

Significant Activity	Activity	Function
Regional Transport	Managing the Transport Network	Planning & Monitoring the Transport Network

### Description

This function has two components. It funds:

- i. location specific studies and policy development relating to land transport services and transport infrastructure in the region
- ii. production of the Regional Land Transport Strategy and servicing the Regional Land Transport Committee.

## STAGE I: ECONOMIC EVALUATION

### Benefit/ Exacerbator Assessment

This is a public good, benefits accrue to, or are shared by, the entire community or, for specific studies, local communities. The primary beneficiaries are the people and organisations in the Region and/or the local community.

Beneficiaries/ Exacerbator	Benefit/ Cost
National Community	The direct beneficiaries in the national community are those who use the Wellington Region land transport system
Regional community	The regional community gets a planned land transport system that supports the economy
Local communities	Local communities are direct beneficiaries from specific studies undertaken for their community

If land transport planning were not functioning then this would be reflected in reduced capital values. While planning has significant intergenerational equity aspects, it continues from year to year at a similar level. Accordingly, it is not funded from loans, because of the transaction costs, but on a pay as you go basis.

### Economically Efficient Funding Mechanism

After a nationally funded road user contribution reflecting the national interest 100% WRC funding **from** a general rate on capital value.

## STAGE II: LEGAL, FAIRNESS & OTHER RELEVANT ISSUES

### Legal Constraints, Fairness & other Relevant Issues

Preparation of the Regional Land Transport Strategy is a legal requirement under the Land Transport Act 1993. A strategy is current for 5 years and has to be reviewed every 2 years.

Although future benefits are derived **from** this function, it is funded as an operational activity as it continues from year to year at around the same level. Accordingly, costs are charged in the year they are incurred.

There are more specific studies of the metropolitan area and now of Kapiti, because of the greater traffic problems, than there are of the Wairarapa. In general, rural capital values are significantly higher than urban capital values. It is not possible to distinguish between lifestyle blocks and **farms**. If rural capital values were not discounted then their relative contribution would exceed their relative benefit.

### **STAGE III: Funding Mechanism**

#### **Current Funding Policy & Funding Mechanism Issues**

In 1999/00 the Funding Policy was:

- i. after the nationally funded road user contribution
- ii. 100% WRC contribution via a works and services rate set for each constituent district according to equalised capital values and then within a district by that district's capital values with capital values discounted as follows: 50% **Kapiti**; 25% Wairarapa; and 50% rural for all constituent districts

#### **Recommended Funding**

- i. after the nationally funded road user contribution reflecting the national interest
- ii. 100% WRC contribution via a works and services rate set for each constituent district according to equalised capital values and then within a district by that district's capital values with capital values discounted as follows: 25% Wairarapa; and 50% rural for all constituent districts

#### **Transitional Arrangements**

The change is minor.

Significant Activity	Activity	Function
Regional Transport	Funding Public Transport	Funding Total Mobility

### Description

This function funds the provision of transport services to people with disabilities. Regional Councils throughout the country fund Total Mobility to varying degrees.

### Council Involvement

The Council **funds** Total Mobility because people with disabilities, given the nature of their disability, are **often** not able to benefit **from** public transport services.

## STAGE I: ECONOMIC EVALUATION

### Benefit/ Exacerbator Assessment

This is a private good because the individuals that use it can be identified and charged.

Beneficiaries/ Exacerbator	Benefit/Cost
People with disabilities	Obtain transport services
Family and friends	Less need to "taxi" people with disabilities.

### Economically Efficient Funding Mechanism

100% user charges

## STAGE II: LEGAL, FAIRNESS & OTHER RELEVANT ISSUES

### Legal Constraints, Fairness & other Relevant Issues

Regional Councils have been funding Total Mobility to varying degrees since it was set up in 1984. The funding of Total Mobility is based on the desire to ensure that people with disabilities have equity of access to transport

The cost of providing services exceeds the ability of people with disabilities to pay. In principle, the Government should fully fund this social service. Transfund NZ funds the national community benefit **from** the scheme.

