

Our Ref: TRA1

27 March 2014

Clare Sinnott
Project Leader (FAR Review)
NZ Transport Agency
Private Bag 6995
WELLINGTON 6141

Dear Clare

SUBMISSIONS ON FAR REVIEW

Please find attached submissions on FAR Review from the Hawke's Bay Regional Council and the Hawke's Bay Regional Land Transport Committee. I would like to thank NZTA for the opportunity to comment and for making themselves available in February to present to relevant Hawke's Bay stakeholders

Yours sincerely



FENTON WILSON

CHAIRMAN

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Attchs: 2 submissions

NZTA FUNDING ASSISTANCE RATE (FAR) REVIEW
Submission on NZTA Funding Assistance Rate (FAR) Review: Options Discussion Document

From: Hawke's Bay Regional Council

Hawke's Bay Regional Council (HBRC) thanks NZTA for the opportunity to comment on the Funding Assistance Rates Review "Options Discussion Document" as released by NZTA. We note that the Hawke's Bay Regional Transport Committee has made a submission on our behalf from an overall regional context. Some of the content is similar.

Introduction

The Hawke's Bay Regional Council provides key transport outcomes including regional transport planning, road safety, public transport and total mobility. We note that public transport is one of the five core services that local authorities are required to have particular regard to under the Local Government Act 2002 (s11A).

It is therefore important that funding for these services is not reduced to the extent that councils cannot meet community outcomes and the government is unable to deliver on its national land transport outcomes.

HBRC recognises that there are a number of documents that set the strategic direction for land transport outcomes and while this review focuses on how the costs of local transport programmes should be shared between central government and local government, we are not sure that it can or should be done in isolation of the other factors that would contribute to a more integrated consideration of both sustainable transport and sustainable funding outcomes for New Zealand as a whole.

The Ministry of Transport for example is a key party as it develops the Government Policy Statement on Land Transport setting the transport priorities and the funding allocation for each land transport activity class. The provisional framework is to have a flat rate across all activity classes and it is unclear how a flat rate will assist the delivery of the government's priorities.

General Comments

We support the seven principles proposed in the provisional framework in a FAR system, specifically:

- a) Support optimal national land transport outcomes being achieved at the right time, in the right way and at the right place
- b) Facilitate transport users experiencing and integrated and appropriately consistent network throughout the country
- c) Appropriately split the costs between users and local communities
- d) Provide as much investment certainty as possible
- e) Be efficient to apply
- f) Be based on evidence and data that is readily accessible and reliable
- g) Ensure transparency in how different FARs are set and applied.

Recognising Councils' ability to pay

We agree that the Provisional Framework should recognise and provide flexibility for increasing the FAR for Councils that will find it difficult to fund their share due to the ability of their ratepayers to pay more rates. We also agree that provision should be made for targeted enhanced rates for those short term one-off situations where Councils may need additional funding for exceptional circumstances.

Road Safety

Road Safety education and awareness programmes are undertaken by the regional council with contributions from each of the district and city councils, with considerable funding from the NLTF. These programmes cover both local and state highway networks. NZTA is taking an "all of system" and 'joined-up' approach with its transport industry partners to reducing New Zealand's accident statistics.

We believe that Road Safety should at least maintain its current higher FAR, if not be 100% funded, given that it covers state highways.

Public Transport Services

Hawke's Bay public transport services continue to buck the national trend with increasing patronage. The provision of effective services within current budgets sets the public expectations and any reduction of those services to stay within budget would be contrary to both land transport outcomes and Local Government Act.

The metric used to determine regional council FARs should take into account that the bulk of regional councils transport budget is in the public transport activity class and that lane kilometres and other network based metrics are not appropriate.

Total Mobility

Similarly, increases to funding over recent years, and the provision of services has set expectations for the members of the public who used these services. These services should continue to receive the higher FAR rates.

In particular, wheel chair hoist contributions should continue to be 100% NZTA funded, given the commitment NZTA made to fund this activity with regional councils administering it on its behalf.

Implementation of Changes

NZTA are currently proposing that the changes to the FAR are implemented and come into effect for the 2015 – 2018 National Land Transport Programme. If material changes are finally decided on, it is requested that the timing of the implementation be staggered over 10 years to reflect councils long term planning requirements and any decreases phased in at between 1 or 2 percent per year

Thank you for the opportunity to make this submission.

