

Proposals for Targeted Changes to the 2012 National Land Transport Programme Funding Assistance Rates

Purpose

The purpose of this report is to advise the Board of NZTA's consultation on proposals to alter Funding Assistance Rates (FAR) and to inform the Board of the potential effect on available funding.

Background

The New Zealand Transport Agency (NZTA) is seeking feedback to proposed changes to the FAR that apply to specific investment categories within public transport, transport planning and road user safety activity classes. The proposed changes are a result of policy changes mainly from the Government Policy Statement on Transport Funding 2012/13-2021/22 (GPS). The NZTA FAR consultation document was released in mid-June 2011 and responses need to be submitted by 21 July 2011. The consultation document is in Attachment 1.

NZTA part fund many of the transport activities that are carried by Auckland Transport (AT). The amount of subsidy provided by NZTA varies according to priority that NZTA and the Ministry of Transport via the GPS gives to a particular activity.

Proposed Changes

The proposed FAR changes will take effect from July 2012. Table 1 below sets out the proposed changes to the FAR.

Table 1: Proposed changes to the Financial Assistance Rates to take effect from 1 July 2012

Work category	Current FAR	Proposed FAR	NZTA stated reason for the proposed change
Passenger transport facilities operations and maintenance	60%	50% (gradually phased in over 10 years starting with 59% from 1 July 2012)	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.
Public transport Infrastructure	60%	50%	
Regional land transport planning management (grant to regional councils)	0.15% of the (RLTP)	Removed	To align with the directions signalled in the GPS 2012 engagement document to improve efficiencies in the transport planning activity class.
Transport planning studies and strategies	75%	54.33%	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.
Road safety community programmes	75%	44.33%	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.

Impact on Auckland Transport Funding

To illustrate the potential impact on AT funding, the proposed FAR changes have been applied to the 2011/12 NZTA budget allocations. As the 2012/13 funding is not yet finalised, it is not possible to assess how these changes will impact AT funding should they be implemented as proposed. However, applying these changes to the 2011/12 budget provides an indication of the likely direction and scale of their impact.

Table 2 indicates the Work Categories which are proposed to be altered and the additional cost to Auckland Transport if the changes were applied in 2011/12.

Table 2: Proposed changes to the Funding Assistance Rate (FAR) applied to 2011/12 budget

Work Category	Current FAR	Proposed FAR	Diff	Expected spend in 11/12 (\$000)	AT share in 11/12 - Exist FAR (\$000)	AT share in 11/12- Prop FAR (\$000)	Additional cost to AT per year (\$000)
PT Facilities maintenance	60%	59%	1%	23,318	9,327	9,560	233
Passenger rail services	60%	59%	1%	71,017	28,407	29,117	710
PT Infrastructure	60%	50%	10%	96,251	38,500	48,126	9,625
Regional Land Transport Management (Grant)	0.15% of total RLTP	0%	0.15%	980	0	980	980
Transport Planning Studies and Strategies	75%	54%	21%	1,578	395	726	331
Road Safety Community Programme	75%	54%	21%	8,329	2,082	3,831	1,749
TOTAL				201,473	78,711	92,340	13,629

NOTE (i) This table only gives an indication of the likely effect on the 2012-15 budget, based on the expected funding from NZTA in 2012; however our costs will be different from year to year as, for example AT is heavily investing in rolling stock which will have programmed costs in different years. **(ii)** Auckland Integrated Fares System will not be affected by the proposed changes. **(iii)** Passenger rail services, reducing at 1% per annum for ten years. This is not part the consultation but separate 'engagement' as the decision to reduce FAR for rail services has already been made.

Table 2 shows that if applied to the 2011/12 budget, the proposed changes will result in a loss of funding of approximately \$14m. This reduction will have to be either recouped by an increase in Auckland Council funding or AT services in these activity classes will need to be reduced.

