



Report 08.274
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Committee Transport & Access Committee
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Review of funding for Wairarapa Red Cross Transport Service

1. Purpose

To review Council's funding for the Wairarapa Red Cross Service.

2. Significance of the decision

The matters for decision in this report **do not** trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Background

Wairarapa Red Cross operate a primarily health related transport service for (mainly elderly) Wairarapa people, including trips to hospitals and health facilities in Wellington and Lower Hutt. The service is provided by Red Cross using two vans (one of which is wheelchair accessible), driven by volunteer drivers.

The service began in mid 2005. After a request by Wairarapa Red Cross for funding assistance, Greater Wellington began subsidising the service, agreeing to pay \$17,000 per year for two years. It was agreed the subsidy payment was to be reviewed after two years. A payment of \$17,000 was made in October 2005, with a further payment of \$17,000 in May 2007.

The service also receives funding from:

- the Wairarapa District Health Board (\$12,000 per year)
- Occasional donations from community organisations
- Passengers (there are no set fares, but passengers are able to make a donation).

The capital cost of the two vans was funded by community grants.

Some statistics for the first 2½ years of the service are set out below:

	2005/06	2006/07	2007/08*
Passengers	869	1,187	978
Annual total cost of service	\$23,860	\$20,212	\$17,119
GW contribution	\$17,000	\$17,000	-
Wairarapa DHB contribution	\$10,000	\$12,000	\$9,239
Passenger Revenue	\$5,942	\$4,020	\$2,613
Profit (loss)	\$9,082	\$13,908	(\$5,067)
GW Subsidy per passenger	\$19.56	\$14.32	-
Ratio of passenger revenue to costs	24.9%	19.9%	15.3%

*Nine months only

The Regional Passenger Transport Plan supports the provision of this type of service, e.g. objective 2 states:

“Passenger services are accessible, reliable, and responsive to the needs of users”

4. Comment

Council funding for this service fits within its policies. However two issues need to be addressed – the current cost recovery level, and the fact that the service is currently profitable. Land Transport NZ requirements must also be met. These issues are addressed below.

4.1 Cost recovery policy

Council policies regarding public transport services, as set out in the Regional Passenger Transport Operational Plan, require social services such as this to recover at least 40% (as a guideline) of costs through passenger fares (with an absolute minimum of 20%).

This service currently falls short of these requirements. However if the contributions made by other parties, particularly the Wairarapa District Health Board, are considered then the service complies with the policy. And it is considered appropriate to take into account these other contributions.

4.2 The profitability of the service

The service made a profit in 2005/06 and 2006/07. This profit essentially arose from the fact that the Council contribution (with the other contributions) was more than was needed to cover the relatively low costs (primarily those associated with operating the vehicle) of providing the service. Essentially the current level of Council contribution is higher than is required.

However the service will make a loss this year unless this Council provides some funding.

A level of Council funding of about \$6,000 per year is considered more appropriate.

No funding has been provided in the Council budget for this service. However because of the small amount involved, the funding will be able to be found.

4.3 Land Transport NZ requirements

The delivery of any funding must comply with Land Transport NZ requirements. This means that funding must either be tendered, or delivered through a concession fare scheme (and thus be based on a payment per passenger). The latter is appropriate in this instance, and a payment of \$5 per passenger, with a maximum payment of \$6,000 per year, is suggested.

An important issue with community organisations using volunteer drivers is licensing. There are strict requirements regarding the licensing of all providers of passenger transport services, and of the drivers used to deliver those services. Before funding any service this Council must be satisfied the service is operating legally. In this case, because Red Cross is a registered charitable organisation, it is exempt from the various licensing requirements, and therefore is eligible for Council funding.

5. Discussions with interested parties

Discussions have been held with Wairarapa Red Cross and Wairarapa DHB regarding funding for this service, and they have had an input into this paper. They have been provided with a copy of this paper, and “are pleased with it, and feel no further comments need to be made”.

6. Communication

The decision of the Committee will need to be advised to Wairarapa Red Cross.

7. Recommendations

That the Committee recommends that Council:

- 1. Receives the report.*
- 2. Notes the content of the report.*

3. *Agrees that funding of \$5 per passenger, up to a maximum of \$6,000, be made available for this service in this financial year, and for each of the next four years.*
4. *Agrees that funding may be reviewed at any time in the next four years in the event that circumstances (including the profitability of the service) change.*
5. *Requests the Chief Executive to draw up a suitable agreement covering this payment.*

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