

Proposals for targeted changes to the 2012 National Land Transport Programme co-investment ratios (funding assistance rates)

Consultation document for approved organisations

This consultation document is seeking your feedback on proposed changes to the funding assistance rates that apply to specific investment categories within the public transport, transport planning and road user safety activity classes. The proposed changes are a result of recent policy, priority and/or delivery model changes.



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More information

NZ Transport Agency
June 2011

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Summary

The NZ Transport Agency (NZTA) is seeking your feedback on proposed changes to the funding assistance rates (FARs) that apply to specific investment categories within the public transport, transport planning and road user safety activity classes. FARs are used to determine what portion of a project or programme could be funded from the National Land Transport Programme (NLTP). The proposed changes are a result of recent policy, priority and/or delivery model changes.

The proposed changes are shown below.

Work category	Current FAR	Proposed FAR	Reason for the proposed change
W/C 514: Passenger transport facilities operations and maintenance	60%	50%	To remove the NLTP investment stimulus given to public transport infrastructure. This change will align the FAR for these categories with those of bus, ferry and rail passenger services.
W/C 531: Public transport infrastructure	60%	50%	
W/C 001: Regional land transport planning management (grant to regional councils)	0.15% of the relevant Regional Land Transport Programme (RLTP)	Removed	To align with the directions signalled in the GPS 2012 engagement document to improve efficiencies in the transport planning activity class.
W/C 002: Transport planning studies and strategies	75%	<i>For regional councils: the weighted average Construction FAR for the region</i>	To remove the short-term NLTP investment stimulus given to transport planning studies and strategies in 2008 and return it to the Construction FAR, which applies to activity management planning. This will equalise the co-investment ratios for planning and constructing new transport infrastructure.
		<i>For all other approved organisations: Construction FAR</i>	
W/C 432: Road safety community programmes	75%	<i>For regional councils: the weighted average Construction FAR for the region</i>	To remove the short-term NLTP investment stimulus given to road safety promotion in 2006 and return it to the Construction FAR. This will equalise the FARs for road safety promotion and the construction projects that address safety risks, which is appropriate under the Safe System approach.
		<i>For all other approved organisations: Construction FAR</i>	

Note that, all else being equal, the total amount of money invested from each activity class remains unchanged by the proposed changes. In short, these proposals are about how to achieve the best spread of the co-investment from the NLTP across projects and programmes, rather than the total amount invested.

Background

Preparing for the 2012 NLTP

At the NZTA, we use our Investment & Revenue Strategy to guide our efforts to achieve best value for money through our investments. We have a four step review of this strategy as part of the development of the 2012 NLTP.

Step	Description	Communicated to you for information and feedback
Administrative changes	The NZTA is currently reviewing work categories for public transport to ensure these category definitions are concise and consistent. We are also reviewing the treatment of administration and professional services for regional authorities and state highways to ensure that this treatment is aligned with legislative changes. A further proposed change is to simplify the requirements for the NZTA's approval of in-house professional services.	June 2011
Re-calculate the 'Base FAR' for the 2012 NLTP using existing policy	Base FAR is the co-investment ratio for local roads and is calculated using 'ability to pay' and other existing policy criteria.	July 2011
Review of FAR rates for the 2012 NLTP	A review has identified the need to adjust FARs for some of the investment categories within the public transport, transport planning and road user safety promotion activity classes. No additional FAR changes are proposed for the 2012 NLTP.	Changes to the FAR for passenger rail services have already been consulted on. The other proposed FAR changes are being consulted on in this document; feedback closes on 21 July and the FARs will be confirmed in August 2011.
Review of the 'strategic fit' and 'effectiveness' prioritisation criteria	These investment ranking criteria will have to be adjusted to give effect to the proposed new <i>Government policy statement on land transport funding 2012/13 - 2021/22</i> (GPS 2012).	In early August 2011 - as part of a 'strategic direction' discussion document.

