



NZ TRANSPORT AGENCY  
WAKA KOTAHI

# NZTA Funding Assistance Rates (FAR) Review

## RCA Forum

Clare Sinnott – 19 April 2013

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# Some Questions

Do your Councillors know what funding assistance rates your Council currently receives for:

- Local road operations and maintenance?
- Local road improvements/new roads?
- Emergency works?
- Transport planning?
- Walking and cycling?



Do they know how those rates are calculated?

Do they know what a “special purpose road” is?

## Some Questions cont.

How much of that did they know that  
before this review started?

Are they *HAPPY* with those rates?



# Some Questions cont.

Do you know what FAR your council/regional council gets for:

- The public transport improvements they construct on or near your roads?
- The public transport services run on your roads?
- The Total Mobility Services used by people with an impairment which affects their mobility while travelling on your roads?



# Why are we doing this review?

Setting funding assistance rates is a vital part of determining how National Land Transport Fund revenue gets invested. How funding assistance rates are set has implications for the land transport system, and Council finances generally, throughout the country. We need to be confident that the way funding assistance rates are set is valid and appropriate within the statutory and policy framework that exists now. (The formula for setting Base FARs, which sits at the heart of the current system, was specifically set up with the aim of implementing statutory requirements that no longer exist.) It is also important that we are confident that the funding assistance rates system is reasonable and efficient.

We are not alone in considering that the funding assistance rates system needs looking at. The local government sector has expressed dissatisfaction with the current system for a number of years. This was particularly apparent the last time we reset the Base funding assistance rates for local road operations and maintenance in 2011.

Conversations we have had during this review have also confirmed a concern we had going into it that, given the passage of time since the current system was set up, there is a very uneven level of understanding within the local government sector about how the current approaches to setting funding assistance rates work and what they were, and were not, set up to achieve.

*Extract from NZTA letter to LGNZ  
11 April 2013*

# How the statutory requirements have changed over time

1959 - Standard FAR of 3/7ths (42.8%) of approved expenditure for all local authorities plus National Roads Board discretion to top up that funding taking into account, among other things, a local authority's financial position

1980 - the National Roads Board adopted a formula to provide a consistent method of assessing a council's FAR- the current Base FAR formula. This keeps the minimum 43% Base FAR and tops up funding for Councils with less ability to levy rates

1989 - The statutory requirements for a standard 42.8% FAR and to take into account a Council's financial position are abolished. Transit decides to stick to the Base FAR formula

2008 - NZTA required to set FARs in accordance with any criteria set by the Minister of Transport, seek value for money from investment of the NLTF, give effect to the GPS etc.





# Reaction to the Base FAR rates being reset in 2011

## Ratepayers to pay more for roading

The formula to determine the amount of money each council received was based on land value which, Mr Adamson said, was not a fair representation of the district's ability to pay.

Southland's land value had increased because of dairy farm conversions over the years when other regions were decreasing, which led to the funding cuts.

However, because of the increase of farms in the area, there was a significant amount of heavy traffic and a lot of road maintenance was needed.

## Rangitikei 'toothless' after road fund cuts

He said while the funding assistance rating looked like a subsidy, it was not.

"It's our share of the diesel and petrol tax. The Government's taken a hell of a lot of money out of petrol and diesel, they decide how much we're then to get. Our rate was 59 per cent, it's down to 58 per cent - it's a real issue."

## Anger over roading cuts

Councillor John Leadley wondered if the funding distributors ever looked at value for money. "It would not be right if we didn't express extreme concern at this," Mr Leadley said.



