

OTAGO REGIONAL COUNCIL

Agenda for a meeting of the Regional Transport Committee to be held in the Otago Regional Council Chamber, 70 Stafford Street, Dunedin on Thursday 13 February 2014 commencing at 1.30 pm

Membership

Cr Trevor Kempton (ORC, Chair)
 Cr Graeme Bell (ORC, Deputy Chair)
 Cr Hamish Anderson (CDC)
 Cr Barrie Wills (CODC)
 Cr Stuart Duncan (CODC alternate)
 Cr Kate Wilson (DCC)
 Cr Lyan Cocks (QLDC)
 Cr Alexa Forbes (QLDC alternate)
 Cr Bill Kingan (WDC)
 Mr Jim Harland (NZTA)

Apologies

Cr Barrie Wills (CODC)
 Cr Stephen Woodhead (ORC)
 Cr Lyan Cocks (QLDC)

In attendance

Confirmation of agenda

Page Nos.

Item 1 3 - 11
 2014/0644 **Input into a new Government Policy Statement.** DPPRM, 7/2/14

The report advises that a new Government Policy Statement on Land Transport has been released by the Minister of Transport, and outlines an initial Otago/Southland staff response to the Ministry's questions, to assist the Committee in responding to the Ministry.

Item 2 12
**NZTA presentation on NZTA early investment signals document,
 November 2013**

Item 3

13 - 26

2014/0646 NZ Transport Agency review of financial (funding) assistance rates.

DPPRM, 7/2/13

NZ Transport Agency (NZTA) is reviewing its approach to setting funding assistance rates (FARs). This review is likely to have significant financial implications for several Otago local authorities. Submissions on an options discussion document have been invited, and the report recommends points of submission, for the Committee's consideration.

Item 4

27 - 31

2014/0647 Proposed collaboration with Southland on regional land transport planning. DPPRM, 7/2/14

The report proposes the concept of preparing a joint Otago-Southland Regional Land Transport Plan (RLTP), and outlines a process by which this committee and its Southland counterpart can investigate and reach a view on this proposal.

REPORT

Document Id: A599470

Report No: 2014/0644
Prepared For: Regional Transport Committee
Prepared By: Transport Policy Team
Date: 7/02/2014

Subject: Input into a new Government Policy Statement

1. Précis

The Minister of Transport releases a new Government Policy Statement on Land Transport (GPS) every three years. The next one is due to be released mid 2014. The Ministry of Transport (the Ministry) has invited early input from local government into the development of the next GPS. More formal engagement on a draft GPS will follow from March onwards.

The Ministry has provided some background information on the GPS, as well as five questions (attached). This report outlines an initial Otago/Southland staff response to the Ministry's questions, to assist the Committee in responding to the Ministry.

2. The role of the GPS

The GPS sets the government's direction for investment in the land transport system. It sets out how funding is allocated between activities such as road safety policing, state highways, local roads, and public transport.

The National Land Transport Programme gives effect to the GPS priorities, in determining which activities will be funded, and how much funding any particular activity will receive. At a regional level, the Regional Land Transport Plan recommends activities for national funding. The Regional Land Transport Plan must be consistent with the GPS.

Clearly the GPS is a crucial input into regional and district level transport planning and decision making.

3. Staff response

Staff from the Otago Regional Council and Environment Southland have considered the Ministry's five questions and have formulated an initial response. This is outlined in the following paragraphs, and will be further discussed at the Technical Advisory Group meeting on 11 February (which includes staff from all road controlling authorities). At the committee meeting, we will give an oral report on the advisory group's discussion on the 11th.

4. Considering how national and regional transport priorities are shaped by the GPS, what is the most important thing the Ministry should consider in developing the next GPS?

The most important thing the Ministry should consider is what level and type of government investment in transport is needed to support the primary production and tourism sectors. These sectors generate considerable wealth for New Zealand from the world market. Local road networks are a key component of our ability to maintain and grow these sectors.

To address this priority the GPS should:

- Ensure transport investment decisions acknowledge the contribution that various parts of the network make to New Zealand's export receipts and tourism income.
- Acknowledge that linking producer, processor and port is crucial in regions that generate much export wealth from primary production (such as Otago and Southland).
- Increase the emphasis on maintaining local roads. They need to be kept to a standard that both ensures the safe and efficient transport of product and people related to processing and export; and that enables visitors to safely access tourist attractions - including the backcountry and conservation estate.
- Recognise the importance of safe, well-maintained bridge crossings of rivers on major routes for tourism and product transport. Funding should be provided to replace those bridges no longer functioning adequately.
- Acknowledge the pressure on current funding sources to provide for maintenance, renewals and RONS, and thus signal a new funding stream.

5. Thinking about New Zealand's transport network, what should key national objectives set down in the GPS be? How do these reflect priorities for your region?

- *A whole-of-transport system approach*
The GPS should set out how the Government intends to work with local government to achieve a whole-of-transport system approach, and to integrate the various transport interventions (the NLTP, local authority transport programmes, land use planning and regional transport planning, land transport rule changes, network management, and road policing and initiatives such as speed management). A whole-of-transport system approach requires planning to focus on journeys in the first instance, rather than on infrastructure.

- *A resilient transport network*

The transport network should be resilient in the face of shortages of oil-based fuel, fluctuations in fuel prices, and natural hazards including increased effects resulting from climate change. Currently there is inadequate preparation for resilience against these future shocks.

New sources of revenue should be accessed to enable resilience to be built, such as general taxation or speed camera fines.

At present, the government's contribution to land transport depends on road user charges, fuel excise and motor vehicle registrations. This discourages NZTA investment in activities that reduce vehicle usage and congestion, and improve network and energy efficiency (outcomes sought in the current GPS). This is an issue mainly for urban areas, Dunedin included. The situation is exacerbated by NZTA's planning and investment principle that the primary beneficiaries of investment from the NLTF should be [local] vehicle based road users, since these are the primary contributors to the fund. This principle is causing under-investment in walking and cycling facilities, and public transport.