In general, people with disabilities are a consistent proportion of the population. Accordingly, the amount to be collected **from** a community for Total Mobility should be allocated by relative population, or using actual costs where known. That amount should then be collected on a **uniform** charge. It is not possible for a Regional Council to levy a uniform charge.

People in rural areas use the service but not as much as people living in the urban areas. In recognition of this, a rural weighting of 50% was selected. Commercial organisations do not benefit to the extent that people benefit and their contribution is set at 10%.

## Stage III: FUNDING MECHANISM

### Current Funding Policy & Funding Mechanism Issues

In 1999/00, the Funding Policy was as follows:

50% user charges - collected and held by the providers

50% community (national and regional) which is funded

- i. 40% nationally funded road user contribution
- ii. 60% contribution from the Council via a works and services rate
  - a. 90% **from** residential and rural ratepayers by capital value (50% rural discount)
  - b. 10% **from** commercial properties in each community

**Recommended Funding**

50% user charges - collected and held by the providers

50% community (national and regional) which is funded

iii. 40% nationally funded road user contribution

iv. 60% contribution **from** the Council via a works and services rate

c. 90% **from** residential and rural ratepayers by capital value (50% rural discount). The amount **from** each community set by relative population, or using actual costs where **known**.

d. 10% from commercial properties in each community

**Transitional Arrangements**

No change is proposed.

Significant Activity	Activity	Function
Regional Transport	Funding Public Transport	Funding Public Transport Services

### Brief Function Description

Funding Public Transport Services has four components. This function:

- i. plans, tenders, contracts for and monitors the provision of public transport services;
- ii. provides **information** about public transport services (e.g. Ridewell)
- iii. **funds** the provision of public transport in the Wellington Region (where a contribution is necessary to make services viable);
- iv. funds the provision of a public transport **infrastructure**: bus shelters; interchanges etc.

### Council Involvement

The Council is involved in providing public transport services because of market **failure** and the need to provide social services.

## STAGE I: ECONOMIC EVALUATION

### Introduction

There are two reasons why the Council is involved in providing public transport despite the fact that public transport is a private good. They are:

- i. market failure in that road users in the Region do not pay a price that reflects the congestion and environmental costs they impose on others. Congestion is a regional (Auckland and Wellington) rather than a national problem. Road use in the Region is thus cheaper than it should be. Accordingly, there is not a level playing field and people are not in a position to make **informed** choices as they do not face the costs of their decisions.

***This is a matter for consideration in stage I***

- ii. social issues in that there is a need to meet the needs of the transport disadvantaged.

***This is a matter for consideration in stage 2 (fairness & equity)***

Theoretically, in a perfect world road users would pay for the costs they impose on others and the transport disadvantaged would get directly targeted assistance. Currently, neither of these two is within the Council's control.

### Benefit/ Exacerbator Assessment

The direct beneficiaries of public transport are the public transport users who get transported to their destination. There are two significant direct disbenefits where users of congested roads cause the costs to be incurred. The disbenefits are congestion and pollution. The vehicles operated by road users cause both of these. The polluter pays principle of the Local Government Act 1974 is quite clear - these people should pay for the costs they cause.

In addition, subsidising public transport has a positive externality in that there is less requirement for family and friends to taxi the transport disadvantaged. There is a small positive externality from the amenity value, but it is very localised

Beneficiaries/ Exacerbator	Benefit/ Cost
Public transport users	Directly benefit by getting transported to their destination plus lower fares, more frequent services, better service quality
Road users on congested roads	Directly benefit by getting a less congested road (faster travel) Directly cause the problems of congestion and pollution.

### How Benefits are reflected

Private beneficiaries can be easily identified. The benefit to public transport users is transport to their destination. This is a private benefit and they should pay the costs of this transport

The benefit to users of congested roads, from public transport, is faster travel because there is less **traffic** on the road. This is a private benefit. The road users should pay a congestion charge that reflects the benefit gained by getting a road user off the congested road in that time-period.

Pollution is caused by vehicles and is very much worse in congested areas because of the stop and start nature of congested **traffic**. While people in the Region benefit from reduced emissions, the cars generate the emissions. However, if poor road design or poor **traffic** management causes the congestion, then the road operator should also pay for the emissions because their actions have added to the problem.

