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Public Excluded

Report PE 02.97

28 February 2002

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[02.97_djw]

Report to the Policy and Finance Committee
From Dr D J Watson, Divisional Manager Transport

Lambton Bus/Rail Interchange Funding

1. Purpose

To update the Committee on actions taken to resolve the Lambton Interchange funding issue and to seek a Council resolution on what should be the next step.

2. Public Excluded

The reason for dealing with this report in Public Excluded is “to enable the Council to carry on, without prejudice or disadvantage negotiations (including commercial confidentiality)”.

3. Background

Attached is Report PE 01.773 (**attachment 1**) that was considered by the Council at its 8 November 2001 meeting. The Council resolved then to seek a meeting with the full Transfund New Zealand Board to discuss their funding offer.

A meeting with the Transfund New Zealand Board was held on Thursday 13 December 2001. Cr Shields, Cr McDavitt and Dr Watson attended the meeting along with Mayor Prendergast, Cr Hutchings and Mr Poole of Wellington City.

The outcome of the meeting was that the Board asked their officials to report on the Regional Council’s proposed funding arrangement at their next meeting to be held on 21 February 2002.

We have been advised this week informally that the decision of the Board was to make no change from their earlier offer of funding. The formal response should be available in time for the Committee meeting.

It is worth noting that the Council’s proposal appeared to be received favourably by the Transfund officials leading up to the February 2002 Board meeting.

4. The Board Funding Proposal

The Transfund New Zealand Board's funding offer is that set out in the 20 August 2001 letter from Mr Gummer to Mr Stone and Mr Poole (**attachment 2**).

It should be noted under (b)(iii) of the Board's resolution that Transfund will review the application of patronage funding to reflect any amendments to the Act and any future policy directives from Government.

5. Ways Forward

The Council has three basic options. It can continue to refuse the Transfund Board's funding offer and leave the "hole in the ground", it can accept the offer and work with Wellington City Council to ensure that the Lambton Interchange project is completed within the current funding constraints, or it can just wait to see if the Government's announcements on new transport policy, expected shortly, will provide an answer.

At this stage the only rationale for refusing the funding offer is one of principle. This matter of principle may be resolved by the awaited government announcements on public transport funding.

If the offer is accepted, the issues remaining are ones of project cost and available funding. From Wellington City's point of view it will receive Transfund New Zealand's contribution to the project directly, not through the Regional Council. The proposed service contract between the two Councils provides the city council with sufficient funds to complete the project without any changes to project scope. The financial implications relate to the ongoing "claw back" of patronage funding and this is relevant only to the Regional Council. Depending on the "claw back" period the effect on the Council's patronage growth funding would be between \$100,000 and \$180,000 a year for about ten years. The Council in its draft annual plan process for 2002/03 has made an assumption of \$4m for patronage growth income with this remaining static in future years. It appears that the "claw back" requirement has little affect on the Council's future transport budgets as current assumptions on future patronage are clearly very conservative.

By the time the Committee meets the Government should have made its transport policy announcement. The third option may therefore have been overtaken by events.

6. Communications

Whatever decision is taken it is important that all stakeholders and public transport users are fully informed of the situation. The Chairperson should make a media release at the conclusion of the meeting.

7. Recommendations

That the Committee recommend to Council that it:

- 1. Receives the report and notes its contents.*

2. *Either:*

 - 2.1 *accepts the Transfund New Zealand Board funding offer for the Lambton bus/rail interchange*
 - 2.2 *rejects the Transfund New Zealand Board funding offer for the Lambton bus/rail interchange*
 - 2.3 *waits for the Government's announcement on its public transport funding policy before either accepting or rejecting the Transfund New Zealand Board funding offer.*

3. *Note that a formal approach will be made to Wellington City Council to appraise them of the Transfund New Zealand Board's decision and that of this Council.*
4. *If the Council accepts the Transfund New Zealand Board's funding offer then the Divisional Manager Transport be authorised to sign off a service agreement with Wellington City Council for the Lambton bus/rail interchange which is no worse than the original proposal as set out in the Long Term Financial Strategy.*