- *One network*

The GPS should enshrine the concept of one effective and resilient transport network for users, which seamlessly crosses TLA and regional boundaries. Tools will be needed to enable network planners and managers to work together to achieve this.

- *The network does not limit growth*

Growth should not be limited by ineffective, or inadequately maintained transport infrastructure. In Otago/Southland growth is being experienced – for example tourism in the Queenstown area, and dairying throughout all rural areas. Transport planning and investment should ensure this type of growth is supported.

- *Road users are safe*

Road crashes and accidents should reduce in severity, resulting in substantially reduced social cost.

Travel by all modes should be safe, wherever those modes of travel occur. For example, people walk and cycle in many places outside major urban areas. Investment should be aimed at ensuring this occurs safely.

6. What aspects of the current GPS do you believe are working well, and why?

- The use of activity class funding ranges. The concept is sound, however the application so far has been problematic and NZTA need to be able to direct funding to the area of highest need.
- Setting the short term direction for National Land Transport Fund spending.

7. What aspects of the current GPS do you believe are not working, and why?

- *Short term focus*

The GPS does not provide local government with the necessary longer term strategic direction. Local government is under considerable government pressure to forecast its future rating requirements. The short term focus (three years) of the GPS does not assist this.

Ideally the strategic direction and funding in the GPS would be set for at least six years, with an Activity Class funding review taking place at three years. A longer-term strategic direction would provide additional stability to local government for the preparation of their asset management and long term plans and forecasts.

- *Unclear strategic priorities*

The strategic priorities in the current GPS are not articulated clearly enough. Goals, outcomes and impacts are mixed, and it is hard to discern any hierarchy of priorities. As a result, often NZTA decision-makers apply priorities based on their own experience and views, rather than on the GPS itself.

Consequentially, the emphasis on value for money in the current GPS lacks any clear meaning. The values that investment seeks need to be clear, or we simply save money for the sake of it, not to achieve something worthwhile for NZ and our people.

NZTA has interpreted the current GPS as placing a priority on travel for commuting, but not for recreational purposes. This is an unhelpful distinction in both major urban areas and in areas with high levels of visitor activity. In both situations, much travel is multi-purpose. As a result, funding for multi-purpose walkway cycleway facilities is unnecessarily difficult to obtain (eg walking and cycling crossing of Kawarau River at Kawarau Falls; completion of SH88 shared path).

- *Activity Class limits*

The setting of limits for each activity class may not result in the most effective allocation of funding. The rigidity of Activity Class funding limits may drive NZTA to invest in, and use all funding for, a particular activity class. Investment driven by need is likely to result in better outcomes.

- The use of a single funding source for both funding of maintenance and renewal projects, and for funding of major new infrastructure projects.

- *Walking and cycling*

The emphasis on walking and cycling in model communities is unhelpful. It serves to preclude investment in these modes in other communities, where energy efficiency, community resilience and safety could be improved significantly.

More emphasis needs to be placed on supporting cycleways that are part of the national cycleway initiative, and on providing safe travel between these. The Ministry of Tourism is promoting cycle tourism in the south, but this is not yet integrated into NZTA priorities for investment.

- *Safety*

Safer Journeys is a national approach based on national trends. At a local level, the priorities for investment to improve safety and reduce the severity and social costs of crashes, may differ from the generalised national approach. The GPS should recognise this, and allow priorities to be based on careful analysis of local trends and the likely success of interventions.

In practice, road policing priorities need to be better integrated with regional safety programmes.

8. **What difficulties does your council face in getting projects off the ground?**

- Southland Region has not recommended any major local road projects during the last three years. This is due to the territorial local authorities' difficulties in raising the local share, as well as the processes required by NZTA to have funding approved.

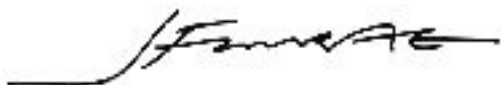
Meeting the local share for basic maintenance and renewal programmes is also an issue for the Southland territorial local authorities, where funding is very constrained.

- State Highway projects with a high priority in Otago Southland may not proceed because they rank too low in the national prioritisation of all State Highway projects. These projects often do not proceed even when available regional 'R' funds are recommended for this use.
- NZTA appears to have insufficient funding to replace bridges on key routes in a timely manner (for example Kawarau Falls Bridge on SH6, and Beaumont Bridge over the Clutha River on SH87).

9. Recommendation

It is recommended that the Committee:

- a. Receive this report;
- b. Consider the staff response; and
- c. Recommend points of submission for response to the Ministry.



Fraser McRae

Director Policy Planning and Resource Management

ATTACHMENT

Invitation from the Ministry of Transport to input into the development of the GPS

From: Gareth Chaplin [g.chaplin@transport.govt.nz]
Sent: Friday, 6 December 2013 2:31 p.m.
To: Info
Subject: Government Policy Statement

Dear Peter Bodeker

Earlier this year, the Ministry of Transport set up a project team to lead the development of the next Government Policy Statement on Land Transport (the GPS). As you will be aware, this document is issued by the Minister of Transport every three years, and sets out the Government's priorities for expenditure across the land transport system for at least the next 10 years.

The GPS project team is being managed by Shelley Tucker, who can be contacted at s.tucker@transport.govt.nz or on (04) 439 9394.

Impact of the GPS

The GPS is government's main lever to direct Crown transport funding of around \$3 billion per annum, allocating ranges within which the National Land Transport Programme funds types of activities such as:

- local road maintenance
- State highway construction
- road policing
- public transport
- walking and cycling.

The GPS does not allocate funding directly to specific projects. Decisions at the project level are made through the National Land Transport Programme.