The Local Government Act clearly states that people who exacerbate the costs should pay. Thus, road users should pay for congestion and pollution.

### **Distribution of Benefits across Time/ Intergenerational Equity**

No capital costs are incurred in providing this item and the benefits **from** operational expenditure accrue at the time of expenditure

### **Summary of Stage 1**

Public transport is a private good. However, because of market failure (no congestion pricing) people are not able to make the appropriate transport mode choice. If congestion pricing was introduced then the costs of public transport should be collected from the users.

### **Economically Efficient Funding Mechanism**

A congestion charge should be levied on users of congested roads and then the costs of the public transport should be recovered 100% **from** the users of the public transport services.

## **STAGE II: LEGAL, FAIRNESS AND OTHER ISSUES**

### **Introduction**

A number of issues arise **from** stage 1

- it is not **possible** to levy a congestion charge  
*This is considered under Legal Constraints below*
- **services** for the transport disadvantaged are not covered.  
*This is considered under Fairness & Equity below.*
- if **ratepayers** in some areas had to pay for the services consumed in their area then they may not be able to afford the rate burden  
*This is considered under Fairness & Equity below*

The Council's Strategic Transport Model shows that congestion pricing would remove completely the need to fund congestion relief services **from** the Council. However, the service mix would change and not all social services would be covered.

### **Legal Constraints**

**While** the Council has the ability to calculate the congestion charge (and has done so) there is no legal **framework** for the Council to levy, or to have others levy a congestion charge on motorists. Accordingly, the funding needs to come **from** a surrogate for users of congested roads.

### **Fairness and Equity Issues**

#### **Transport Disadvantaged**

There is a significant fairness issue in terms of the transport disadvantaged. Services need to be provided for people less than 16 years, the lower **socio-economic** group and people unfit to drive but not those with a disability (people with disabilities are covered by the Funding Policy for the Total Mobility scheme). Accordingly, there is a need to provide "social public transport services".

Currently, 10% of the Council's expenditure is on concessions (elderly and school services). Since concessions may not include services for all those on low incomes, it is estimated that 15% of services qualify as "social services".

The Council also values the contribution of the public transport network to a sense of regional cohesion and integration. Access to public transport assists in integrating rather than potentially isolating communities across the Region. A regional contribution for this value is appropriate.

### Ability to Pay

Some areas in the Region may not be able to afford the rate burden necessary to pay for the public transport services they consume. This has to be considered against the need to avoid over taxing the principal destination.

### Other Relevant Issues

There is small positive externality from the amenity value, but this is very localised. The Council considers this is captured in the social component.

### Summary of Stage 2

The **benefits** are.

- i. congestion relief 85%
- ii. social **15%**, includes amenity
- iii. environmental (included with the congestion relief)

### Surrogates

#### Surrogates for Congestion Pricing

The surrogates open to the Council are very blunt instruments, only loosely related to a congestion charge and themselves introduce a new range of significant issues. These issues include ability to pay and equity between those who travel and those who do not.

The surrogates considered were: charging people in the district of origin; charging businesses in the district of **destination**; car park charges; and a general rate across the Region. Choosing between surrogates is essentially a pragmatic decision as no one option is clearly superior.

For example, rating residents in the district of origin as a surrogate for congestion relief raises both ability to pay issues across districts and equity issues between residents in a diict (those that commute and those who do not). However, businesses at the destination do "cause congestion" by their location and they do get some employee and retail benefit. Accordingly, some funding should be **from** businesses in the district of destination.

#### Surrogates fix Concessionary Fares

It is not possible to directly target transport disadvantaged individuals who benefit **from** concessionary fares. Whilst rating such social costs across the Region seems the **fair** approach, this implies that all residents have equal access to the services. Accordingly, funding concessionary services **from** residents in the district of origin and business in the district of destination is proposed as a surrogate.

#### Incentives

None of the surrogates force road users to face the costs of their decisions. This is the incentive to get people to make the appropriate choice between transport mode. There is an incentive for people to live further away as others meet a component of their travel costs.

