would be to the detriment of effective long-term planning, and that the Agency should instead use its funding approval decisions to ensure that only appropriate studies are undertaken.

4. W/C 514 and 531 – Public transport infrastructure

The FAR for W/C 514 is proposed to reduce by 1% each year for the next ten years, or from 60% to 50%. The proposal for the W/C 531 FAR is to be reduced from 60% to 50% immediately in the 2012/13 year.

Reducing FAR rates from 60% to 50% for these two work categories will have significant impact on Greater Wellington. The total additional cost to the Council from these changes in 2012/13 (with a W/C 514 FAR of 59% and W/C 531 FAR of 50%) is approximately \$134,000. This cost will increase as the FAR for W/C 514 gradually reduces to 50%. Cumulatively the impact will be significant. In particular, it will impact on Greater Wellington's ability to introduce electronic/integrated ticketing over the medium term.

Complicating this assessment is the fact that the definitions for W/C 514 and 531 are proposed to change as well. This means that some work funded through W/C 514 will transfer to W/C 531, immediately reducing the FAR on that work. This amplifies the increasing costs that fall to local share without providing adequate transitional arrangements.

The way the consultation document is worded promotes a wide range of interpretations of which specific activities will be funded from which category. This makes it very difficult to assess the actual impacts. Contradictory statements require clarification. In particular, Greater Wellington

would like clarification on which category a renewal of part of a transport interchange would fall (ie. a roof). Our view is that this should be funded from W/C 514 as it is effectively maintenance. The current definitions suggest that this should be in W/C 531 as renewals, making it subject to increased process and a significantly reduced FAR.

As a result of these changes, planned investment in public transport infrastructure may need to be delayed or reduced. The effect of this change will also be felt keenly by territorial authorities in the region, whose current investment in public transport infrastructure is essential to maintain appropriate service levels. There is a real risk that the necessary investment in public transport infrastructure will not occur in the future, undermining the provision of effective public transport services by the regional council.

5. Changes to Work Categories, Administration and Professional Services

There are concurrent proposals to review the funding for public transport administration costs as well as the treatment of administration and professional services for regional authorities and state highways. Proposals to review the Base FAR are also significant as these may have an impact on the level of local share required to fund and maintain local roads. These are closely inter-related to the FAR review.

The proposal removes the current funding for public transport administration costs and replaces it with a new administration grant and the ability to claim professional services as an on-cost from other activities. This grant equates to 2.25% of the total NZ Transport Agency allocation to Greater Wellington. We are already spending more than the expected grant and it is estimated that this change alone will cost the Council at least \$266,000 – however the amount could be as much as \$2.5 million. The documents are unclear and the proposal appears to give the Agency very wide discretion.

Greater Wellington is deeply concerned with the lack of clarity throughout the consultation document and subsequent conflicting advice given by Agency officers. This makes accurately calculating the fiscal impact to the council very difficult and complicates our Long Term Plan and RLTP development processes.

The proposals give the NZ Transport Agency more discretion over Greater Wellington's management of costs of activities (particularly for public transport) by defining them as professional services. These can be claimed back only if the Agency gives its approval and there are only limited guidelines on how the Agency intends to exercise its discretionary authority in this area. These types of decisions are normally made by the organisation's management.

It is also unclear how this initiative aids the effective and efficient management of activities and streamlining initiatives that are underway. The changes will mean that Greater Wellington will have to modify its current accounts and budgeting systems to manually separate administration from overhead costs. This has the potential to significantly complicate Greater Wellington's internal budgetary processes.

Some of the other changes are also likely to lead to decreased efficiency. For example, moving claimable W/C 514 expenditure into W/C 531 increases the overhead costs necessary to obtain funding due to the more complex W/C 531 funding criteria.

The proposals also remove funding for the administration costs of Total Mobility, which amounts to \$120,000 in the Wellington region.

6. Road safety, demand management and behaviour change

Currently, all of the road safety, demand management and behaviour change activities receive a 75% FAR under the W/C 432 *Road safety promotion* work category. 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

6.1 Proposed changes

The consultation document proposes a reduction in the *road safety community programmes* activity class from 75% FAR to the weighted-average Construction FAR. This would be 56% for Greater Wellington. The rationale for reducing the FAR in this category is to remove the 2006 short term investment stimulus and to equalise the FARs for road safety promotion and the construction projects intended address road safety risks.

Further, it is proposed to remove demand management and behaviour change activities from the *road safety* category and fund them from the *local maintenance and operation* work category. It is proposed that these activities will be funded at the weighted-average Base FAR, reducing funding levels from 75% to 46% FAR for the regional council.

6.2 Impacts on these programmes

Greater Wellington coordinates and leads well established region-wide road safety, demand management and behaviour change programmes. These programmes are interlinked, providing multiple co-benefits in terms of road safety, health and congestion reduction. Under this proposal, the Agency states that any activity seeking funding under the *road safety* category would be required show that more than 50% of the benefits contribute directly to road safety.

For example, the proposed change will mean that funding for activities like coordination of the region's school travel plan programme (which provides road safety, congestion reduction and health co-benefits) may be applied for under the road user safety or local maintenance and operations work category depending on the outcome sought for this activity in the funding application. Detail or guidance on how this would actually work has not been provided by the Agency.

Effectively, this change (and the movement of demand management and behaviour change activities) short-sightedly disregards these interconnected co-benefits and will have a significant

impact on what activities the regional council and its local partners may continue by not considering funding applications for these interconnected activities within the same category.

The proposed changes could result in significant disparities in investment across the region for these activities. The TAs contribute funding, resources and staff to these 'on the ground' programmes which are coordinated by Greater Wellington. If certain TAs decide to reduce their commitment to these programmes, it would impair the ability to provide current service levels across the region without significant supplemental rates funding.

These disparities will likely result in reduced user safety and associated co-benefits for both the local and wider regional community and transport network. It is estimated that the regional council will have to make up an additional \$581,800 from ratepayers to continue these activities.

There will be an expectation for Greater Wellington to continue this work in some form or another. However, the funding uncertainty in the next NLTP will not only make this doubtful but will most certainly mean the loss of momentum and positive gains made by these activities in the region over the last five years.

7. Conclusion

Greater Wellington is very concerned with the changes proposed to FARs and the other changes to public transport administration. The financial consequences to the Council and our ratepayers could be very significant – equivalent to a reduction of \$2,658,300 or a 3.1% increase in rates.

The Council has not seen a convincing rationale for these changes, and even at this late stage the detail of these changes is still in many areas unclear. The timing of these changes, as we are in the middle of preparing the RLTP and our Long Term Plan will cause significant difficulties for Council, both in terms of budget management and effective consultation with our community about possible changes to service levels.

The Council is of the strong opinion that the proposed changes should be retracted and subject to a re-consideration as part of a comprehensive review of the FAR rates and other changes during the 2012-15 Programme period. This review should be one undertaken in close consultation with the Council, as a major joint funder of transport activities.

APPENDIX A:

ESTIMATED IMPACT OF FAR AND ACTIVITY CATEGORY CHANGES ON GREATER WELLINGTON (2011/12)

001 Regional Transport Planning	002 Transport Planning Studies	432 Road Safety 151 Network and Asset Management	531 Public Transport Infrastructure 514 Passenger Transport facilities operations	Admin and Professional Services Changes	633 Total Mobility Admin	TOTAL	IMPACT ON RATES
-325,000	-97,000	-581,800	-134,000	-1,400,500	-120,000	-2,658,300	3.1% increase

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