

Public Excluded

Report PE 01.747

2 October 2001

File: TP/6/4/1

[01.747pe_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 by the Chairman of the Council and the Chairman of the Passenger Transport Committee to resolve the Lambton Interchange funding issue.

2. Background

The special meeting of the Policy and Finance Committee held on 5 September 2001 resolved:

“That the Wellington Regional Council:

- (1) confirm that the Wellington Regional Council Chairperson request an urgent meeting with representatives of the Transfund New Zealand Board regarding their Lambton Interchange funding decision and empower the Wellington Regional Council Chairperson and the Chairperson of the Passenger Transport Committee and the Chief Executive to negotiate and conclude a deal no worse than the current offer.
- (2) confirm that the Wellington Regional Council Chairperson immediately write to the Minister of Transport, to inform him of the Transfund Board decision and the Council’s response to it and to seek his assistance in resolving the issue in a timely fashion.
- (3) advise the Wellington City Council that until funding for the project has been resolved, to the satisfaction of the Wellington Regional Council, the Regional Council will not make any further contribution towards the project.

- (4) that the above 3 recommendations be actioned in the context of involving in the longer term other Regional and City Councils to join the Wellington Regional Council in a meeting with the Minister of Transport to discuss a rational and consistent basis for funding passenger transport (capital and operating).”

The Chairman of the Council wrote to the Chairman of Transfund New Zealand, Michael Gross, on 7 September 2001 (**attachment 1**). This resulted in a meeting held on 19 September 2001 involving Cr Macaskill, Cr McDavitt, Mr Stone and Dr Watson representing the Council and Mr Gross, Mr Gummer (CEO), Mr Burghout (Planning and Evaluation Manager) and Mr Hunter (Regional Manager) from Transfund.

The meeting agreed that Lambton Interchange was primarily the refurbishment and reinstatement of an existing facility not a new project. A parallel was drawn between this and a road. An existing road needs to be maintained periodically and eventually may be rebuilt to provide current service quality standards. As a consequence of the meeting a new funding proposal was sent to Transfund for consideration at their 20 September Board meeting (**attachment 2**).

The revised funding proposal was rejected by the Transfund Board which reaffirmed its previous funding proposal (**attachment 3**).

A meeting with the Minister of Transport was immediately arranged for 27 September 2001, however, this was subsequently postponed to 2 October 2001. The Minister was provided with a one page note on the issues (**attachment 4**).

The Minister, Hon Mark Gosche, was very receptive to the Council’s concerns. He appreciated that Wellington’s passenger transport system was a mature system and therefore the issue was about retaining these passengers rather than increasing patronage. He said he would look into the matter and get back to us as soon as possible.

Yesterday I made contact with his senior advisor, Robyn Henderson. No decision on a response has yet been made but she did say that they had discussed it on a number of occasions and that they saw the need to think outside the square if they were to arrive at a sensible solution. They appreciated the need to make a decision urgently and would be in contact again soon.

3. **Recommendation**

1. *That the report be received.*
2. *That the Council empower the General Manager to accept a Lambton Interchange funding solution, that may result from the intervention of the Minister of Transport, that is no worse than the current Transfund New Zealand offer.*

Report prepared by:

DAVE WATSON
Divisional Manager, Transport

Attachments:

- 1- Letter from WRC to Transfund dated 7 September 2001**
- 2- Funding proposal**
- 3- Letter from Transfund to WRC dated 24 September 2001**
- 4- Note for meeting with Minister of Transport on 2 October 2001**

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7 September 2001

Mr M Gross
Chairman
Transmnd New Zealand
PO Box 233 1
WELLINGTON

Dear Michael

Funding of Lambton Bus/Rail Interchange

With regard to the above subject, I have to advise you that my Council does not accept the patronage funding claw back condition placed on the decision of your Transmnd New Zealand Board, of 16 August 2001, to provide a contribution of \$2.778m to the Lambton Bus/Rail Interchange. They have instructed me to seek an urgent meeting with representatives of your Board to find a solution to this problem. They also require me to make direct contact with the Minister of Transport to inform him of the issue and to solicit his intervention.

My Council believes that it has been caught unfairly in a series of changing circumstances not of its making that lead the Transfund Board to make pragmatic decisions. I have attached a copy of the report that went to my Council. I will traverse some of the main points raised in it and add some that were made at the meeting on receipt of papers released by Transfund officials to Auckland Regional Council after a request under the Official Information Act.

The Lambton Bus/Rail Interchange appears to me to be one of two projects, the other is the Hamilton City Bus Station, that were put forward as ATR (Alternatives to Roding) projects prior to the introduction of government initiatives on patronage funding. The initial application for Lambton was made in March 2000 well before the consideration and later introduction of patronage growth funding.

The project proved ultimately to be fundable under ATR procedures and finally in June 2001 your Board formally approved it and confirmed its funding as part of the 2000/01 National Roding Programme.

It was a complete surprise to me and my Council that the ATR funding approved should be conditional on the Council forgoing further patronage growth funding, initially \$2.738m which was reduced to \$1.369m at your Board's 16 August 2001 meeting.

My Council knows that passenger transport patronage growth in Wellington will be modest. We have a mature network that currently carries about 30% of daily commuters into Wellington. We are predicting patronage growth of no more than 2% per annum over three

years and then static thereafter. Achieving even this target will require significant investment. But your Board's proposed claw back of \$1.369m in patronage growth funding, equivalent to about one and a half years predicted passenger growth will have a material effect on my Council's future public transport expenditure. This appears contrary to the Government's stated intentions of supporting additional public transport investments to maintain and growth patronage.