DAVE WATSON
Divisional Manager, Transport

Attachments:

- 1- **Report PE 01.773**
- 2- **Letter dated 20 August 2001 from Transfund to WRC**

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20 August 2001

Mr Garry Poole
Chief Executive Officer
Wellington City Council
PO Box 2199
WELLINGTON

Mr Howard Stone
General Manager
Wellington Regional Council
PO Box 1 1-646
WELLINGTON

Ref

FILE REF:	
TP	6/9
540/010E	In
H. Stone	
TO ACTION:	

Dear Garry and Howard

funding of Wellington Lambton interchange & kick-start funding application

Thank you for your joint letter of 10 August 2001 regarding Transfund funding of the Wellington Lambton Interchange.

Wellington Lambton Interchange

At its meeting yesterday the Transfund Board reconsidered its funding decision of 21 June and agreed to apply a similar approach to that adopted for ~~the~~ Britomart project.

I have attached for your information a draft copy of the Board's resolutions.

As discussed with you last week, we are tabling these resolutions with the Wellington Regional Council for ~~its~~ discussion and agreement.

We thought it would be useful to give further explanation on the detail underpinning the Board's resolutions. The Auckland councils also sought similar clarification of the resolutions approved by ~~the~~ Transfund Board for Britomart.

Conditional payment

All of the payment referred to in the resolutions is condition on the signing of a suitable agreement between Transfund and the Wellington Regional Council (WRC). No funding is payable unless or until such an agreement is reached. We would suggest that the agreement be between all three ~~parties~~ – ie between the WRC, Wellington City Council (WCC) and Transfund – so that the rights and obligations of all three parties are appropriately captured.

Terms of agreement

We are currently taking advice on the terms for the agreement between the three parties. We will get back to you on this in the next few days.

De tails of payments

As noted in the Board’s resolutions, we envisage the Board’s funding contribution being paid to WCC over two financial years, namely 2000/01 and 2001/02. Once the agreement is finalised, we would anticipate receiving an invoice from WCC for the 2000/01 year for work completed during that year.

Adjustments to future patronage funding payments

We have suggested in the case of Britomart that the proposed adjustments to patronage funding rates would not come into effect until the project is completed – in Britomart’s case, therefore, not until mid 2003.

Given construction of the Lambton Interchange will be completed this year, we would propose that the adjustments to WRC's patronage funding rates take effect as from July 2002.

Our proposed approach to implement the future patronage payment adjustments is to increase the passenger number baseline (above which patronage funding payments are payable), but we are open to further discussions on this point.

We have also not yet agreed the appropriate finance/discount rate to apply to the payment recovery methodology. The Board has asked Transfund officers to explore a ‘neutral’ discount rate that doesn’t disadvantage the WRC. One possibility we are considering is the 90 day bill rate. As you will appreciate, the amount of annual patronage funding foregone by WRC in return for a lump sum payment is influenced by both the applicable discount rate and the capitalised funding repayment period, as illustrated in the following table.

\$ 2,738,000

	Repayment Period (years)			
	10	15	20	25
Discount rate 90 days	\$0.37	\$0.28	\$0.24	\$0.21
Discount rate 180 days	\$0.45	\$0.36	\$0.32	\$0.30

Transfund Board members have expressed a preference for a shorter (eg 10 years) rather than longer (ie 25 years) offset period.

We would welcome any-comment and suggestions the WRC might have on this point, as well as on any of the other matters addressed above. We would like to finalise an agreed approach for implementing the Board’s decisions as soon as practicable. Please do not hesitate to contact us if you require further information.

