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## **Report 02.233**

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Report to the Policy, Finance and Strategy Committee  
From Dr D J Watson, Divisional Manager Transport

### **Transfund New Zealand Patronage Growth Funding Holding Package**

#### **1. Purpose**

To approve a Council response to the proposed Transfund New Zealand “Special Allocation of Funding for Rail Rolling Stock Refurbishment” and “Patronage Growth Funding Holding Package”.

#### **2. Background**

The Councillors Bulletin of 28 March (Issue number 2002/13) included a copy of a letter from Mr Martin Gummer of Transfund New Zealand with two attachments headed “Special Allocation of Funding for Rail Rolling Stock Refurbishment” and “Discussion Paper – Holding Package for the Patronage Funding Scheme”.

**Attachments 1 and 2** are further copies of these papers. The letter sought a response by 5 April 2002. At the special Policy and Finance Committee held on 4 April 2002, a draft response was tabled and subsequently adopted. The response suggested that Transfund New Zealand should not adopt the holding package at its April meeting but hold a workshop for regional councils to explain the proposal and seek input.

Transfund received similar submissions from other regional councils. As a consequence a workshop was held on 29 April in Wellington. Cr McDavitt and Cr Turver attended. Five regional councils and four district councils were represented. Cr Harland of the ARC was the only other Councillor. Transfund was well represented by key senior staff and the chairman Michael Gross.

#### **3. The Workshop Presentation**

The workshop was primarily concerned with the patronage funding holding package. The key part of the workshop presentation was a graph showing Transfund’s current and predicted expenditure on passenger transport. This graph highlighted that the additional funds for passenger transport, announced by the Minister of Transport earlier in the year, did not provide for all the expected growth in patronage in the

2003/04 year. A consequence of this limitation was the need to retain the funds known to be available. Higher than anticipated patronage growth in Auckland and Canterbury (in the order of 10% per year) was the primary source of the funding problem.

Transfund are fully committed to a total “back to basics” review of the funding of passenger transport. They may have substantially completed that review prior to 2003/04 but it is unlikely to be implementable until the 2004/05 year.

In the discussion at the workshop a number of ideas emerged to assist Transfund with its funding problem. The two key ones were:

- The ATR (alternatives to roading) output is to increase from \$9m a year to \$20m a year. This is a separate output to that of passenger transport. Transfund have had problems spending the \$9m allocation and anticipate a similar difficulty with the \$20m allocation. It was suggested that some public transport expenditure should qualify under ATR and hence reduce the call on the passenger transport output. Such projects being the less than \$400,000 capital projects such as station carparks, bus lanes and so on. Also that urban rail carriage refurbishment in Auckland and Wellington, a possible major cost in 2002/03 and 2003/04, could also come under the ATR output.
- Kick-start funding for new projects should be extended into 2003/04 so as not to lose the momentum of that programme. The smaller regions joined the programme late and it appears too restrictive to stage the programme before the review is completed.

#### **4. Rolling Stock Refurbishment**

The special allocation of funding for rolling stock refurbishment has been established as being a \$3m one off contribution from Transfund to be spent prior to the start of the new passenger transport funding scheme set to start on 1 July 2004. This one off special allocation is above the baseline funding of rolling stock refurbishment already identified in the Council’s proposed annual plan. Transfund have requested an indicative response to their offer prior to their finalisation of the National Roothing Programme on 5 June 2002.

For the Council to take advantage of this one off offer it would need to find a local contribution of \$2m, that is 40% of \$5m. The local contribution could come from:

- rates over the next two years
- a loan raised by the Council
- the future urban rail operator

Transfund have set out the conditions relating to the offer. These conditions have already been advised to Tranz Rail Limited.

## 5. A Possible Response

**Attachment 3** is a draft submission on the Transfund Holding Package. The submission restates some of the comments in the original submission but also takes into consideration the discussions held at the Transfund workshop.

There is little doubt that refurbishment of the English Electric carriages is overdue. The Transfund offer provides a way to accelerate that refurbishment programme. However, the Council is part way through its own annual plan process and it would be inappropriate for the Council to deal with this matter outside that process. It is suggested that to enable the offer to still be on the table during the Council's annual plan deliberations the Council needs to respond proactively to Transfund. If the Council is unable to take up the offer, even in part, for the 2002/02 year it may still be possible for it to be accommodated in the first year of the upcoming Long Term Council Community Plan for 2003-2013. The emergence of a new rail operator, sooner rather than later, might enable the offer to be taken up with limited effect on the annual transport rate.

## 6. Communications

There are no relevant communication matters.

## 7. Recommendations

*That the Committee recommend to Council:*

- 1) *the adoption of the draft submission on the Transfund New Zealand Patronage Growth Funding Package.*
- 2) *that it advises Transfund New Zealand that it accepts the offer of a one off additional \$3m contribution to rolling stock refurbishment over the next two years, and that this will be taken up once the pending sale of Trans Metro Wellington has taken place.*

DAVE WATSON  
Divisional Manager, Transport

### Attachments:

- 1- **Discussion Paper – Special Allocation of Funding for Rail Rolling Stock Refurbishment**
- 2- **Discussion Paper – Holding Package for the Patronage Funding Scheme**
- 3- **Draft submission on the Transfund New Zealand Patronage Growth Funding Holding Package**