The National Land Transport Programme must give effect to the GPS, while Regional Land Transport Plans are required to be consistent with the GPS. This hierarchy – set through the Land Transport Management Act 2003 – means the GPS has an important role for local, as well as central, government.

Engagement with local government

We recognise transport is a large portion of council budgets, and respect that the GPS can have significant impacts on local decision making. We therefore expect a high level of interest in the new GPS from local government.

It is anticipated that six weeks of formal engagement on the Draft GPS will begin in March 2014, although we recognise this will be a particularly busy time for local government.

We have five initial questions, which would help guide our thinking prior to the formal engagement phase. These are:

- Considering how national and regional transport priorities are shaped by the GPS, what is the most important thing the Ministry should consider in developing the next GPS?
- Thinking about New Zealand's transport network, what should key national objectives set down in the GPS be? How do these reflect priorities for your region?
- What aspects of the current GPS do you believe are working well, and why?
- What aspects of the current GPS do you believe are not working, and why?
- What difficulties does your council face in getting projects off the ground?

To maximise the input we can get from local government prior to the formal engagement process, our team are also attending a number of Local Government New Zealand (LGNZ) meetings, and we are working with LGNZ on other ways we can get feedback from their members.

In addition, we have scheduled some regional visits and are also open to discussions by teleconference, etc.

Regional Funds (R-Funds) and the Funding Assistance Rate (FAR)

We are aware that two transport issues of major interest to local government are the scheduled expiration of R-Funds on 31 March 2015, and the current FAR review.

Transport Minister Gerry Brownlee has asked the Ministry to investigate options that will ensure continued funding for regions beyond the end of the current R-funds policy, and the Ministry will be working with the Minister on how this should be reflected in the GPS. Work on FAR is mainly being undertaken by NZTA, although the Ministry is a partner.

We recognise the GPS is a critical tool for your council's planning, guiding local as well as central government investment in land transport infrastructure. I hope you can respond to the questions in this letter by the end of January 2014, which would provide valuable information as we progress this work over the coming months.

Yours sincerely

Gareth Chaplin
General Manager, Sector Performance
Ministry of Transport – Te Manatū Waka

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**NZTA presentation NZTA early investment signals document,
November 2013**

REPORT

Document Id: A599887

Report No: 2014/0646

Prepared For: Regional Transport Committee

Prepared By: Jane Turnbull, Manager Transport Policy and Planning

Date: 7 February 2014

Subject: NZ Transport Agency review of financial (funding) assistance rates

1. Précis

NZ Transport Agency (NZTA) is reviewing its approach to setting funding assistance rates (FARs). This review is likely to have significant financial implications for several Otago local authorities.

Over the last twelve-plus months the NZTA has looked at, and consulted upon, the principles by which it could set and apply these rates. In December the NZTA released an 'options discussion document', asking for further submissions (due 3 March) before it makes final decisions on:

- the final funding assistance rates framework
- specific methods that NZTA will apply in setting funding assistance
- any transition processes to phase in change in rates
- funding assistance rates for 2015-18 National Land Transport Programme.

Copies of the Agency's background paper, initial discussion document and the options discussion document are available at <http://www.nzta.govt.nz/planning/investment/far-review/index.html>. We recommend those Committee members wanting background on this matter read these documents. NZTA staff will explain the review at the RTC induction workshop preceding the committee's meeting on 13 February.

This report recommends points of submission, for the committee's consideration. The Otago Southland technical advisory group (an informal group comprising local authority roading/transport staff) will be discussing the FAR review at its meeting on 11 February and we will give the committee an oral report on any suggestions from that group.

2. Explanation of FAR rates and scope of the review

A land transport activity, such as a local road maintenance programme or a public transport service, is approved for funding from the National Land Transport Fund (NLTF). The proportion of the approved costs of that activity from the NLTF is determined by the pertinent FAR. NZTA refers to this variously as a 'financial assistance rate', 'funding assistance rate' or 'co-investment rate'.

At present, NZTA applies different rates to different types of activities. For example, roading improvement projects get a higher FAR than roading maintenance; public transport infrastructure gets a higher FAR than public transport services. FAR rates also

vary amongst local authorities, at present. The rate applied to each local authority's maintenance and renewals is called the 'base rate' for that authority. (State highways receive 100% funding for all work.)

NZTA has set the scope of its review deliberately broad to allow it to undertake a comprehensive review of the current FAR system, including:

- All funding assistance rates for all local authorities, Auckland Transport, the Department of Conservation and the Waitangi National Trust Board and for all activities (including public transport and Total Mobility Services).
- Determining the role(s) of funding assistance rates in achieving the purpose of the Land Transport Management Act and giving effect to the Government Policy Statement on Land Transport.
- Looking at whether the NZTA should use funding assistance rates to incentivise particular land transport activities or approaches.

Matters outside the scope of the review are:

- how much of the NLTF revenue can be spent on different types of land transport activities (this is set by the Government Policy Statement on Land Transport)
- 100% funding of state highways
- farebox recovery rates for public transport
- the status, ownership or control of any road.

3. NZTA's proposal, including options

The options discussion document sets out a provisional framework, a summary of which is included in Attachment 1 to this report, and described below. Under the provisional framework:

- There would be a set overall National Land Transport Fund co-investment rate that determines what proportion of the overall cost of delivering land transport activities across New Zealand (i.e. the proportion of the total cost of those activities eligible for NZTA subsidy) are met from the National Land Transport Fund.
- Some approved organisations would receive a funding assistance rate that is above this overall co-investment rate to take into account factors that materially affect their ability to deliver land transport outcomes. Consequently, other approved organisations would receive a funding assistance rate that was below the overall co-investment rate.
- Targeted enhanced funding assistance rates could be used in exceptional circumstances and for limited time periods.

