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Committee Council  
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## **Submission on the NZTA's Financial Assistance Rates (FAR) Review Discussion Document**

### **1. Purpose**

To seek the Council's endorsement of proposed feedback to the NZ Transport Agency's Financial Assistance Rates (FAR) Review Discussion Document.

### **2. The decision-making process and significance**

Officers recognise that the matters referenced in this report may have a high degree of importance to affected or interested parties.

The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act). Part 6 sets out the obligations of local authorities in relation to the making of decisions.

#### **2.1 Significance of the decision**

Part 6 requires Greater Wellington to consider the significance of the decision. The term 'significance' has a statutory definition set out in the Act.

Officers have considered the significance of the matter, taking the Council's significance policy and decision-making guidelines into account. Officers recommend that the matter be considered to have low significance as the decision relates to feedback from the Council to another organisation (NZ Transport Agency) who will make the final decisions in relation to the subject proposal.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

### 3. Background

A FAR describes the proportion of the total cost of a land transport activity that is sourced from the National Land Transport Fund (NLTF). The NLTF sources its revenue primarily from fuel tax and road user charges.

In October 2012, the NZ Transport Agency announced the commencement of a comprehensive review of the general approach to setting FARs for land transport activities.

The purpose of the review is to test that the way the NZTA sets FARs is still valid and appropriate. The review will not change the overall amount of money available from the National Land Transport Fund for land transport activities or how much is available for different types of transport activities. The FAR review does not include consideration of the current 100% funding for state highways.

The first phase of the review involved release of a FAR Review Background Document which described the history of FARs and the way they have evolved over time. Copies of this document were previously provided to Councillors via the councillor information portal in February this year.

The second phase relates to what principles should sit behind how the NZTA sets FARs and what overall approach should be taken. The FAR Review Discussion Document was released for feedback in March 2013. The discussion document is available on the councillor information portal or online at <http://www.nzta.govt.nz/consultation/far-review/docs/far-discussion-document.pdf>

The closing date for submissions is 3 May 2013. An extension has been agreed with NZTA for the submission from Greater Wellington Regional Council, to enable consideration of its submission at the 9 May Council meeting.

The third and final phase of consultation is expected to take place in late 2013 and will relate to options for specific methods for setting FARs and what those would mean for different stakeholders.

### 4. Comment

The proposed submission is included as **Attachment 1** to this report.

#### 4.1 Submission development

The Greater Wellington Regional Council submission takes a broad regional view, considering the impacts on all councils in the region as well as GWRC transport activities.

It was been developed with input from the local councils in the region through several officer working group meetings and informed by discussions with other regions throughout the country through a Regional Transport Officers (RTO) forum.

## 4.2 Key themes in the submission

The submission begins with a summary of the different elements of the land transport funding system, and the role and purpose of FARs within this wider funding context. A key message is that the role of FARs should be to set the level of co-investment between central and local government rather than to incentivise local government behaviours and investment decisions. The submission also signals that FARs should not be the tool to address value for money, as alternative policy tools are already in place for ensuring this.

A focus of the submission is on the principles that should underpin any approach to setting FARs. The draft submission proposes a set of amended principles that emphasise the importance of affordability for local government, and of certainty and stability for budgeting and planning, and the need for an efficient and simple system.

An assessment of the proposed approaches outlined by NZTA together with the current approach against these principles is presented, leading to some overall conclusions on the best way forward.

Many of the possible approaches have fatal flaws in relation to these core principles, and individually none of the proposed approaches offer a complete solution. It is likely that an approach which includes a combination of elements from the “Differences Approach” and “Flat Approach” would have the most merit, depending on system design and how the base rate is to be determined. Retaining the current approach with some minor improvements would also have significant merit.

A final important message emphasised in the submission is the need for consideration of the potentially significant impact of any change to FARs on local government planning and budgeting processes.

## 5. Communication

The approved submission will be sent to NZTA for its consideration as part of this stage of the review process.

## 6. Recommendations

*That the Council:*

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Approves the submission set out in Attachment 1 to this report.*

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**Attachment 1:** Draft Submission on the NZTA FAR Review Discussion Document