# Some media comments during the current consultation period on this Review

*The subsidy comparisons surprised her council, Van Uden admits: 'This level of disparity in the [NZTA] funding assistance was news to a fair few of us' ... The national road-funding formula, dreamed up in 1959 and last changed significantly in 1979, is under review - and an overhaul can't come soon enough for Van Uden" - Mountain Scene, 20 March 2013*

*"The FAR Funding is most important to a district like [Waimate]; it is absolutely essential that we retain the level of funding that we are getting." - Timaru Herald 20 March 2013*

*"I don't think its fair that a major activity which increases traffic in an area and provides a big return to central government should not be compensated to the local community." - Harry Duynhoven - transcript of Morning Report interview in relation to government road funding, 15 March 2013*

*"Perhaps surprisingly, it is 30 years since the way that FARs are set was last changed - making this review well overdue" - The Gisborne Herald, 19 March 2013*





# This Review is an opportunity

**This Review is an opportunity for you, and your Council, to shape the principles that apply to the funding of local land transport activities going forward**



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New Zealand Government

# Shouldn't NZTA wait until other current reviews have been completed?

We know that it is probably not going to get easier, and could get harder, for the local government sector to:

- Access developer contributions
- Use debt funding
- Raise rates

We know that recent legislation changes make it easier for Councils to reorganise

We know that the Government is concerned about house/land prices and has raised questions about the impact of land use planning controls on those prices

**We know this stuff, we can factor it in**



# Shouldn't NZTA wait until other current reviews have been completed? cont.

Early in 2011 we signalled that we would be doing this review

If we waited until the lead up to the 2018-2021 investment period in 3 years time there is no guarantee that there wouldn't be more reviews going on then – in the local government sector or in the transport sector

How about a FAR setting system that “strikes an appropriate balance between providing certainty for AOs and being agile enough to respond to change”?



# Revised Review Timeline

March to early May 2013 - Consultation on FAR Review Discussion Document

July 2013 - NZTA decides on the overall approach(es) for setting FARs and asks the Minister if he wishes to set any FAR criteria

Friday 20 September to midday Saturday 12 October 2013 - Local Government Elections

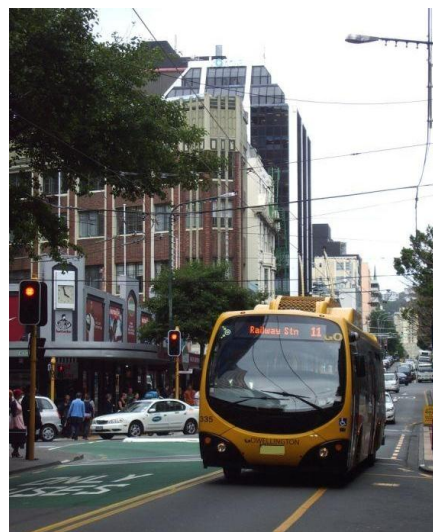
November 2013 to January 2014 - Consultation on FAR Review Options Paper

February/March 2014 - NZTA decision on specific methods for calculating FARs going forward and likely funding assistance rates for the 2015-18 investment period



# Discussion Document - Eight possible overall approaches

1. Flat Approach
2. Differences Approach
3. Classification Approach
4. Revenue Approach
5. Population Approach
6. Incentives Approach
7. Contribution Approach
8. Relative Benefit Approach



# Why isn't the *status quo* in the Discussion Document?

## It is there

The *status quo* is a mixture of a Flat Approach, a Differences Approach, a Classification Approach and an Incentives Approach

We have included “IS THIS APPROACH USED NOW?” boxes in the Document to help identify this

We have an open mind as to whether or not the *status quo* should be changed and, if it was to be changed, what changes should be made



# Making a submission

**By 5pm Friday, 3 May 2013**

**Either:**

· **Online at**

**[www.nzta.govt.nz/far](http://www.nzta.govt.nz/far)**

· **By email**

**[farreview@nzta.govt.nz](mailto:farreview@nzta.govt.nz)**

· **By mail FAR Review  
Discussion Document  
Submissions, NZTA, Private  
Bag 6995, Wellington 6141  
(Attention: Clare Sinnott)**



Thank You

**QUESTIONS?**

[www.nzta.govt.nz/far](http://www.nzta.govt.nz/far)



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