Other significant differences from the current funding assistance rates system include:

- An approved organisation would have the same funding assistance rate for all of those different land transport activities it undertakes that are eligible for funding from the National Land Transport Fund (other than where targeted enhanced funding assistance rates were used and, possibly, for emergency works).

- NZTA would ensure that National Land Transport Fund revenue would only be used towards delivering land transport activities to fit for purpose standards.

In practice, the overall National Land Transport Fund co-investment rate will work in a similar way to the current 'national average base funding assistance rate', except that it will apply to all land transport activities that are eligible for funding (not just local road maintenance, operations and renewals).

NZTA is proposing that factors it uses to determine whether an individual organisation would need to receive a funding assistance rate that was above the overall co-investment rate would be outside the control of either that organisation or their local community. These factors would also need to materially affect the organisation's ability to deliver land transport outcomes.

Under the provisional framework those territorial authorities which have 'special purpose roads' in their districts (in Otago: Clutha and Queenstown Lakes districts) will receive the same funding assistance rate for those roads as they would for all the other local roads in their network (i.e. a much lower rate than work on these special purpose roads currently receives).

The discussion document also sets options for:

- setting and applying funding assistance rates for emergency works; and
- transitioning any changes to individual approved organisation's funding assistance rates.

Overall co-investment rate

In setting a NLTF co-investment rate – the proportion of overall cost of delivering eligible land transport activities that would be met from the Fund – NZTA has suggested the appropriate range would be somewhere between 50 and 53 percent. The 53 percent rate is reflective of the current average of national transport investment. This average has, however, been decreasing, and NZTA has suggested a rate of 50 percent would balance investment between local government and central government while retaining the possibility of using any 'leftover' to set targeted, enhanced rates for certain activities.

To reduce the degree of variability amongst local authority FAR rates, NZTA proposes to place each local authority in one of five bands. The table on pages 9-12 of the options discussion document shows an indicative FAR rate for each local authority for each of the five options and for either a 50 or 53 percent NLTF co-investment rate.

The options

The five options for setting FAR rates for individual councils on which NZTA is consulting are:

Option 1: Compares the relative wealth of the residents of each council's area using the New Zealand index of deprivation.

Option 2: Uses a proxy for the relative wealth of a councils' ratepayers including corporate and non-resident ratepayers (the capital value of rateable land in an area) and a proxy for the number of ratepayers a council can obtain the local share of land transport costs from, using the ratio of net equalised rateable capital value divided by the number of rating assessments.

Option 3: Combines both the measures in options 1 and 2.

Option 4: Uses a proxy for the size of the land transport activities undertaken (land kilometres of local road) and a proxy for the relative wealth of councils' ratepayers, using the ratio of land kilometres of local road divided by net equalised rateable capital value.

Option 5: Combines both the measures in options 1 and 4.

Other matters

Transitional provisions and the use of targeted enhanced rates when required are also outlined in the discussion document. Transition provisions are proposed which would see the new FAR rate either transitioning in over a fixed period or decreasing at no more than 2% per year.

The overall FAR funding framework links to the One Network Road Classification work for agreed levels of service.

4. The approach the committee might take in its submission

Individual local authorities in Otago will be making submissions to NZTA concerning their own situations, the likely effect upon their roading networks of proposed changes in FAR rates and the proposed options. Accordingly, we suggest the committee concentrate on matters of principle, particularly these questions:

1. What approach will send the right message for co-investment in transport (central government; local authorities)?
2. What approach would give a relatively equitable solution for Otago compared to the rest of New Zealand?

Concentrating only on transitional effects – i.e. how FAR rates for individual local authorities will change in the 2015-18 NLTP – risks losing sight of higher principles.

Nevertheless, it seems almost certain that several local authorities in Otago face a decrease in FAR rate, and thus a drop in overall annual NZTA subsidy. This drop will necessitate them to reconsider how to obtain further efficiencies and cost savings, including the level of service their roading network should provide to the public.

No single option (of the five in the discussion document) would suit all Otago local authorities, if the prime objective is to minimise any decrease in funding assistance rate.

For the committee's information, Attachment 2 contains a copy of ORC's submission at the earlier stage of the FAR review, prepared in consultation with all Otago territorial local authorities.

5. Suggested points of submission

Support:

- i. NZTA setting one rate for each organisation eligible for NZTA funding.
- ii. NZTA setting an overall NLTF co-investment rate that determines the proportion of overall costs met from the NLTF.
- iii. NZTA setting this base as high as possible (e.g. 53%), in order to send the message that the government is serious about funding transport for its citizens.
- iv. NZTA, when setting FARs for individual authorities, applying a method that takes into consideration the relative wealth of residents/ ratepayers, the number of people who would be funding the local share and the size of the network needed to support ongoing production of export and tourism receipts (none of the proposed five options takes all three matters into consideration).

Do not support:

- i. NZTA setting a lower co-investment rate simply to save money to use in ad hoc targeted, enhanced rates for certain activities. This risks introducing distortions and undesirable flow-on effects and would be retaining undesirable elements of the current FAR system.

Request:

- i. NZTA analyses the effect of the change on levels of local authority rates and debt, and designs a transition that takes this into account by gradually decreasing the funding assistance rates it wishes to reduce; local government works on long term planning cycles and any dramatic change in funding assistance rate would impact on the ability of local authorities to efficiently manage their transport assets.
- ii. NZTA reviews its funding model and advocates to the Government to provide extra funding for land transport activities from general taxation (additional to that from the NLTF), in order to build such resilience in the face of predicted volatility in oil prices and supply [see previous submission, attachment 2]. Funding assistance rates should cover both NLTF revenue and any revenue for transport obtained from general taxes.

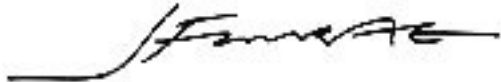
Seek clarity on

- i. how NZTA intends to use NLTF revenue to achieve fit for purpose standards.