The proposed FAR changes for these work categories must be seen in light of the changes proposed in the GPS on transport funding. The GPS consultation document indicated that the Ministry of Transport proposed reductions in funding in the Activity Classes which contain the Work Categories outlined in Table 1. Funding for PT Infrastructure was proposed to be reduced by 33%, Road User Safety (including Travel Planning) was proposed to be reduced by 26% and Transport Planning was proposed to be reduced by 31%. Available funding for the transport sector as a whole is under pressure from a number of different directions. Lower fuel volume sales (due to the economic down turn and more fuel efficient vehicles) and planned increases in fuel excise duty being deferred has resulted in less funding being available whilst faster progress on RONS and aspirational LTCCPs from legacy Councils has resulted in increased requests for funding.

The proposed FAR reductions will enable NZTA to fund more projects but to a lesser amount. Given the GPS proposals, the alternative would be to fund fewer projects at a higher FAR.

In addition, the consultation document also briefly discusses possible future changes which may further impact AT funding, including:

- Review of funding for administration costs for public transport. These costs could be distributed proportionately across the rest of the programme in future. The review is still at an early stage, but if current funding for administration costs is removed as a result of the review, an additional \$3.5 million would have to be found from local share.
- Review of the Base FAR. The AT current Base FAR is 44.33% and is an amalgamation of the base FARs of the previous local Government organisations in the Auckland region. FARs are calculated on a set formula which takes into account a region's ability to pay for land transport. Consequently, regions with low populations and many kilometres of roads tend to have a higher FAR than urban areas. The minimum base FAR is 43% which the previous City Councils in the region received. The review could recommend reducing Auckland's base FAR as the region has a high local tax base compared to other regions. The Construction FAR is calculated as the base FAR plus 10%. Decisions on the base FAR will be made July 2012 and implemented in the 2012 National Land Transport Programme (NLTP).
- Review of the 'strategic fit' and 'effectiveness' criteria used to prioritise projects in the National Land Transport Programme and give effect to the new guidance from the GPS. Changes will be communicated by NZTA in early August 2011.

Key Points for Feedback

The proposed reduction in funding proposed could delay the full return being achieved on recent investments in public transport infrastructure.

The improvements to the rail network in Auckland have been carried out in a partnership between KiwiRail, NZTA and Auckland Transport. The proposed changes have the ability to delay the full returns being achieved on these substantial recent investments aimed at raising public transport patronage in the region and meeting future growth needs given that Auckland is New Zealand's largest and fastest growing metropolitan area.

- A special case should be made for rail related improvement in the Auckland region and reductions in FAR related to rail are phased in over a longer time period

The reorganisation of the Auckland region has created a need for integrated planning which may be jeopardised due to the reduction in funding.

Local transport planning by previous local government organisations in Auckland were often unable to fully consider the interests of the entire region. AT has inherited these plans and policies which now need to be refocused to take into account Auckland Council's new Auckland (Spatial) Plan. Consequently there is a real need to plan the region's future transport needs so that maximum value can be achieved from transport investment.

- The FAR reductions for transport planning activities should be phased in over a longer time period and the grant for production and monitoring of the RLTS and RLTP maintained or at least reduced gradually

The reduction in FAR for the Road Safety Community Programme has the potential to reduce the effectiveness of the successful school travel plan programmes.

AT's school travel planning activities are funded out of the Road Safety Community Programme. AT has demonstrated that not only are school travel plans highly cost effective and successful in reducing congestion on the arterial and local road network during peak periods, they also deliver significant safety and health benefits for school children. The proposed reduction in the FAR from 75 per cent to 54.3 per cent is a significant reduction and could reduce AT's ability to deliver its full programme of travel plans unless the local share is sufficiently increased.

- Any reductions in funding for the Road Safety Community Programme should be phased in over a 10 year time period

The Review Provides an Opportunity to Optimise the Role of the FAR.

The review of the FAR is an opportunity to consider how the FAR can be used as a mechanism to advance AT and NZTA’s strategic objectives particularly in taking a “single network” approach to transport in Auckland, increasing critical levels of service to deliver economic benefits to all of New Zealand. For example, improvements to the regional arterial road network, rapid and quality public transport networks can deliver high decongestion benefits on motorways and arterials as well as improving accessibility to town centres. In these cases higher FAR rates to accelerate projects which have a higher impact on achieving joint priorities would be justified.

