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Report to the Policy and Finance Committee
From Dr D J Watson, Divisional Manager Transport
and Greg Schollum, Chief Financial Officer

Transfund New Zealand Funding Support for the Lambton Bus/Rail Interchange

1. Purpose

To advise the Committee of the Transfund New Zealand Funding decision on the Lambton Bus/Rail Interchange made at its 16 August 2001 Board meeting and to recommend an appropriate course of action.

2. Background

Transfund New Zealand, at its 21 June 2001 Board meeting, approved in principle ATR (Alternatives to Roding) financial assistance of up to \$2.778 million towards the Lambton Bus/Rail Interchange. This approval was conditional upon the Regional Council agreeing to forgo \$2.738 million in future patronage growth funding (**attachment 1**).

The decision of the Transfund Board was brought to the attention of the Passenger Transport Committee at its 2 August 2001 meeting. The Committee considered the Transfund Board decision and resolved as follows:

“That the Transfund Board be asked to reconsider its decision to require the Regional Council to forgo \$2.738 million of future patronage growth funding resulting from construction of the Lambton Bus/Rail Interchange.

That the chairperson of the Council and the chairperson and deputy chairperson of the Passenger Transport Committee request an urgent meeting with the Transfund Board seeking an early resolution of the Board’s decision to capitalise patronage funding payments to pay for the Lambton Bus/Rail Interchange.

That in noting the letter to the Hon Mark Gosche, Minister of Transport, from the Auckland Regional Council, dated 2 August 2001, the Wellington Regional Council write to the Minister of Transport asking that the Minister be

involved with the Transfund New Zealand Board supporting a change to the Board's policy on this matter.”

The Wellington City Council CEO, Mr Garry Poole, had written to the CEO of Transfund New Zealand, Mr Martin Gummer, on 31 July 2001 seeking “a prompt and urgent resolution to this funding impasse” (**attachment 2**).

Mr Gummer responded to Mr Poole's letter by seeking a meeting with him. Mr Poole invited Mr Stone to the meeting which was held on Wednesday 8 August. In the mean time, a letter (**attachment 3**) had been sent by Cr McDavitt to Mr Michael Gross, chairman of the Transfund Board, seeking an urgent meeting with the Board.

As a result of the meeting on 8 August between Chief Executive Officers of the three principal parties a further letter (**attachment 4**), co-signed by Mr Poole and Mr Stone, was sent to Transfund New Zealand formally seeking a review of the Board's earlier decision. The letter requested that the Board place no patronage growth claw back conditions on the Transfund capital funding for the Lambton Bus/Rail Interchange project.

Mr Gross responded to Cr McDavitt's letter suggesting that as discussions between officers were continuing there was no need for the Regional Council politicians to meet with the Board (**attachment 5**).

The Transfund Board met on 16 August 2001 and its decision was communicated to both Councils in a letter from Mr Gummer dated 20 August 2001 (**attachment 6**). The decision of the Board was to reduce the claw back condition from \$2.738m to half that amount, some \$1.369m. A formal request was made by officers for a copy of the “In Committee” submission to the Board on the Interchange. A copy of that submission was received on 29 August 2001 (**attachment 7**). The submission has been taken “out” of Committee by Transfund and provided to the Council as a public document.

3. Comment

(a) The Project Elements – Transfund Funding

The Lambton Bus/Rail Interchange project has been split into three elements to fit in with the funding processes of Transfund New Zealand.

- The major part of the project, the interchange costing \$8.5m, includes the station forecourt, the pedestrian subway between the station and the bus terminus, and the bus terminus area itself. This element of the project was submitted to Transfund as an ATR project. Under the current Transfund Board decision it will receive net funding support of \$1.409m or 16% of the cost (this was only \$40,000 under the original 21 June Transfund decision)
- The pedestrian links, costing about \$2.2m, were submitted as kick-start projects. There is no patronage growth claw back associated with kick-start projects. These will receive \$1.3m from Transfund

- The last element is the bus priority on Lambton Quay linked to the interchange, this is costing about \$0.5m and will receive about \$0.2m from Transfund as a local roading project.

The main and most important element of the project therefore will receive less net Transfund funding support than the two smaller and less vital elements of the project. This appears to be a strange outcome to say the least and highlights the lack of consistency of the current funding policies of Transfund New Zealand.

(b) **Patronage Growth Funding**

Officers expect that patronage growth in our Region will be small because we have a mature system with a significant user base. We have assumed in our Long Term Financial Strategy a growth rate of 2% per annum for three years, up to July 2003, and no growth after that. Patronage growth funding income of about \$1.8m is expected for 2001/02. If the Council accepted the “claw back” of the \$1.369m this would have serious funding implications for the LTFS which would require the Council to cancel some future public transport service initiatives (\$1.369m equates to approximately 3% in regional rates). This would appear to be inconsistent with Government’s declared policy.

(c) **Relevant Transfund Board “In Committee” Submissions**

At the start of August the Auckland Regional Council requested a copy of the Transfund “In Committee” submission that led to the no “double dipping” policy of the Board. Though the 21 days response required by the Official Information Act has expired, they have not yet received a copy of the submission nor any reasons why it cannot be made available.