6. Recommendation

It is recommended that the Committee:

- a. Endorses the points of submission set out in the report above; and
- b. Supports ORC use of the points in Section 5 to form a submission to the NZ Transport Agency.



Fraser McRae

Director Policy, Planning and Resource Management

Attachments

1. Funding assistance rates review provisional framework (NZTA)
2. ORC submission on first FAR discussion document

FUNDING ASSISTANCE RATES REVIEW PROVISIONAL FRAMEWORK

AT A GLANCE AUGUST 2013

Role of Funding Assistance Rates:

Funding assistance rates are one tool within the land transport investment system which:

- Assists local government (and other approved organisations) and the NZ Transport Agency to work together to achieve:
 - The optimal national land transport outcomes within their combined financial resources, and
 - An integrated and appropriately consistent land transport network throughout the country, and
- Enables the costs of the New Zealand land transport network to be shared appropriately between direct land transport system users and local communities.
- Funding assistance is not a subsidy, but part of a co-investment system that recognises there are both national and local benefits from investing in the land transport network.

The Provisional framework

Seven principles would underpin the framework

The Funding Assistance Rates systems should:

- 1 Support optimal national land transport outcomes being achieved in the right way, at the right time and for the right price. Optimal national land transport outcomes contribute to the provision of an effective, efficient, safe, responsible and resilient transport system. (A responsible transport system addresses the potential harms of that system, including environmental and health impacts.)
- 2 Facilitate land transport network users experiencing an integrated and appropriately consistent network throughout the country.
- 3 Appropriately split the costs of the New Zealand land transport network between direct land transport system users and local communities recognising that each of those groups affects, and benefits from, that network.
- 4 Provide approved organisations and the NZ Transport Agency with as much investment certainty as practicable.
- 5 Be efficient to apply.
- 6 Be based on evidence and data that is readily accessible and reliable.
- 7 Ensure that if there are variations to how funding assistance rates are set or applied to address outliers or exceptions this is done transparently.

Find out more

From your local Planning and Investment contact or at www.nzta.govt.nz/FAR

One Rate for each AO

An approved organisation would have the same funding assistance rate for all of the different land transport activities it undertakes that are eligible for funding from the National Land Transport Fund (other than where targeted enhanced funding assistance rates were used and, possibly, for emergency works).

Overall NLTF co-investment rate

There would be a set overall National Land Transport Fund co-investment rate that determines what proportion of the overall costs of delivering eligible land transport activities would be met from Fund.

Factors materially affecting delivery

Some approved organisations would receive a funding assistance rate that was above this overall co-investment rate to take into account factors which materially affect their ability to deliver land transport outcomes. Consequently other approved organisations would receive a funding assistance rate that was below the overall co-investment rate.

Only costs of fit for purpose standards

NLTF revenue would be used for the eligible costs of undertaking or maintaining a land transport activity to achieve fit for purpose standards.

Targeted rates enhanced

Targeted enhanced funding assistance rates could be used in exceptional circumstances and for time-limited periods.

Our Reference: A526026

3 May 2013

Clare Sinnott
Project leader (FAR review)
NZ Transport Agency

Sent by email to clare.sinnott@nzta.govt.nz
and mailed to Private Bag 6995
Wellington 6141

Name of submitter: Otago Regional Council
Contact: Fraser McRae
Director Policy and Resource Planning
email fraser.mcrae@orc.govt.nz
Phone 03 474 0827
Postal address: Private Bag 1954, Dunedin 9054

Dear Clare

Submission on NZ Transport Agency's Funding Assistance Rates (FAR) document

This is an Otago submission on NZ Transport Agency (NZTA)'s review of funding assistance rates for transport activities. Otago Regional Council has prepared the submission in conjunction with the Otago Regional Transport Committee and Otago territorial authorities¹.

This submission first addresses matters of principle, then comments on the approaches suggested in the discussion document and finally on funding assistance rates for individual activity classes.

1. What NZTA should (and should not) be trying to achieve from setting funding assistance rates

The principles in the discussion document are not sufficiently focused. Otago urges NZTA not to try and achieve too much through this single mechanism.

¹ Otago territorial local authorities are Central Otago District Council, Clutha District Council, Dunedin City Council, Queenstown Lakes District Council and Waitaki District Council. Clutha District Council has not, however, endorsed this submission due to a different perspective on some matters.



Setting of financial assistance rates is only one of several methods that NZTA uses when determining how to invest National Land Transport Fund (NLTF) revenue in transport infrastructure and services. This suite of methods needs streamlining, in parallel with the review of FARs, to improve clarity of logic and efficiency of priority setting.

Besides setting FARs, the main methods NZTA uses to allocate NLTF revenue are:

- negotiations over the size of each 'approved organisations' programme²;
- decisions taken during compilation of the National Land Transport Programme (NLTP), on each activity prioritised in a regional land transport programme (plan); and
- funding approval decisions on individual projects.

Otago acknowledges the difficulty for NZTA of separating its decision-making on what to invest in from its decision-making on how much it wants to contribute.

The approach used to set funding assistance rates should complement but not overlap other NZTA investment decision making procedures to such an extent that it gives undue weight to any input used in both investment and funding decision-making.

That means the method for setting funding assistance rates should not put excessive weight on the size of an authority's transport programme — noting that the latter is currently used in FAR-setting as a proxy for the need for Government investment.

Because of this, Otago supports a review of how funding assistance rates are set but acknowledges this does not necessarily mean a whole new approach. Some elements of the current approach remain useful (discussed in section 3).

To ensure the approach used to set funding assistance rates complements other NZTA investment decision making procedures, NZTA should define exactly what it is trying to achieve by setting funding assistance rates.

