LTP Finance Working Group
Workshop

28 July 2017

Agenda

- Public Transport rates - discussion
- Activities review update
- Infrastructure update

Options for Public Transport rates

- Purpose of PT
- Current PT rates model
- Rating model discussion

Community outcomes

Strong economy

The public transport network supports the region's economic activity, by increasing transport options to enable the efficient movement and of people and goods, especially on congested corridors

Connected community

Public transport enables people to move around the region and get access to social and economic opportunities

Healthy environment

Public transport supports the reduction of adverse effects from private vehicles, including reducing CO_2 emissions, particulate emissions and road traffic noise
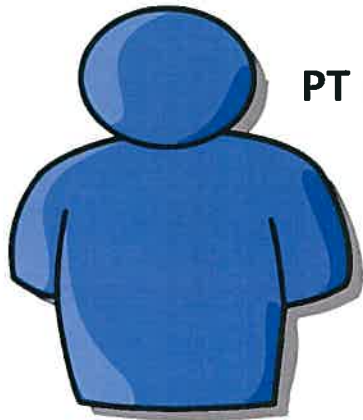
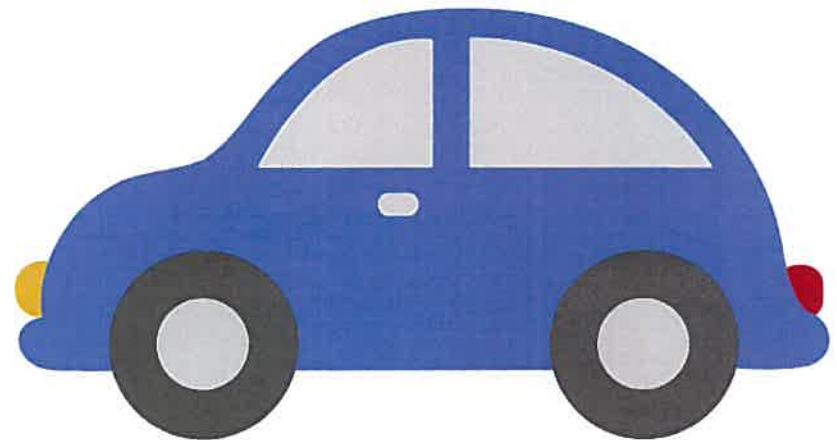# Purpose of Public Transport as an Activity

GW wants to provide..
... a high quality, integrated and reliable
regional public transport network
that attracts new users

- **to support the region's economic activity and**
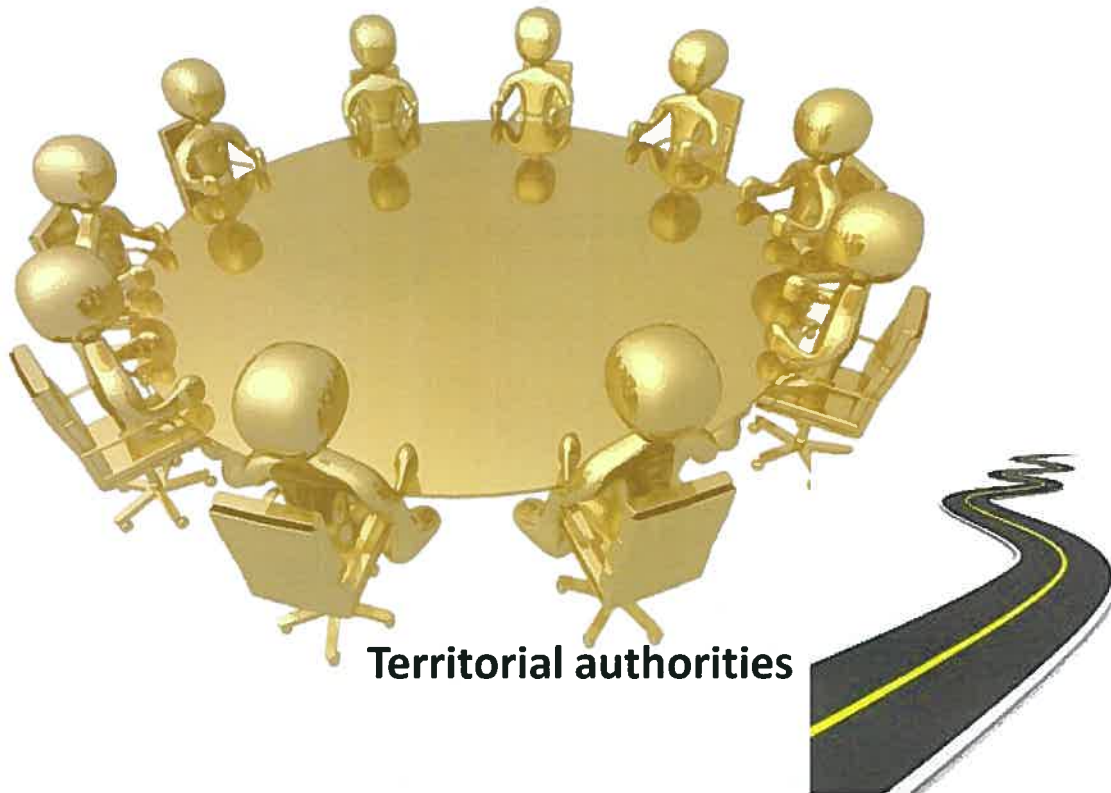- **to improve community accessibility**

Who benefits from PT?

