

NZTA

FUNDING ASSISTANCE RATES REVIEW

PRESENTATION TO THE ROAD CONTROLLING
AUTHORITIES FORUM
29 NOVEMBER 2013



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NZTA



Land transport funding

What's wrong with the status quo?



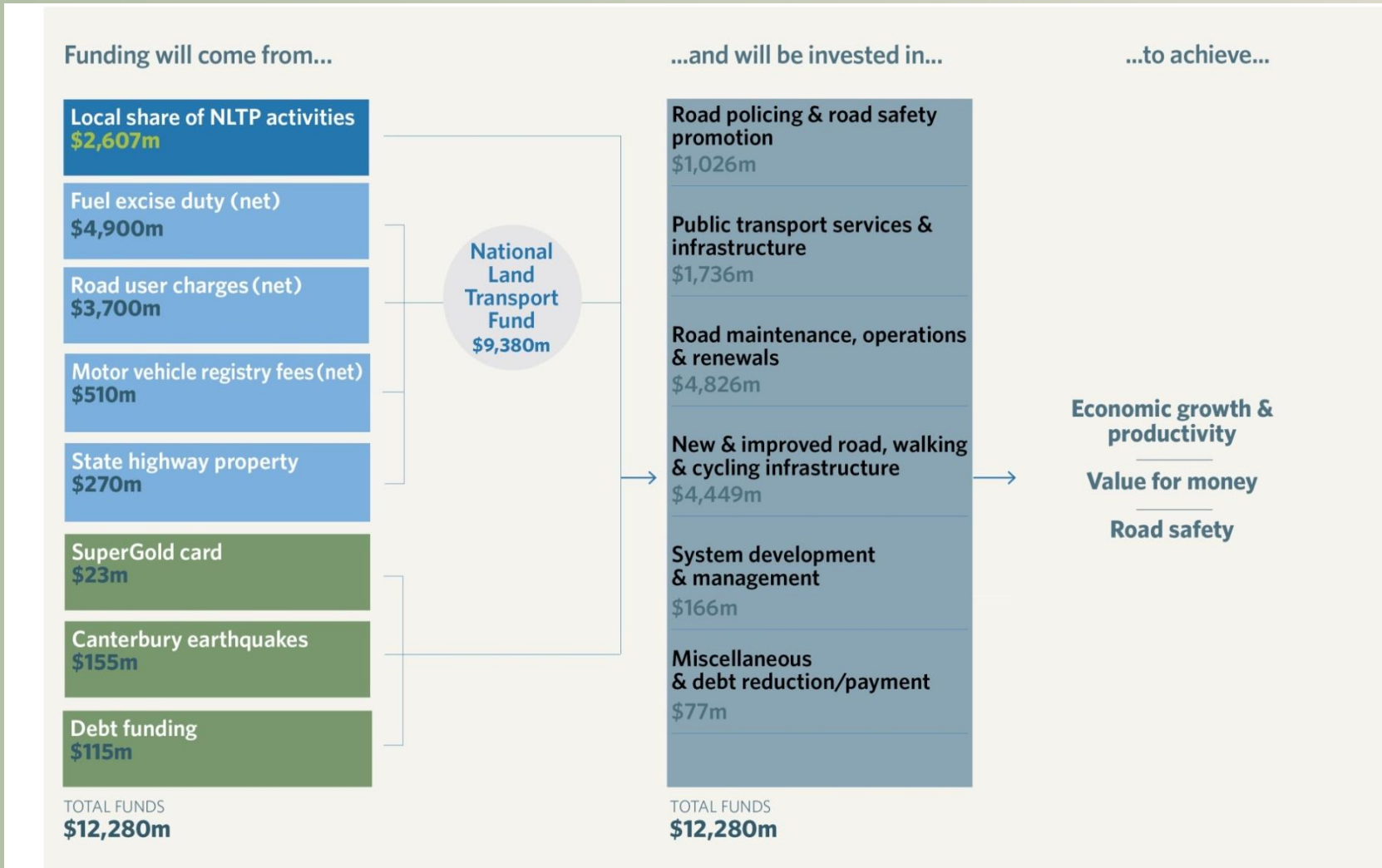
The provisional framework



Testing options



LAND TRANSPORT INVESTMENT - FUNDING AND DELIVERING A \$12 BILLION DOLLAR PROGRAMME (2015-2018)



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 NZ Transport Agency letter to LGNZ
11 April 2013*

WHAT'S WRONG WITH THE STATUS QUO?

- **No clear overall split of costs** between direct land transport system users and local
- **Likely to work against value for money/optimal land transport outcomes** due to the wide range of different funding assistance rates that exist for different activities under the status quo, and the very high funding assistance rates for some activities
- It is **unclear whether the differences** between Councils approved organisations currently taken into are differences that **materially affect some Councils' ability to deliver land transport outcomes.**
- **Different components seek to achieve different policy objectives**



WHAT'S WRONG WITH THE STATUS QUO? CONT.



- Having so many different funding assistance rates applying to different activities means the system as a whole is **less efficient to apply**.
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- Some of the metrics currently used **not reliable objective data**.

THE PROVISIONAL FUNDING ASSISTANCE RATES FRAMEWORK

One rate for each
AO

- Other than where targeted enhanced funding assistance rates were used and, possibly, for emergency works.
- This means that local authorities who manage special purpose roads would receive the same funding assistance rate for those special purpose roads as they do for all their other local roads

Overall NLTF co-
investment rate

- There would be a set overall NLTF co-investment rate that determines what proportion of the overall costs of delivering eligible land transport activities would be met from the Fund.

Factors materially
affecting delivery

- Some approved organisations would receive a funding assistance rate that was above this overall co-investment rate to take into account factors which materially affect their ability to deliver land transport outcomes.
- Consequently other approved organisations would receive a funding assistance rate that was below the overall co-investment rate.

Only costs for fit for
purpose standards

- National Land Transport Fund (NLTF) revenue would be used for the eligible costs of undertaking or maintaining a land transport activity to fit for purpose standards

Targeted enhanced
rates

- Targeted enhanced funding assistance rates could be used in exceptional circumstances and for time limited periods.

DEVELOPING AND TESTING OPTIONS

We are now developing options for how the provisional funding rates framework could be applied

Given the complexity of the issues involved, we do not think that there is a perfect option and what we are trying to find is the best of the imperfect options available.

We will soon be seeking your feedback to help us select, shape and refine the final methods we use to set and apply funding assistance rates.



WHAT WE WILL BE ASKING YOU ABOUT

- **What should the overall split of costs be between direct land transport system users (the NLTF) and local communities?**
- **Should some Councils receive a funding assistance rate that is higher than this overall rate? If so, which ones? Why? How much higher should their funding assistance rates be?**
- **How do we decide which natural events would attract elevated emergency works funding assistance rates? How would those elevated rates be set, and what would they be?**
- **How do we transition in any changes to funding assistance rates?**
- **Which Department of Conservation carriageways should be eligible for NLTF funding and at what rate(s)?**



ANY QUESTIONS?