In Otago's view, the three objectives that NZTA should be trying to achieve from the setting of funding assistance rates are:

1. FARs that provide local government with a contribution to transport asset planning and management, paid by road users;
2. FARs that allow and prompt approved organisations to select the best suite of transport activities to deliver the outcomes that the Government wants to achieve through its investment in transport, as set out in the Government Policy Statement on Land Transport Funding (GPS); and

² Otago urges NZTA to define better the decision-making procedures and considerations used when setting the size of an approved maintenance and renewals roading programme. Knowledge Base refers only to 'negotiation over programme scope, sequencing and cost, which is an inadequate description – the process is not sufficiently transparent or robust.

3. FARs that help fund the transport infrastructure and services needed to support economic growth, by reflecting the contribution that geographical parts of the transport network make – and have the potential to make – to the national economy (see section 4 below).

Additionally, NZTA should be aiming for funding assistance rates that meet the following quality standards:

4. provide stability and certainty in funding for approved organisations;
5. are cost-effective and efficient to administer; and
6. are transparent.

In regard to point 4 above, Otago favours bulk funding, providing the cost of administering and reporting to NZTA on how the Government's funding has been spent does not increase substantially. Local authorities consider current reporting and monitoring requirements are adequate.

Otago urges NZTA to address the issue of affordability not just through funding assistance rates (as at present) but through approval of the size of an approved organisation's maintenance and renewals programme and through assistance and encouragement for local authorities in:

- finding better ways to deliver transport infrastructure and services, including new and shared technologies;
- managing travel demand to reduce the amount of public investment needed in transport (where appropriate); and
- finding suitable responses to emerging issues.

2. Maintaining restraint on increases in local authorities rate and debt levels

Any change in funding assistance rates will produce transitional effects. Any such change should not imperil the Government's push for restraint on local authority rates and debt level rises. All Otago councils wish to maintain affordable levels of service, with such restraint.

A small change in funding assistance rates would have a significant effect on rates for all Otago local authorities. This is particularly acute for the local authorities with a large roading network and a small rating base.

Council	The % change in total rates that would arise from a 1% decrease in FAR
Clutha District	0.6
Waitaki District	0.5
Central Otago district	0.5
Queenstown Lakes district	0.5 ³
Dunedin City	0.25

³ Excludes consideration of special purpose roads

For Otago Regional Council, a 1% decrease in funding assistance rate equates to a 2.35% increase in the targeted transport rate.

Note, not all councils would choose to increase their rates. Clutha District Council, for instance, has indicated it would rather cut the size of its transport programme instead.

Should the Agency change funding assistance rates, Otago urges it to design a transition that identifies the effect of the change on levels of local authority rates and debt.

Any change must occur gradually because local government works on long term planning cycles. Any dramatic change in funding assistance rate would impact on the ability of local authorities to efficiently manage their transport assets.

3. Elements of the current approach that should be retained or changed

The elements of the current approach that Otago favours retaining are:

- consideration of ability to pay – acknowledging that the rateable land values proxy used for this needs refining; and
- special funding assistance rates for special purpose roads.

Those elements of the current approach that should be changed or discontinued are:

- the construction funding assistance rate being set at 10% above the base rate: this should be discontinued as it can encourage over-spending rather than efficiencies, and new build over maintenance and renewals;
- the minimum funding assistance rate should be reviewed: the current 43% minimum is arbitrary and a change would better reflect the broad spread of network costs experienced by various road controlling authorities;
- the different rates across GPS activities classes should be reviewed, to ensure these reflect the outcomes sought by Government, set out in the GPS;
- if property values are used to determine ability to pay, then capital value should be used instead of land value.

4. Funding should recognise contribution to the national economy

Much of the roading network makes an important contribution to the economy, carrying primary produce along with the goods and people needed to support that production. Some roads, including the three special purpose ones in Otago and the state highways, carry large numbers of freight, visitors and tourists. It is important that the transport network meets the needs of increasing numbers of tourists and that it contributes positively to their experiences of the region.

The cost of maintaining a sparsely populated network that supports primary production is more expensive per capita than a network where roading demand is focused on moving people (whether commuters or tourists).

Otago local authorities are concerned to ensure their overall funding does not decrease at the expense of that for cities contributing less than Otago to exports.

The current method of allocating separate funding assistance rates to each road controlling authority fails to take into account through traffic (e.g. dairy tankers, forestry trucks, tourist traffic) and the nature of regional economies. Additionally, the generation of GDP in areas adjacent to Dunedin city creates demand for transport infrastructure in Dunedin itself.

This suggests some elements of the methodologies used by NZTA to allocate funding to individual approved organisations should be set on a wider geographical basis, taking into account export receipts, GDP and vehicle kilometres travelled (VKT). Such an approach would mesh with any move to a national classification system for all roads, should that system eventuate. The geographical basis could be regional, or even South Island-wide. Such an approach need not necessarily be part of the calculation of funding assistance rates but could be incorporated into the wider NLTP decision-making instead.

A funding allocation at such a geographical scale could then be moderated with factors that take into account:

- other outcomes the GPS states the Government desires, in addition to economic growth; and
- effect on level of local authority rates and debt.

5. Funding resilient transport networks

The current dependence on road user charges, fuel excise and motor vehicle registrations to provide the government's contribution to land transport discourages NZTA investment on activities that reduce vehicle usage and congestion and improve network and energy efficiency (outcomes sought in the GPS). This is an issue mainly for urban areas, Dunedin included. The result is inadequate preparation for resilience in the face of future shocks such as shortages of oil-based fuel and fluctuations in fuel prices.

This situation is exacerbated by NZTA's planning and investment principle that the primary beneficiaries of investment from the NLTF should be [local] road users, since these are the primary contributors to the fund. This principle is causing under-investment in walking and cycling facilities and in public transport.