A handwritten signature in black ink, appearing to read 'F. Wilson', with a long horizontal flourish extending to the right.

Fenton Wilson
Chairman
Hawke's Bay Regional Council

Our Ref: TRA1

27 March 2014

NZTA FUNDING ASSISTANCE RATE (FAR) REVIEW
Submission on NZTA Funding Assistance Rate (FAR) Review: Options Discussion Document

From: Hawke's Bay Regional Transport Committee.

On behalf of the Hawke's Bay Regional Council (HBRC), the Hawke's Bay Regional Transport Committee would like to thank NZTA for the opportunity to comment on the Funding Assistance Rates Review "Options Discussion Document" as released by NZTA.

Introduction

The Hawke's Bay region covers the geographical area of the east coast from Wairoa in the North to Central Hawke's Bay in the South and covers the following approved organisations:

- Wairoa District Council
- Hastings District Council
- Napier City Council
- Central Hawke's Bay District Council
- Hawke's Bay Regional Council
- Department of Conservation

In our role of preparing the Regional Land Transport Plan for approval by HBRC, we consider any other issues related to transport which have a regional impact.

We note that the Local Government Act 2002 (s11A) requires local authorities to have particular regard to the contribution that five core services make to its communities. Two of these are network infrastructure and public transport services. This section is a recent change to the Local Government Act (among other amendments) and it reflects the government's desire that local authorities focus on its core functions. It is therefore important that funding for these services are not reduced to the extent that councils cannot meet community outcomes and the government is unable to deliver on its national land transport outcomes.

While this review focuses on how the costs of local transport programmes should be shared between central government and local government, we are not sure that it can or should be done in isolation of the other factors that would contribute to a more integrated consideration of both sustainable transport and sustainable funding outcomes for New Zealand as a whole.

The Ministry of Transport for example is a key party as it develops the Government Policy Statement on Land Transport setting the transport priorities and the funding allocation for each land transport activity class. The provisional framework is to have a flat rate across all activity classes and it is unclear how a flat rate will assist the delivery of the government's priorities.

Comments

We support the seven principles proposed in the provisional framework in a FAR system, specifically:

- a) Support optimal national land transport outcomes being achieved at the right time, in the right way and at the right place
- b) Facilitate transport users experiencing an integrated and appropriately consistent network throughout the country
- c) Appropriately split the costs between users and local communities
- d) Provide as much investment certainty as possible
- e) Be efficient to apply
- f) Be based on evidence and data that is readily accessible and reliable
- g) Ensure transparency in how different FARs are set and applied.

However, we are not convinced that the current system is broken enough to require a complete change nor that the proposals being considered add sufficient value to warrant the change.

Consistent with principle (a) above, we consider that the 'need' or 'value' for particular transport programmes needs to be factored into the funding formula, in order to get the appropriate alignment with the Government Policy Statement and overall transport outcomes. Part of the equation will be the One Road Network Classification but that is only one part of the transport activity.

We feel that recognition of the importance of the local road networks to the GNP and New Zealand's export-led economy is not being adequately recognised in the modelled proposals of 50% and 53% respectively. It must be remembered that the majority of the products that are shipped (nationally and internationally) begin their journey on local road networks and this is especially the case in the Hawke's Bay due to the location of the Napier Port.

Therefore, while we appreciate the work carried out by NZTA we believe the following factors should also be considered in their deliberations:

- 1) The contribution local roads makes to the regional and national economy.
- 2) The need and value of the council's land transport activities in relation to national transport outcomes.
- 3) The relative wealth of all ratepayers including corporate and non-resident rate-payers.
- 4) The scale of the burden that the individual rate-payers have to bear in districts with relatively small populations and large road networks.

Impact on Ratepayers

The current proposed options when analysed at a regional and national level shows that at least 70% of the TLAs will face higher rates to maintain the transport network in its present condition.

This is a comparison to the current FARs. While NZTA indicated in the presentation given to the Hawke’s Bay RTC that current FARs do not meet the principles and therefore should not be used to compare the five options against, it is nevertheless the position that we (AOs and NZTA) collectively find ourselves in as a result of decisions and commitments made in good faith historically. We suggest that any solution which negatively impacts (increases) the rates of 70% of the TLAs should be accompanied by a robust cost benefit analysis with alternatives being considered that includes one that reflects status quo funding levels. For this reason we request that NZTA do more modelling with involvement from local authorities to come up with a more appropriate solution.