PT passengers

Road users

Who benefits from PT?

Transport disadvantaged

Territorial authorities

Who benefits from PT?
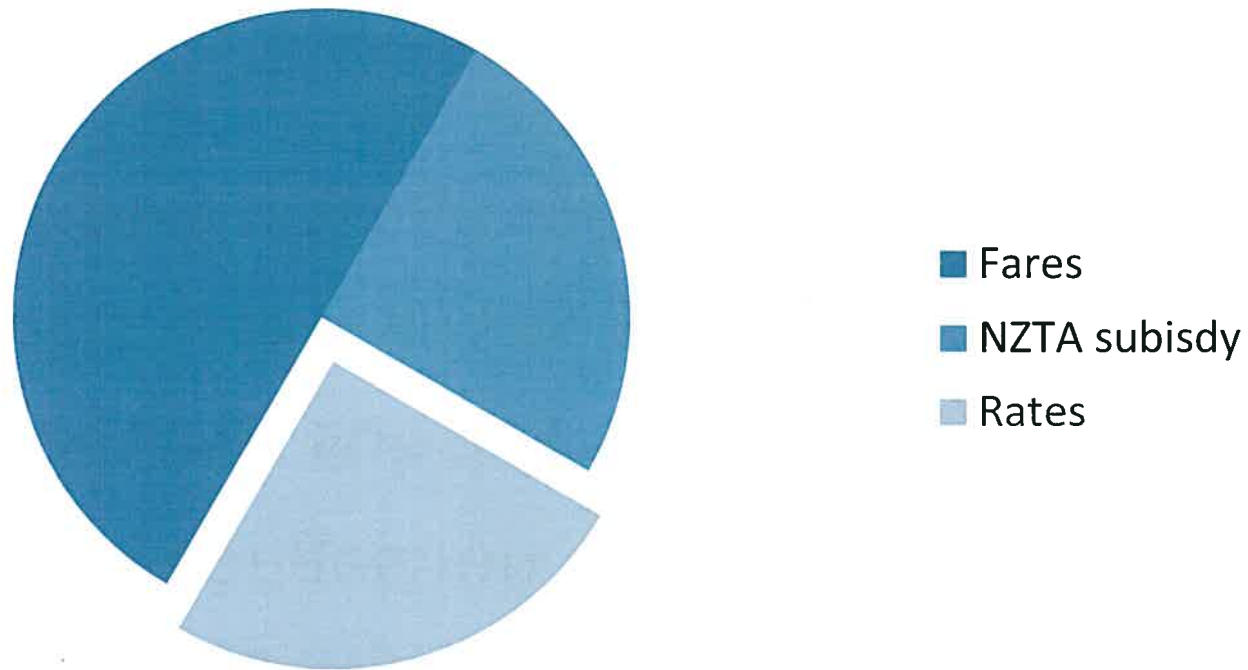
The CBD & businesses

Who benefits from PT?

EVERYONE

- safer transport (⬇ reduced deaths and serious injuries)
- efficient land use
- compact, urban environm
- ⬇ reduced CO2 emissions
- ⬇ reduced pollution
- ⬆ transport choice

Funding sources

- Fares
- NZTA subisdy
- Rates

Rates contribute approximately 25%

Why fund PT with rates?

- PT **enables more economic activity** at a fixed level of congestion
- PT **requires subsid**y
  - Fares cannot <u>and should not</u> cover full cost
  - No road pricing/congestion charges

The PT rate today

- Basis of surrogate congestion charge
- Underlying economic model from 1990s
- Subsequent reviews have changed aspects of allocations but fundamental approach remains the same
- Targeted rate
  - based on CV
  - highly complex calculations