At my Council's meeting on 5 September 2001 we had access to the papers provided to Auckland Regional Council under the Official Information Act. We had the submission to the Board on the "Double Funding" issue, the proposed consultation document and a legal opinion. Our reading of the NRP agreement between Transfund and the Council is that before there is a change in Transfund policy or any of the procedural manuals, Transfund will consult with the industry. Clearly that was the intention of Transfund regarding this issue. However, for reasons that are unclear, this did not take place. My Council believes that Transfund has failed to follow the agreed process in this matter and has therefore been left to take pragmatic decisions on a case by case basis.

I do not wish to place either you or your Board in a difficult position, neither do I feel that I should meet with Mark Gosche until we have explored all avenues to reach a form of agreement. Similarly, a formal meeting between your Board and representatives of my Council might perhaps restrict free and frank discussion. I therefore suggest that once you receive this letter we make contact and arrange to meet informally in my office. I would invite Cr Terry McDavitt, Howard Stone and Dave Watson to be with me and you no doubt would be appropriately accompanied.

Perhaps you would be good enough to contact me at your early convenience.

Yours sincerely

STUART MACASKILL
Chairman

WELLINGTON LAMBTON INTERCHANGE FUNDING PROPOSAL

The Funding Proposal

The project has five elements, these, are:

- The pedestrian subway (\$940,000)
- The station forecourt (\$711,000)
- The bus terminal (\$6,409,000)
- Pedestrian shelters (\$2,316,000)
- Bus priority (\$454,000)

It is proposed that the five elements be funded as separate items as follows:

- The subway as a refurbishment of the existing subway and therefore attracting the average Financial Assistance Rate (FAR) for bus and rail, that is 50%.
- The station forecourt as a refurbishment of the existing forecourt and therefore attracting a FAR of 60%.
- The bus terminal as 90% refurbishment of the existing terminal and 10% as improvements to attract additional patronage (see below for calculation of this), hence a FAR of 40% for the refurbishment and capitalisation of patronage growth up to the cost of the remainder.
- The pedestrian shelters as “Kick start projects”.
- The bus priority as a local road.

Calculation of the Transfund contribution

The proposed Transfund New Zealand contribution to each element of the project then becomes:

- 50% of \$940,000 which equals \$470,000.
- 60% of \$711,000 which equals \$426,600.
- 40% of 90% (for the basis of this see below) of \$6,409,000 which equals \$2,307,724.
- 40% of 10% of \$6,409,000 capitalised patronage growth funding which equals \$256,360.
- Kick start funding of \$1,325,000.
- Road funding of 43% of \$454,000 which equals \$195,220.

All up Transfund will contribute about \$4.98 million. The Regional Council would forgo \$256,360 in future patronage funding.

Funding Options.

There are two basic ways this funding could be arranged. Assuming that this is Wellington City's project all Transfund monies should be paid direct to Wellington City. Then the funding flow would be:

Transfund gives Wellington City \$4.98 million.
The Regional Council funds the rest through a service agreement with Wellington City and forgoes \$256,360 in future patronage funding.

If we assume that the Regional Council baseline funding should change to reflect this refurbishment project then the following proposal might be appropriate:

Transfund gives Wellington City \$1.78 million for the kick start, the road improvement and the terminal enhancement.
Transfund contributes on an annual basis through the Regional Council service agreement a further \$2.95 million (a calculation of an annual payment for the length of the service agreement would have to be made) and the Regional Council does not forgo any patronage growth funding.

Basis for the 90/00 split

About 30,000 trips come through the Wellington station each working day. This is about 250 times 30,000 or 7,500,000 trips. The interchange has been calculated to attract about 100,000 people* more a year (see ATR evaluation). Of the 7,500,000 about a 15% (see ATR evaluation) use the interchange this is therefore approximately 1,000,000 people. The extra passengers are therefore about 10% of the current total.

Financial Effect of Transfund Position

The difference in rating between the above proposal and the current Transfund decision is \$1.79 m. This is equivalent to a 4% rate increase and is similar to the total patronage growth funding the Region hopes to receive this financial year. If the Council has to find this amount from transport rates then the Council will have to cancel many of its new public transport initiatives which appears somewhat contrary to the governments intentions for passenger transport.



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Notes for Minister of Transport, Hon Mark Gosche

Transfund New Zealand contribution to the Wellington Lambton
Bus/Rail **Interchange**

The Project

Refurbishment, reinstatement and enhancement of passenger facilities at the Wellington Lambton Bus and Rail terminal. Total cost \$10.89 m.

The Issue

Transfund New Zealand view the majority of the interchange as a new project that will generate additional patronage and can therefore be funded by capitalising projected patronage growth income.

The Regional Council views the project as 90% refurbishment and reinstatement of an existing facility and 10% as an enlargement or enhancement. The Regional Council accepts that the 10% can be funded through capitalisation of patronage growth funding income (see attached detailed analysis).

The Difference in Funding

Transfund's view

Transfund's total net contribution	\$2.93 m
Local/Regional rate payer contribution	\$7.96 m

Regional Council's view

Transfund's net contribution	\$4.72 m
Local/Regional rate payer contribution	\$6.17 m

Some Background

- Wellington Regional/City Council applied for ATR funding in March 2000
- Patronage funding started on 1 October 2000
- ATR evaluation accepted by Transfund in May 2001
- Transfund approve funding in June 2001 from NRP

Other Issues Arising

- Transfund funding policies changed after ATR application was lodged
- Transfund "double dipping" policy was not communicated to us nor were we consulted on it as required under Transfund's agreement with Regional Council