Table 1 shows the impacts at a Hawke’s Bay regional level using a national effective FAR of 50%. The cells highlighted in yellow show the only councils under each option which have a rate that does not adversely impact the rate payers as compared to the current FAR. The remainder are negatively impacted.

| Council | Effective FAR 2009 - 2013 | Option 1 | Option 2 | Option 3 | Option 4 | Option 5 |
|---------|---------------------------|----------|----------|----------|----------|----------|
| HBRC | 58% | 50% | 49% | 49% | 49% | 49% |
| HDC | 54% | 55% | 49% | 49% | 49% | 49% |
| NCC | 49% | 49% | 55% | 49% | 49% | 49% |
| WDC | 68% | 65% | 65% | 70% | 65% | 65% |
| CHBDC | 58% | 49% | 49% | 49% | 60% | 49% |
| | | | | | | |

With the current initiatives of 50Max and High Productivity Motor Vehicles being introduced by central government in order to achieve its land transport outcomes, and the potential for these initiatives to shorten the life span of the road network and its structures, we find it difficult to believe that central government is proposing to reduce the share of funding it is providing to their land transport partners, effectively undermining the ability to progress these initiatives.

At this time with the national economy struggling and the pressure to keep rates down being exerted on local authorities due to other changes in legislation, reducing FARs are yet another large burden on the rate-payers.

Level Of National Effective FAR

We do not believe that NZTA has been given the mandate to reduce the overall national FAR and only two options have been modelled, 50% and 53%, the latter reflected the current effective rate. A higher overall national FAR should also have been modelled and reported on. Should this provisional framework be confirmed then the Hawke’s Bay RTC believes the overall national FAR should be at least 53%. This would somewhat lessen the impact of reduced funding but still place a heavy burden on the rate-payers of the region. We request that NZTA revisit the lowering of the national effective FAR and propose a higher level reflecting the contribution local roads make to the national economy.

Removal of the 10% additional FAR for capital improvements

The options discussion document proposes that the current system of providing 10% above the existing FAR for capital improvements encourages poor investment choices. We believe that this

assumption is not correct. Poor investment decisions are more a result of poor management of the current system both by TLA's and Central Government (NZTA). The 10% above the base FAR should remain but the management of which projects are approved or not approved should be strengthened to avoid poor investment decisions.

We request that NZTA revisit the proposal to eliminate the 10% for capital improvements but instead tighten up on the management of the process that administers approval of capital improvements

Recognising Councils ability to pay

We agree that the Provisional Framework should recognise and provide flexibility for increasing the FAR for Councils that will find it difficult to fund their share due to the ability of their ratepayers to pay more rates. We also agree that provision should be made for targeted enhanced rates for those short term one-off situations where Councils made need additional funding for exceptional circumstances.

Metrics Used to determine FAR for each TLA

Using the Deprivation Index (Option 1) has the least impact on the region's local authorities, albeit that Wairoa and Central Hawke's Bay District Councils bear the brunt of reductions and they are the ones that can least afford it. The Deprivation Index is a more suitable proxy for ability to pay for some councils while lane kilometres/rateable value may be more suitable for others but it is also the demonstrated need for the land transport programme (based on approved Asset Management Plans and /or the One Network approach) for which funding is sought that is the critical element. None of the options recognise this.

Emergency Funding

The proposal to change the emergency re-instatement funding FAR calculation formula will have a very negative impact on the rural areas of the region. Central Hawke's Bay DC and Wairoa DC and to a lesser degree Hastings DC have historically suffered from extreme weather events which cause significant damage to the road networks. The scale of any event and the damage it causes cannot be predicted and planned for. The scale of the repairs has not been insignificant and completing the repairs is the only way to ensure the network is resilient and meets the needs of the communities and associated industry, (i.e. that the community is resilient).

If approved organisations are maintaining their transport assets (e.g. drainage, bridges etc.) to an acceptable standard then they can reduce and even prevent the extent of damage which could be manifold as compared to what the organisations have to spend on maintaining the asset.