- NZTA should consider jointly with AT opportunities to apply differential FAR’s to accelerate the delivery of infrastructure and services which have the highest impact on joint priority objectives

Recommendations

It is recommended that the Board:

- i) Approve the key points raised in this paper for preparing Auckland Transport’s submission to NZTA on its proposals for targeted changes to the 2012 National Land Transport Programme Funding Assistance Rates
- ii) Delegate to the Chief Executive sign off of the final submission

Attachment

Attachment 1 – NZTA’s Proposals for targeted changes to the 2012 National Land Transport Programme co-investment ratios (funding assistance rates)

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RECOMMENDED by	Peter Clark Corporate Manager Strategy & Planning	
APPROVED FOR SUBMISSION by	David Warburton Chief Executive	

Proposals for targeted changes to the 2012 National Land Transport Programme co-investment ratios (funding assistance rates)

Consultation document for approved organisations

This consultation document is seeking your feedback on proposed changes to the funding assistance rates that apply to specific investment categories within the public transport, transport planning and road user safety activity classes. The proposed changes are a result of recent policy, priority and/or delivery model changes.



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More information

NZ Transport Agency
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If you have further queries, call our contact centre on 0800 699 000 or write to us:

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This document is available on the NZ Transport Agency's website at www.nzta.govt.nz.

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Summary

The NZ Transport Agency (NZTA) is seeking your feedback on proposed changes to the funding assistance rates (FARs) that apply to specific investment categories within the public transport, transport planning and road user safety activity classes. FARs are used to determine what portion of a project or programme could be funded from the National Land Transport Programme (NLTP). The proposed changes are a result of recent policy, priority and/or delivery model changes.

The proposed changes are shown below.

Work category	Current FAR	Proposed FAR	Reason for the proposed change
W/C 514: Passenger transport facilities operations 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.
W/C 531: Public transport infrastructure	60%	50%	
W/C 001: Regional land transport planning management (grant to regional councils)	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.
W/C 002: Transport planning studies and strategies	75%	<i>For regional councils:</i> the weighted average Construction FAR for the region	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.
		<i>For all other approved organisations:</i> Construction FAR	
W/C 432: Road safety community programmes	75%	<i>For regional councils:</i> the weighted average Construction FAR for the region	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.
		<i>For all other approved organisations:</i> Construction FAR	

Note that, all else being equal, the total amount of money invested from each activity class remains unchanged by the proposed changes. In short, these proposals are about how to achieve the best spread of the co-investment from the NLTP across projects and programmes, rather than the total amount invested.

Background

Preparing for the 2012 NLTP

At the NZTA, we use our Investment & Revenue Strategy to guide our efforts to achieve best value for money through our investments. We have a four step review of this strategy as part of the development of the 2012 NLTP.

Step	Description	Communicated to you for information and feedback
Administrative changes	The NZTA is currently reviewing work categories for public transport to ensure these category definitions are concise and consistent. We are also reviewing the treatment of administration and professional services for regional authorities and state highways to ensure that this treatment is aligned with legislative changes. A further proposed change is to simplify the requirements for the NZTA's approval of in-house professional services.	June 2011
Re-calculate the 'Base FAR' for the 2012 NLTP using existing policy	Base FAR is the co-investment ratio for local roads and is calculated using 'ability to pay' and other existing policy criteria.	July 2011
Review of FAR rates for the 2012 NLTP	A review has identified the need to adjust FARs for some of the investment categories within the public transport, transport planning and road user safety promotion activity classes. No additional FAR changes are proposed for the 2012 NLTP.	Changes to the FAR for passenger rail services have already been consulted on. The other proposed FAR changes are being consulted on in this document; feedback closes on 21 July and the FARs will be confirmed in August 2011.
Review of the 'strategic fit' and 'effectiveness' prioritisation criteria	These investment ranking criteria will have to be adjusted to give effect to the proposed new <i>Government policy statement on land transport funding 2012/13 – 2021/22</i> (GPS 2012).	In early August 2011 – as part of a 'strategic direction' discussion document.