The Transfund submission on the Lambton Interchange (**attachment 7**) makes interesting reading. The basis for reviewing the Board’s previous decision of 21 June and the reason for the new decision appears to be the Board’s actions regarding funding of the Waitemata Waterfront Interchange (Britomart). This apparently pragmatic decision on Britomart, a project that does not qualify for ATR financial assistance because it falls well short of the efficiency ratio cut off of 3, appears to be the sole basis for the change in the Board’s decision on the Lambton Interchange funding. In other words, an arrangement determined appropriate for Auckland has been applied in Wellington where the circumstances are significantly different.

Paragraphs 20 to 28 of the submission (and also paragraph 8) deal with the related issue of the pedestrian shelter element of the interchange project. It would appear fortuitous that these shelters were not included as part of the bus terminus. The submission in paragraph 25 states the situation succinctly, “It seems anomalous that the pedestrian shelters qualify for high funding relative to the Wellington Transport Interchange project which, in contrast to this proposal, met Transfund’s ATR evaluation criteria and provides greater benefits to road and passenger transport users than the pedestrian shelters”.

The key paragraphs of the submission regarding the Interchange proper are paragraphs 10 to 12. While it is agreed that the original ATR application was

insufficient in a number of respects most first time applications to Transfund New Zealand require clarification to satisfy the Transfund assessors, in this case consultants based in Australia. The original application was made in March 2000 and in spite of every effort made to progress the matter, it took until May 2001 to achieve an approved and fundable ATR efficiency ratio for the project. The suggestion made that “it was initially not clear which Council was to be the owner of the final structure” is incorrect. All parties know that the law does not allow the Regional Council to own passenger transport infrastructure despite our best efforts to change it. However, what was originally unclear was the ownership arrangements to be used within Wellington city, a LATE had been contemplated. This in no way delayed the ATR process. The suggestion “that there was a drawn out legal discussion as to whether the project had been properly/appropriately captured in the 2000/01 NRP” is also incorrect. In May 2001 Transfund officials obtained a legal opinion once the ATR evaluation was confirmed but it was proved later that there was no legal issue surrounding the project’s inclusion in the 2000/01 NRP.

Finally, there is in paragraph 5 the statement that “On 4 July the WRC wrote to us agreeing to this approach but they subsequently retracted this position – partly because of the approach taken by the Board to the funding of the Waitemata Waterfront Interchange (WWI) project”. This statement is not a full explanation of the situation in July. A letter was sent on 4 July to Transfund (**attachment 8**). Officials of Transfund did not accept that letter as being an agreement with the Board’s funding decision of 21 June. A meeting was held between officials on 13 July (before the Britomart decision was known) on the subject, as a consequence of that meeting a further letter was sent to Transfund on 26 July (**attachment 9**) explaining that the 21 June funding decision of the Board would be referred to the Council’s Passenger Transport Committee meeting of 2 August 2001.

In summary, the “In Committee” submission of 16 August to the Transfund Board meeting does not:

- Provide any justification for the decision the Board made regarding funding of the Britomart and now Lambton Interchanges
- Provide any explanation why the Britomart funding arrangement should be applied to the Lambton Interchange project
- Answer the issues raised in the joint Poole/Stone letter of 10 August 2001
- Justify the “anomalous” situation now existing between Transfund’s funding for the Interchange and the auxiliary pedestrian shelters.

4. Options

There are two principal options available to the Council, these are:

- (a) Reject the Transfund Board's current funding decision. Seek to have the claw back of patronage funding condition removed either by a further approach to the Transfund Board or to the Minister of Transport.
- (b) Accept the Transfund Board's decision reluctantly but join the Auckland Regional Council in its approach to the Minister of Transport to have the situation reviewed.

If the Council takes the second option, there would clearly be some significant downstream funding issues to resolve. The Council would be forgoing future income of \$1.369m. While the Council could legitimately seek a reduction in the project cost to the equivalent amount, this might reduce the Transfund contribution. Unless the project cost was reduced the Council would need to consider which future passenger transport outputs it would not proceed with so as to reduce its future expenditure by the equivalent amount.

5. Recommendation

That the Committee:

1. *receive the report*

2. *recommend that Council:*

- (a) *decline the offer of the Transfund New Zealand Board, of 16 August 2001, to make a contribution of \$2.778m to the Lambton Bus/Rail Interchange (ATR) project conditional on a claw back of \$1.369m in future patronage growth funding*
- (b) *confirm that the Council Chairperson request an urgent meeting with representatives of the Transfund New Zealand Board regarding their Lambton Interchange funding decision*
- (c) *confirm that the Council Chairperson immediately write to the Minister of Transport, to inform him of the Transfund Board decision and the Council's response to it and to seek his assistance in resolving the issue in a timely fashion*
- (d) *advise the Wellington City Council that until funding for the project has been resolved, to the satisfaction of the Council, the Council will not make any further contribution towards the project.*

Report prepared by:

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Attachments:

- 1- Letter from Transfund to WRC and WCC dated 28 June 2001**
- 2- Letter from WCC to Transfund dated 31 July 2001**
- 3- Letter from Cr McDavitt to Transfund dated 7 August 2001**
- 4- Letter from WRC and WCC to Transfund dated 10 August 2001**
- 5- Letter from Transfund to Cr McDavitt dated 15 August 2001**
- 6- Letter from Transfund to WCC and WRC dated 20 August 2001**
- 7- Submission to the Transfund Board in relation to the Wellington Transport Interchange**
- 8- Letter from WRC to Transfund dated 4 July 2001**
- 9- Letter from WRC to Transfund dated 26 July 2001**