Future reviews

We are considering undertaking a comprehensive review of all the FARs in 2013 to test their internal coherence and fit with policy objectives. Any possible changes would be implemented through the 2015 NLTP following consultation.

Public transport infrastructure

Activity	Current FAR	Proposed FAR	Proposed implementation date
W/C 514: Passenger transport facilities operations and maintenance	60%	50%	1 July 2021 (gradually phased in over 10 years starting with 59% from 1 July 2012)
W/C 531: (New) public transport infrastructure	60%	50%	1 July 2012 for all new approvals

What is the context?

Investment in public transport activities over the last 10 years has increased at a faster rate than investment in other activities in the NLTP. For example, annual public transport expenditure has increased approximately six-fold (from around \$50 million in 2000 to \$300 million currently).

These changes have been accompanied by major investment in passenger rail facilities in Auckland and Wellington from the NLTP and other central government funding. Recently, the NZTA has agreed to invest in rail track access charges, station upgrades and the servicing of agreed loans. In this context, it no longer seems appropriate or necessary to co-invest in public transport facilities at a higher FAR rate than the investment in the actual public transport services themselves.

Why change the co-investment ratios?

The proposed change would remove the NLTP investment stimulus for public transport infrastructure as opposed to public transport services. The proposed change would mean that the construction, maintenance and operations of new public transport infrastructure all have the same FAR as bus, rail and ferry passenger services, namely 50%.

Supplementary information

- Total Mobility is a distinct activity in its own right and the relevant work categories (517, 519 and 521) are being reviewed through a separate process. The review of Total Mobility is expected to be completed by July 2011.
- Previously approved activities agreed by the NZTA would remain at the previously approved FAR for the duration of the commitment. In the case of Auckland Transport, the capital cost and operation of the Auckland Integrated Fare System for a 10-year period constitutes such a commitment.
- The annual operational costs of servicing any loan agreed by the NZTA would be provided for within the passenger rail services work category (W/C 515) or passenger transport facilities operations and maintenance (W/C 514) as appropriate, at the FAR applicable at that time.
- In the case of Greater Wellington, the historic \$23 million shortfall in Crown funding would be accepted as a commitment because of a previous NLTP investment approval, as would the \$1.7 million funding approved for the real time information system. The annual operational costs of servicing this and any other loan agreed by the NZTA would be provided for within the passenger rail services work category (W/C 515) or passenger transport facilities operations and maintenance (W/C 514) as appropriate, at the FAR applicable at that time.

Regional transport planning management

Activity	Current grant	Proposed grant	Proposed implementation date
W/C 001: Regional land transport planning management	0.15% of the relevant Regional Land Transport Programme	Removed	1 July 2012

What is the context?

The government has recently signalled through the GPS 2012 engagement document that it wishes to encourage efficiencies in the transport planning activity class (which includes the W/C 001 grant). Also, to enhance growth and productivity improvements in the land transport system, the government has signalled that it wishes to reduce compliance costs and regulation, simplify consultation requirements and reduce the size and cost of committees making decisions in the system. Within this strategic context, there is a need to reconsider the W/C 001 grant.

Why remove the administration grant?

A flat rated general administrative grant that relates only to the value of the Regional Land Transport Programme does not provide a strong incentive for efficient resource use and would be misaligned with the signalled GPS 2012 directions concerning efficiency improvements. The proposed change would mean that some future regional planning administrative costs (that are currently covered by the grant) could be included as an overhead cost in relevant projects and programmes.

Transport planning studies and strategies

Activity	Current FAR	Proposed FAR	Proposed implementation date
W/C 002: Transport planning studies and strategies	75%	<i>For regional councils:</i> the weighted average Construction FAR for the region <i>For all other approved organisations:</i> Construction FAR	1 July 2012

What is the context?

Prior to 2004, co-investment from the NLTP in transport planning studies and strategies was at the Construction FAR. The Construction FAR for an approved organisation is its Base FAR plus 10%. The Base FAR is set on an approved organisation's 'ability to pay' and other existing policy criteria.