Yours sincerely

Martin Gummer
Chief Executive

TF 01/8/916 - Wellington Transport Interchange/Hamilton Transport Centre - Transfund Board resolutions (unconfirmed)

The Transfund Board, at its meeting on 16 August 2001:

(a) **reconsidered** its previous decisions made in submission TF 01/6/884;

Wellington Transport Interchange

(b) **agreed** to make a contribution of up to \$2.778 million to the Wellington City Council for the Wellington Transport Interchange project, subject to the following:

- i. An agreement with the Wellington Regional Council, acceptable to Transfund, whereby \$2.738 million of the capital sum will replace half the equivalent portion of the **future** patronage payments which the Wellington Regional Council would otherwise receive;
- ii. That the contribution will be paid to the Wellington City Council over the 2000/01 and 2001/02 financial years;
- iii. That **Transfund** will review the application of **patronage funding** to reflect any relevant amendments to the Act and any future **policy directives from the Government**;
- iv. That **Transfund** will not fund any **project cost-overruns** or funding shortfalls incurred by the project;

Hamilton Transport Centre

(c) **agreed** to make a contribution of up to \$0.348 million to the Hamilton City Council for the Hamilton Transport Centre project subject to the following:

- i. **An agreement with Environment Waikato**, acceptable to Transfund, whereby the **\$0.348 million capital sum** will replace half the **equivalent** portion of the **future patronage payments** which **Environment Waikato** would otherwise receive;
- ii. **That the contribution will be paid to the Hamilton City Council from the 2000/01 financial year**;
- iii. That **Transfund** will review the application of **patronage funding** to reflect any relevant amendments to the Act and any future **policy directives from the Government**;
- iv. That Transfund will not **fund** any **project cost-overruns** or funding shortfalls incurred by the project;

(d) **requested** the Chief Executive to complete the necessary administrative arrangements to implement the above resolutions, on a similar basis to that being applied to the Britomart project;

(e) **agreed** that its decisions on Britomart, the Wellington Transport Interchange and the Hamilton Transport Centre are interim arrangements pending the Government's determination of its policy on the funding of passenger transport capital projects, and that no further projects would be considered for funding on this basis;

Wellington City Council kick-start funding -pedestrian shelters

(f) **approves** kick-start funding of \$1.325 million towards the construction of 10 pedestrian shelters by the Wellington City Council.

Wellington Regional Council
05 MAR 2002



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5 March 2002

Ref AF 89 03 02

Dave Watson
Divisional Manager, Transport
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Family 2 pages

FILE REF:	
7	16/4/1
NAME	Int/Date
D. Watson	
TO ACTION:	

Dear Dave

Lambton Bus/Rail Interchange - Board funding decisions

The Transfund Board reconsidered the funding of the Lambton Bus/Rail Interchange at its meeting on 21 February. I have copied you below the (un-confirmed) minutes of the Board related to the Interchange:


Wellington Bus/Rail Interchange

- (a) **confirms** its previous funding decisions regarding the Wellington Bus/Rail Interchange and its ancillary components namely
 - (i) **Bus terminal & Station forecourt** [submission TF 01/8/916 refers], where the Board *agreed to make a contribution of up to \$2.778 million to the Wellington City Council for the Wellington Transport Interchange project, subject to the following*
 - o *an agreement with the Wellington Regional Council acceptable to Transfund, whereby \$2.738 million of the capital sum will replace half the equivalent portion of the future patronage payments which the Wellington Regional Council would otherwise receive;*
 - *that the contribution will be paid to the Wellington City Council over the 2000/01 and 2001/02 financial years;*
 - *that Transfund will review the application of patronage funding to reflect any relevant amendments to the Act and any future policy directives from the Government;*
 - *that Transfund will not fund any project cost-overruns or funding shortfalls incurred by the project;*

- (ii) **Pedestrian canopies** [NRP Review Committee meeting dated 1 October], where the **Board** *agreed to contribute \$1.32 million to the Wellington City Council as a kick start capital project (total cost \$2.21m at a FAR of 60%)*
 - (iii) **Bus priority scheme** [NRP Review Committee meeting dated 31 August], where the Board *agreed to contribute \$192,000 to the Wellington City Council as a roading project (total cost \$400,000 at FAR of 48%);*
- (b) **requests** the Chief Executive to advise the Wellington Regional and Wellington City Councils of this decision;

While I think the minutes of the Board's meeting are self-explanatory, please don't **hesitate** to call me to discuss any aspects of the Board's decision as might be required.

Yours sincerely



Pieter Burghout
Planning & Evaluation Manager _____

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