Should the burden fall on the rate-payers with changes to the current system, each of the councils will be faced with choices which may include abandoning roads and productive land due to the high cost of re-instatement which will have a negative impact on the economy of the region and nationally.

We request that NZTA put the topic of emergency funding aside for this review and investigate and enter into further discussions with the TLAs to ensure we end up with a flexible system or methods to deal effectively with the unplanned events OR that emergency works be excluded from the overall base rate for each TLA and the current formula be retained but more scrutiny be applied to individual events to ensure value for money while maintaining the network.

Level Crossings

The proposed change to the level crossing FAR is also of concern to the region. Currently NZTA fund 100% of this work and we believe that it could be retained as such. TLAs, like NZTA have no control over what work is carried out by Kiwi Rail but NZTA operates at a level that allows for better negotiation with Kiwi Rail as problems arise as they are both national entities. The difficulties faced by one local authority in addressing any issues they may have with Kiwi Rail are tenfold as compared to what NZTA would face. We request that level crossing continue to be 100% funded through the NLTF.

Road Safety

Road Safety education and awareness programmes are undertaken by the regional council with contributions from each of the district and city councils, with considerable funding from the NLTF. These programmes cover both local and state highway networks.

NZTA is taking an “all of system” and ‘joined-up’ approach with its transport industry partners to reducing New Zealand’s accident statistics.

We believe that Road Safety should at least maintain its current higher FAR, if not be 100% funded, given that it covers state highways.

Public Transport Services

Hawke’s Bay public transport services continue to buck the national trend with increasing patronage. The provision of effective services within current budgets sets the public expectations and any reduction of those services to stay within budget would be contrary to both land transport outcomes and Local Government Act.

The metric used to determine regional council FARs should take into account that the bulk of regional councils transport budget is in the public transport activity class and that lane kilometres and other network based metrics are not appropriate.

Total Mobility

Similarly, increases to funding over recent years, and the provision of services has set expectations for the members of the public who used these services.

In particular, wheel chair hoist contributions should continue to be 100% NZTA funded, given the commitment NZTA made to fund this activity with regional councils administering it on its behalf.

Implementation Of Changes

NZTA are currently proposing that the changes to the FAR are implemented and come into effect for the 2015 – 2018 National Land Transport Programme. Referring back to Table 1 above it can be seen that the impacts of the proposed changes are in some cases quite severe.

For example the Central Hawke’s Bay DC would lose up to 9% of the funding available for road maintenance and renewals on 4 of the 5 options. The direct rates impact is greater than the 9% as the land transport expenditure is approximately 50% of the entire council expenditure which equates to a 21% rate increase immediately if the council is to maintain its network to their Asset Management Plan which has been approved by NZTA.

A 21% increase of rates in one year would be impossible to handle for a TLA with a large network and a small rating base (of which a good proportion are in their retirement years living on a fixed income. It is requested that if the percentage of reduction is material, the timing of the implementation be staggered over a period of 10 years to reflect councils long term planning requirements and any decreases phased in at between 1 or 2 percent per year.

Summary of Requests

1. That NZTA do more modelling with involvement from local authorities to come up with a more appropriate solution.
2. That NZTA revisit the lowering of the national effective FAR and propose a higher level.
3. That NZTA revisit the proposal to eliminate the 10% for capital improvements but instead tighten up on the management of the process that administers approval of capital improvements.
4. That NZTA put the topic of emergency funding aside for this review and investigate and enter into further discussions with the TLA's to ensure we end up with a flexible system or methods to deal effectively with the unplanned events OR that emergency works be excluded from the overall base rate for each TLA and the current formula be retained but more scrutiny be applied to individual events to ensure value for money while maintaining the network.
5. That level crossing maintenance continues to be 100% funded through the NLTF.
6. That Road Safety should at least maintain its current higher FAR, if not be 100% funded, given that it covers state highways.
7. That FARs for regional councils should take into account that the bulk of HBRC's transport spend is in the public transport activity class and that lane kilometres and other network based metrics are not appropriate for determining the FAR.
8. It is requested that if the percentage reduction is material, the timing of the implementation be staggered over 10 years to reflect councils long term planning requirements and any decreases phased in at between 1 or 2 percent per year



Cr Alan Dick, QSO FNZIM
Chairman of Hawke's Bay Regional Transport Committee