The 75% FAR for transport planning studies and strategies was introduced in 2004 on a short-term basis to stimulate investment in planning before extra funding was made available through the introduction of the R funding regime. In 2006, the rate for this activity was reduced to the Construction FAR as this objective had been largely achieved. In 2008, the FAR was again raised to 75%, this time to support the increased emphasis on planning under the Land Transport Management Amendment Act 2008. Co-investment in activity management planning remained at the Construction FAR for territorial authorities and 50% for regional authorities.

In 2010, an activity class review by the NZTA found the 75% FAR had achieved its intended aim of refreshing transport planning and direction across regions, cities and districts. The review also concluded that transport planning studies and strategy development should now be targeted at areas where there is population growth and/or change in land use and travel patterns. In this context, a general 'stimulatory' 75% FAR no longer seems required or appropriate.

Why change the co-investment ratio?

The proposed change would remove the short-term NLTP investment stimulus to transport planning studies and strategies given in 2008 and return it to the Construction FAR, which applies to activity management planning. In the case of regional councils, the proposal is to change support for transport planning and studies to the weighted average Construction FAR for that region. This would equalise the FARs for planning and constructing new transport infrastructure.

Supplementary information

- Any transport planning studies that commenced under the current level of FAR support (75%) would continue to receive that rate of support until completion.
- The 'weighted average Construction FAR for each region' would be based on the 2009 NLTP maintenance and renewal spend of all the region's approved organisations.

Road safety promotion

Activity	Current FAR	Proposed FAR	Proposed implementation date
W/C 432: Road safety community programmes	75%	<i>For regional councils:</i> the weighted average Construction FAR for the region	1 July 2012
		<i>For all other approved organisations:</i> Construction FAR	

What is the context?

Prior to 2006 road safety promotion programmes, NLTP co-investment was at the Construction FAR (with some limited 100% grants available). As noted above, the Construction FAR is an approved organisation's Base FAR plus 10%.

The 75% FAR for road safety promotion programmes was introduced in 2006 to support the road user behaviour goals of the government's Road Safety to 2010 strategy. Its successor strategy Safer Journeys was introduced in 2010 and has at its core the Safe System approach. This approach requires an investment response across the entire system: roads, roadsides, vehicles and speed management. In the context of the new strategic direction, the 75% FAR for road user safety promotion (primarily targeted at the behavioural aspects of road safety) seems no longer appropriate and needs to be realigned.

Why change the co-investment ratio?

The proposed change would remove the short-term NLTP investment stimulus given to road safety promotion in 2006 and return it to the Construction FAR (or a weighted average Construction FAR in the case of regional councils). This would equalise the FARs for road safety promotion and the construction projects that address safety risks, which is appropriate under the Safe System approach.

Supplementary information

- From 1 July 2012, the eligibility of 'in-kind donations' as a contribution to local share for the road user safety activity class (432) will be removed. This does not impact on the FAR rate, but represents an effective FAR reduction for those approved organisations that use in-kind donations (eg volunteer time, donated goods and services) as a contribution towards local share. The removal of in-kind donations will make the road user safety activity class consistent with all other improvement work categories.
- Also from 1 July 2012 the network user information activities that are currently within the road user safety activity class (formerly Demand Management and Community Programmes) would be funded from the maintenance and operations activity class and be subject to the Base FAR.

Your feedback

This consultation document is intended for approved organisations as defined under the Land Transport Management Act 2008. It outlines the investment categories under consideration and seeks feedback on specific proposals.

The period for consultation on the proposals contained in this discussion document is six weeks, and we should receive all feedback before **21 July 2011**. Queries and responses should be sent by email to the following address:

farreview@nzta.govt.nz

Questions about the review and the proposed changes may also be directed to your NZTA Regional Director.

It is important to us that you have access to the best possible information before the Regional Land Transport Programmes are completed. We will therefore confirm the review results with you in early August, and any confirmed changes will be implemented through the 2012 NLTP.