Future reviews

We are considering undertaking a comprehensive review of all the FARs in 2013 to test their internal coherence and fit with policy objectives. Any possible changes would be implemented through the 2015 NLTP following consultation.

Public transport infrastructure

Activity	Current FAR	Proposed FAR	Proposed implementation date
W/C 514: Passenger transport facilities operations and maintenance	60%	50%	1 July 2021 (gradually phased in over 10 years starting with 59% from 1 July 2012)
W/C 531: (New) public transport infrastructure	60%	50%	1 July 2012 for all new approvals

What is the context?

Investment in public transport activities over the last 10 years has increased at a faster rate than investment in other activities in the NLTP. For example, annual public transport expenditure has increased approximately six-fold (from around \$50 million in 2000 to \$300 million currently).

These changes have been accompanied by major investment in passenger rail facilities in Auckland and Wellington from the NLTP and other central government funding. Recently, the NZTA has agreed to invest in rail track access charges, station upgrades and the servicing of agreed loans. In this context, it no longer seems appropriate or necessary to co-invest in public transport facilities at a higher FAR rate than the investment in the actual public transport services themselves.

Why change the co-investment ratios?

The proposed change would remove the NLTP investment stimulus for public transport infrastructure as opposed to public transport services. The proposed change would mean that the construction, maintenance and operations of new public transport infrastructure all have the same FAR as bus, rail and ferry passenger services, namely 50%.

Supplementary information

- Total Mobility is a distinct activity in its own right and the relevant work categories (517, 519 and 521) are being reviewed through a separate process. The review of Total Mobility is expected to be completed by July 2011.
- Previously approved activities agreed by the NZTA would remain at the previously approved FAR for the duration of the commitment. In the case of Auckland Transport, the capital cost and operation of the Auckland Integrated Fare System for a 10-year period constitutes such a commitment.
- The annual operational costs of servicing any loan agreed by the NZTA would be provided for within the passenger rail services work category (W/C 515) or passenger transport facilities operations and maintenance (W/C 514) as appropriate, at the FAR applicable at that time.
- In the case of Greater Wellington, the historic \$23 million shortfall in Crown funding would be accepted as a commitment because of a previous NLTP investment approval, as would the \$1.7 million funding approved for the real time information system. The annual operational costs of servicing this and any other loan agreed by the NZTA would be provided for within the passenger rail services work category (W/C 515) or passenger transport facilities operations and maintenance (W/C 514) as appropriate, at the FAR applicable at that time.

Regional transport planning management

Activity	Current grant	Proposed grant	Proposed implementation date
W/C 001: Regional land transport planning management	0.15% of the relevant Regional Land Transport Programme	Removed	1 July 2012

What is the context?

The government has recently signalled through the GPS 2012 engagement document that it wishes to encourage efficiencies in the transport planning activity class (which includes the W/C 001 grant). Also, to enhance growth and productivity improvements in the land transport system, the government has signalled that it wishes to reduce compliance costs and regulation, simplify consultation requirements and reduce the size and cost of committees making decisions in the system. Within this strategic context, there is a need to reconsider the W/C 001 grant.

Why remove the administration grant?

A flat rated general administrative grant that relates only to the value of the Regional Land Transport Programme does not provide a strong incentive for efficient resource use and would be misaligned with the signalled GPS 2012 directions concerning efficiency improvements. The proposed change would mean that some future regional planning administrative costs (that are currently covered by the grant) could be included as an overhead cost in relevant projects and programmes.

Transport planning studies and strategies

Activity	Current FAR	Proposed FAR	Proposed implementation date
W/C 002: Transport planning studies and strategies	75%	<i>For regional councils:</i> the weighted average Construction FAR for the region <i>For all other approved organisations:</i> Construction FAR	1 July 2012

What is the context?

Prior to 2004, co-investment from the NLTP in transport planning studies and strategies was at the Construction FAR. The Construction FAR for an approved organisation is its Base FAR plus 10%. The Base FAR is set on an approved organisation's 'ability to pay' and other existing policy criteria.