Otago urges NZTA review its funding model and to advocate to the Government to provide extra funding for land transport activities from general taxation (additional to that from the NLTF), in order to build such resilience. Funding assistance rates should cover both NLTF revenue and any revenue for transport obtained from general taxes.

6. Commentary on approaches suggested in the discussion document

Otago acknowledges that no single approach to setting funding assistance rates has sufficient advantages (and sufficiently few disadvantages) to merit its exclusive use; a combination approach appears sensible.

Otago local authorities support the use of the following approaches in appropriate circumstances:

- a **differences approach** for roading activity classes;
- a **flat approach**: for those activity classes where a differences approach is not merited because costs are similar nationwide.

Otago local authorities do not favour use of the following approaches:

- a **population approach**: would result in underfunding of networks in areas such as Otago; would be better used in determining the size of an approved transport programme;
- a **relative benefit approach**: too complicated; ignores the need to make transport networks resilient and energy efficient as discussed above;
- a **revenue approach**: ignores the issues of through traffic and of road freight generated from outside an urban area; a contributions approach is a better choice if applied at the appropriate scale.

Although Otago local authorities see some merit in both the following approaches, we also have some concerns:

- a **classification approach**: may be manipulated to political ends; may place too great a burden on areas with low rating bases; likely to have high administrative costs – would be better used in determining the size of an approved transport programme;
- an **incentives approach**: would need to be carefully designed to be effective; there are probably alternative methods that would achieve the same aim more simply or effectively.

Both a **classification** and an **incentives approach** would be better used in determining the size of an approved transport programme.

Otago local authorities support use of a **contributions approach** in NZTA funding allocation decisions but only if applied at the appropriate scale (see section 4 above) and not necessarily as part of setting rates of funding assistance.

7. Commentary on funding assistance rates for individual activity classes

Public transport services: Council would like to see the current 50% rate (i.e. a flat approach) adjusted to include a financial incentive for councils to reach 50% farebox recovery, to achieve a more equitable approach.

Otago is achieving 50% farebox recovery (NZTA's national target) but few other councils are. This means Otago is receiving smaller share of the Government

funding – a lower amount of subsidy – than it would if all farebox recovery rates were equal. This is perverse and inequitable.

Public transport infrastructure (including ticketing): use a differences approach to give higher funding assistance rates for smaller networks not able to achieve the economies of scale of large cities, in the continued absence of a national ticketing system or national procurement of infrastructure.

Total Mobility administration: continue with a flat approach.

Regional transport planning: revise the current approach (weighted average of the construction funding assistance rates for the region) to combine a differences approach with a contributions approach to reflect the importance of the region's transport system to the national economy. This would result in funding levels more suited to the size of the resource needed to plan appropriately for a region.

8. Dates for the second stage of consultation

The discussion document states that NZTA will, next February or March, make a decision on what specific methods to apply in setting FARs. Otago asks NZTA to extend the next phase of consultation until the end of February 2014, to allow regional transport committees to have input.

This time extension is needed because regional transport committees must be set up afresh after local body elections later this year. These new committees are unlikely to be constituted before February. Territorial local authorities first need to meet and recommend their representatives to the regional council, and then the latter council needs to confirm the transport committee membership.

Yours sincerely



Fraser McRae
Director, Policy and Resource Planning

REPORT

Document Id: A599888

Report No: 2014/0647

Prepared For: Regional Transport Committee (RTC)

Prepared By: Jane Turnbull, Manager Transport Policy and Planning

Date: 7 February 2014

Subject: Proposed collaboration with Southland on regional land transport planning

1. Précis

Last year Otago and Southland Regional Council chairpersons and chief executives discussed possible collaborative projects for the two councils; transport planning was suggested as one area in which a pan-regional approach might be beneficial. This report proposes the concept of preparing a joint Otago-Southland Regional Land Transport Plan (RLTP), and outlines a process by which the committee and its Southland counterpart can investigate and reach a view on this proposal.

2. Background

The Land Transport Management Act requires each regional council to ensure that its regional transport committee prepares, on the regional council's behalf, a regional land transport plan every six years. This plan differs from that prepared by previous regional transport committees in that it combines a programme of proposed works with a strategic component: a statement of the region's land transport objectives, policies, priorities and measures for the coming 10-plus years. Essentially, instead of preparing separate regional land transport programme and strategy documents, regional transport committees now prepare a single plan combining key elements of these.

Although the plan is prepared every six years, the Act requires the Committee to complete a review of the regional land transport plan during the 6-month period immediately before the expiry of the third year of the plan. In carrying out this review, the regional transport committee must have regard to the views of representative groups of land transport users and providers.

The Act charges the regional transport committee with preparing and consulting on the plan and lodging it with the regional council for approval. The regional council has the option of asking to committee to reconsider aspects of the plan, but is required to ensure the plan is completed by the due date (NZ Transport Agency sets that date). The committee and regional council is expected to complete the first regional land transport plan 2015-2021 by/on 30 June 2015.

3. Investigations undertaken already

Given the collaboration already taking place among local authority roading staff, on asset management in particular, the concept of preparing joint Otago Southland regional land transport plan seems intrinsically sensible. Members of the (informal) technical advisory group, comprising transport/roading staff of both regional councils and the

eight Otago Southland territorial local authorities, have discussed the merits and risks of a collaborative approach, and ways of managing any potential issues with the mechanics of collaboration. As a result of these discussions, Environment Southland (ES) and ORC transport staff are cooperating on matters of shared interest (e.g. submissions to government; regional road safety planning).

ORC's Chief Executive has discussed the concept with the chief executives of Otago territorial local authorities, and jointly with the chief executive of Environment Southland has written to all eight Otago Southland territorial local authorities to explain the proposal.