The surrogates are all some way away from the economically efficient funding mechanism. It appears that charging a combination of people in the district of origin and businesses in the district of destination may be a reasonable surrogate for users of congested roads. However, it is not clear what the balance between origin and destination should be.

## Conclusion from Stage 2

None of the surrogates force road users to face the costs of their decisions. Moreover, they introduce new issues including ability to pay and equity between those who travel and those who do not. These surrogates are pragmatic answers to the need for a funding mechanism. They are some distance away **from** the economically efficient funding mechanism.

Accordingly, as a pragmatic solution (until congestion pricing is possible), taking into account ability to pay across the Region and equity within a district, the congestion relief and concessionary services should be funded equally by origin and destination. Remaining social services should be rated across the Region because the Council values access to public transport.

## STAGE III: Funding Mechanism

### Current Funding Policy

In 1999/00, the Funding Policy was as follows:

70% **user** charges - collected and held by the providers (note: *refers to all services; equals 60% when only contracted services are considered*)

30% national and regional community contribution (note: *refers to all services; equals 40% when only contracted services are considered*). This component is funded:

- i. 50% nationally funded road user grant reflecting the benefits to all road users and the road network
- ii. 50% Council contribution: funded via a works and services rate set as follows:
  - a. (access to jobs) 42.5% from residential ratepayers in the district of origin
  - b. (increased sales) 42.5% **from** commercial ratepayers in the district of destination
  - c. (less congestion) 10% **from** residential ratepayers in the district of origin and **from** commercial ratepayers in the district of destination
  - d. (social) 5% **from** ratepayers across the Region with a reduction to 50% for Kapiti and a reduction to 25% for Wairarapa (note: *the reduction reflecting lesser number of services available in those areas*).

### Funding Mechanism Issues

#### Rural Vs Urban Benefit

High rural capital values, and the inability to distinguish between farms and life style blocks and residential housing, mean that if a rate was struck uniformly then that rate would be disproportionate to the relative level of benefit that most rural ratepayers receive. Accordingly, a discount factor to 25% is applied to rural capital values. Without this **factor**, rates paid by rural ratepayers would be disproportionately high in comparison to urban rates.

#### Social Services

The Council values social services, ie. access to public transport services is important for regional cohesion, so a portion should be rated across the Region. However there would be a disproportionate rating impact on Kapiti and Wairarapa so a discount is required. Accordingly a reduction to 50% for Kapiti and a reduction to 25% for **Wairarapa** is applied

#### Commercial Ratepayers

Some districts do not have a commercial roll, whilst in others the capital value attributable to commercial ratepayers is a small part of the total district capital value. This means that rating commercial ratepayers in the destination district (as a surrogate for congestion pricing and for concessionary fares) is not **feasible** in some cases. Accordingly, for the Districts of the Wairarapa, Kapiti Coast, Porirua City and Upper Hutt City the commercial and residential ratepayers need to be combined into one category of ratepayers.



## Recommended Funding Policy

70% user charges - collected and held by the providers (60% when *only contracted services are considered*)

**30% (40% when only contracted services are included)** community contribution (national and regional), which is funded:

- i. after the nationally funded road user grant reflecting the benefits to road users and social services
- ii. Council contribution: funded via a works and services rate set as follows (with a discount factor to 25% applied to rural capital values):
  - a. (congestion relief) 85% borne equally by residential ratepayers in the district of origin and commercial ratepayers in the district of destination. (For the Districts of the Wairarapa, Kapiti Coast, Porirua City and Upper Hutt City, the commercial and residential ratepayers to be combined into one category of ratepayers.)
  - b. (concessionary) 10% borne equally by residential ratepayers in the district of origin and commercial ratepayers in the district of destination. (For the Districts of the Wairarapa, Kapiti Coast, Porirua City and Upper Hutt City, the commercial and residential ratepayers to be combined into one category of ratepayers.)
  - c. (social) 5% from ratepayers across the Region with a reduction to 50% for Kapiti and a reduction to 25% for Wairarapa.

Note: Where bus services feed rail services, the costs are allocated to the origin and destination districts of the rail.

## Transitional Arrangements

No change is proposed.