The 75% FAR for transport planning studies and strategies was introduced in 2004 on a short-term basis to stimulate investment in planning before extra funding was made available through the introduction of the R funding regime. In 2006, the rate for this activity was reduced to the Construction FAR as this objective had been largely achieved. In 2008, the FAR was again raised to 75%, this time to support the increased emphasis on planning under the Land Transport Management Amendment Act 2008. Co-investment in activity management planning remained at the Construction FAR for territorial authorities and 50% for regional authorities.

In 2010, an activity class review by the NZTA found the 75% FAR had achieved its intended aim of refreshing transport planning and direction across regions, cities and districts. The review also concluded that transport planning studies and strategy development should now be targeted at areas where there is population growth and/or change in land use and travel patterns. In this context, a general 'stimulatory' 75% FAR no longer seems required or appropriate.

Why change the co-investment ratio?

The proposed change would remove the short-term NLTP investment stimulus to transport planning studies and strategies given in 2008 and return it to the Construction FAR, which applies to activity management planning. In the case of regional councils, the proposal is to change support for transport planning and studies to the weighted average Construction FAR for that region. This would equalise the FARs for planning and constructing new transport infrastructure.

Supplementary information

- Any transport planning studies that commenced under the current level of FAR support (75%) would continue to receive that rate of support until completion.
- The 'weighted average Construction FAR for each region' would be based on the 2009 NLTP maintenance and renewal spend of all the region's approved organisations.

Road safety promotion

Activity	Current FAR	Proposed FAR	Proposed implementation date
W/C 432: Road safety community programmes	75%	<i>For regional councils:</i> the weighted average Construction FAR for the region	1 July 2012
		<i>For all other approved organisations:</i> Construction FAR	

What is the context?

Prior to 2006 road safety promotion programmes, NLTP co-investment was at the Construction FAR (with some limited 100% grants available). As noted above, the Construction FAR is an approved organisation's Base FAR plus 10%.

The 75% FAR for road safety promotion programmes was introduced in 2006 to support the road user behaviour goals of the government's Road Safety to 2010 strategy. Its successor strategy Safer Journeys was introduced in 2010 and has at its core the Safe System approach. This approach requires an investment response across the entire system: roads, roadsides, vehicles and speed management. In the context of the new strategic direction, the 75% FAR for road user safety promotion (primarily targeted at the behavioural aspects of road safety) seems no longer appropriate and needs to be realigned.

Why change the co-investment ratio?

The proposed change would remove the short-term NLTP investment stimulus given to road safety promotion in 2006 and return it to the Construction FAR (or a weighted average Construction FAR in the case of regional councils). This would equalise the FARs for road safety promotion and the construction projects that address safety risks, which is appropriate under the Safe System approach.

Supplementary information

- From 1 July 2012, the eligibility of 'in-kind donations' as a contribution to local share for the road user safety activity class (432) will be removed. This does not impact on the FAR rate, but represents an effective FAR reduction for those approved organisations that use in-kind donations (eg volunteer time, donated goods and services) as a contribution towards local share. The removal of in-kind donations will make the road user safety activity class consistent with all other improvement work categories.
- Also from 1 July 2012 the network user information activities that are currently within the road user safety activity class (formerly Demand Management and Community Programmes) would be funded from the maintenance and operations activity class and be subject to the Base FAR.

Your feedback

This consultation document is intended for approved organisations as defined under the Land Transport Management Act 2008. It outlines the investment categories under consideration and seeks feedback on specific proposals.

The period for consultation on the proposals contained in this discussion document is six weeks, and we should receive all feedback before **21 July 2011**. Queries and responses should be sent by email to the following address:

farreview@nzta.govt.nz

Questions about the review and the proposed changes may also be directed to your NZTA Regional Director.

It is important to us that you have access to the best possible information before the Regional Land Transport Programmes are completed. We will therefore confirm the review results with you in early August, and any confirmed changes will be implemented through the 2012 NLTP.