3. Benefits and risks of preparing a joint RLTP

In summary, taking the existing collaboration a step further and collaborating on preparing a pan-regional RLTP would create the opportunity to:

- draft coherent, consistent transport policy / strategy, and investment priorities;
- give greater assurance to NZTA of the need to co-invest in those priorities;
- have more influence and political clout than two separate smaller regions do;
- address interregional economic drivers, issues and journeys;
- support collaboration in asset management planning occurring pan-regionally;
- gain from each other's strengths, share ideas and draw on a larger skill set;
- provide big companies such as Kiwi Rail and Fonterra with a more efficient way to input into transport strategy formulation.

The attachment contains the paper discussed by the Otago Southland technical advisory group (TAG) (including amendments suggested by TAG members).

4. Proposed steps to reach a decision on whether to prepare a joint RLTP

Suggested steps, with decision points, are:

1. The RTCs discuss the proposal at their first meetings in February (i.e. this meeting) to identify/confirm benefits and risks, and any risk management needed:
2. ORC and ES staff work out the logistical steps in preparing a joint RLTP.
3. In April, the RTCs meet on same day, at same venue (first a joint workshop, then separate meetings, then coming together in discussion) to make a recommendation to each regional council (likely to be 3rd April, in Gore).
4. ORC and ES consider the RTCs' recommendations at the first council date after RTC meetings (7 May for ORC).

The TAG suggested the chairs of the Otago and Southland RTCs should discuss with each road controlling authority in Otago Southland, the benefits, opportunities and risks, and how a preparation of a combined plan would work. As a road controlling authority and member of each RTC, the views of the NZ Transport Agency also need to be considered. These discussions can take place before step 3 above.

The issues that need to be worked through are of two types:

Concerning the regional transport committee:

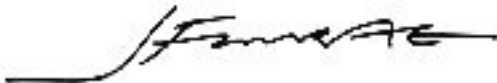
- whether to keep the two RTCs in the longer term or amalgamate
 - note, with two RTCs, each would separately recommend the joint RLTP to its Regional Council
- logistics: venue for RTC meetings; time/cost/travel, including possibility of more meetings than for previous regional land transport planning cycles.

Management measures for any risks, disbenefits or unknowns, e.g.:

- the volume of changes happening in the transport sector at present and complexity of these;
- rural versus urban focus;
- concern over possible loss of control of maintenance budgets or management of operations;
- NZTA's view and the mechanisms for NZTA input to a joint RTC.

5. Recommendation

That the Committee discuss the proposal to prepare a joint Otago Southland regional land transport plan, the benefits, opportunities and risks, and agree to the steps outlined in section 4 above.



Fraser McRae
Director Policy, Planning and Resource Management

ATTACHMENT

Otago-Southland collaboration on preparing a pan-regional Land Transport Plan: benefits, opportunities, and risk management

Paper prepared for Technical Advisory Group meeting held on 16 December 2013 (as amended by TAG)

The following sets out some of the benefits and opportunities, as well as risk management considerations, relating to a collaborative Otago-Southland Regional Land Transport Plan. It is a non-exhaustive list of considerations and questions, pulled from recent discussions and emails amongst councils' executives and staff. It is aimed at assisting further discussions on this matter.

Governance

Benefits and opportunities

- The opportunity to create coherent, consistent transport policy and strategy, and identify the priorities for investment at a pan-regional scale.
- A pan-regional approach will address interregional economic drivers and issues which get insufficient attention under the current single region approach.
- A combined programme could focus on the journey e.g. through Catlins; Queenstown-Milford.
- Coherent, consistent transport policy and strategy at this pan-regional scale will help collaboration in asset management planning occurring at this scale.
- A combined pan-regional strategic overview and statement of priorities will give NZTA greater assurance of the need to co-invest in those priorities.
- One very large transport programme will have more influence and political clout than two smaller ones.
- Collaboration will provide the opportunity for skilful planning, sharing ideas and drawing on a larger skill set.
- The two regions will gain from each other's strengths; and have the opportunity make best use of technology.
- A joint strategic planning and consultation process will provide big companies such as Kiwi Rail and Fonterra with a more efficient way to input into strategy formulation. This efficiency should result in better input from them.
- "Horse-trading" (if you agree to my project, I'll agree to yours) should be avoided because of the even-greater focus on coherent, consistent policy.
- Economies of scale in production and processes including research, policy analyses and plan production.

Risk management (of potential disbenefits and risks)

- Many contentious issues and unknowns are currently being faced, such as the FAR Review and the One Network Classification Review. An Otago-Southland collaboration would add more complexity to this already complex planning environment – might even add to the volatility and risk.
- One combined program could leave us vulnerable to cutbacks.
- Competition between port companies may undermine sensible Otago-Southland pan-regional strategy (do airport companies compete?)
- Any patch protection by local politicians could undermine the planning process.
- Loss of local identity.
- Fear around possible loss of control regarding the management of operations, maintenance and renewals budgets.
- Would rural councils ‘overwhelm’ cities, with loss of urban focus, or would there be a better balance with both Dunedin and Invercargill within one RLTP?
- Voting power on RTC would continue to be non-reflective of population size.

Mechanics

A combined approach would entail:

- Setting up the Committee structure:
 - the establishment of a joint regional transport committee, or
 - establishment of two regional transport committees, with an agreement for the committees and regional council staff to work together
 If two RTCs, a combined TAG would report to each.
- Preparing a single regional land transport plan:
 - likely to be a single strategic case (the front end of the plan)
 - could be two separate programmes, placed one after the other
 - could incorporate one or both public transport plans
 - consultation could be a combined effort, or undertaken separately
 - a combined effort by staff of the two regional council
 - a single Otago-Southland TAG group
- The regional transport committee(s) lodging the plan with the two regional councils.
- Approval of the plan by the two regional councils
 - Ongoing monitoring of whether desired outcomes are being achieved and reporting on this (no longer an explicit statutory requirement, but still an integral part of the planning cycle): could be undertaken separately or through combined effort.