Summary of PT rates
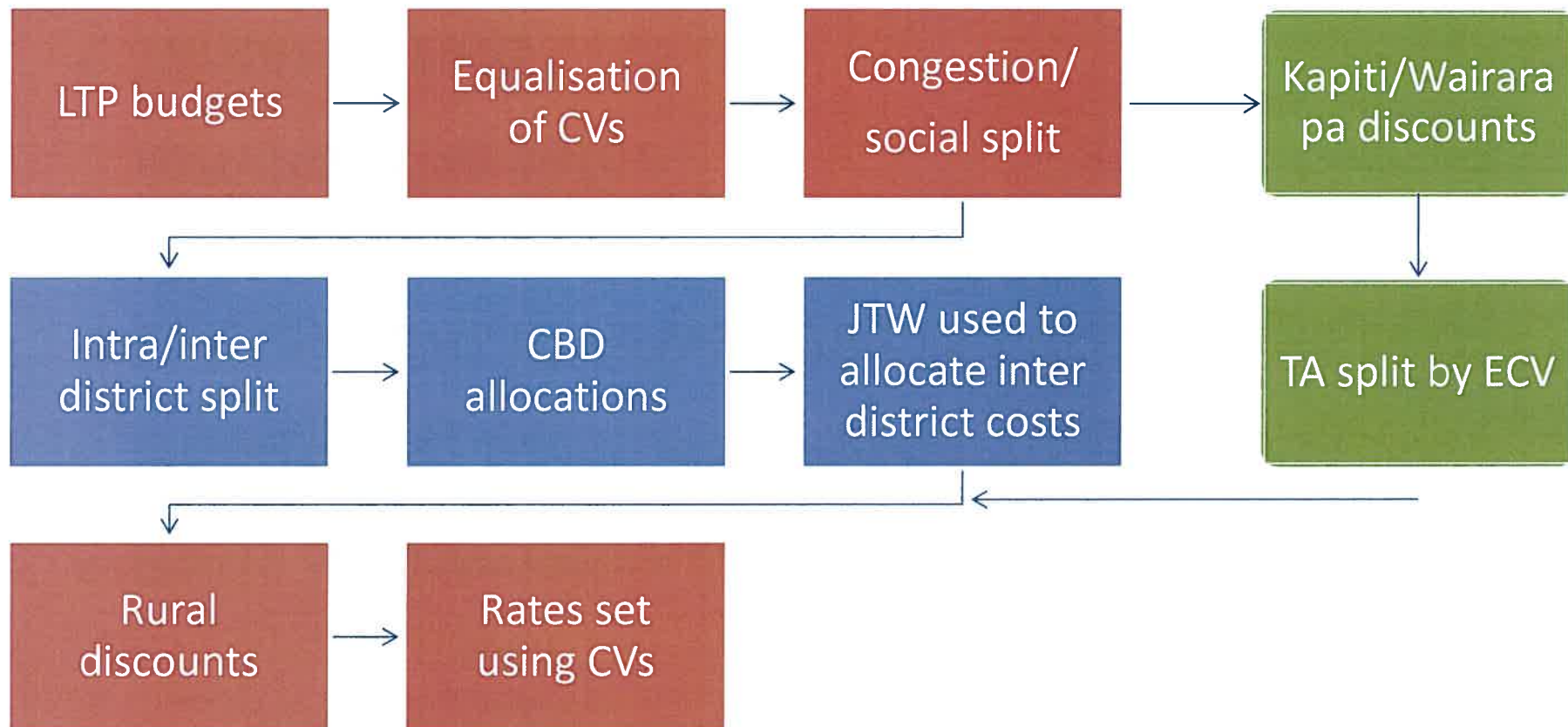
Opportunities for change

We could create a funding system that addresses

- **Benefits** - to reflect the benefits that different groups receive

- **Equity** – so ratepayers in similar situations pay similar rates

- **Network** – create a funding system that reflects our integrated network
  - Goes where people want to go
  - At the times they want to travel

What we are looking at

- How we allocate rates to different groups of ratepayers
- If we reduce rates for one group, then someone else gets a rate increase

Assessing rates

- Fairness
- Distribution of benefits
- Responsive to change
- Stability
- Transparent

Option 1: General rate

- 100% General rate

- No differentials, no discounts

- Funding formula based on ECV for each TA

- Then allocate by actual CV within TA

Option 2: CBD Fixed share

- Allocate a fixed funding requirement to CBD
- Allocate balance using Option 1 mechanism

Option 3: Levels of service

- Allocate costs based on levels of service within TA

- Apply differentials

Option 4: Levels of benefit

- Takes a network approach
- Assign differentials based on different levels of benefit
  - Wellington CBD
  - Businesses
  - Residential
  - Rural
- Allocate funding requirement using ECV

Assess the options

	Status quo	General rate	CBD - Percentage splits	Differentials	Level of service
Fairness					
Distribution of benefits					
Responsive to change					
Stability					
Transparent					

Next steps

Model PT rate options

Consider wider rates impacts

Infrastructure update

- Draft Asset Management Plans being completed
- Draft infrastructure spend – A3

PT Rates Discussion

Option 1   General rate

How it works

100% General rates, no differentials, no discounts

Step 1   Funding formula based on ECV for each TA

Step 2   Then allocate by actual CV within each TA

For every $100k of property EC value, all ratepayers would pay the same rate.

Getting there

Large change for some groups – would need a transition mechanism.

Pros

Responsive to changing service levels

Stable – only marginal changes each year.

Transparent - and easy to explain.

Cons

Distribution of benefits - Poorly reflects the benefits that different groups receive.

Fairness ???

Option 2: CBD fixed share

How it works

Step 1   Allocate a fixed share of the funding requirement to the CBD

Step 2   Allocate the balance using the Option 1 General rate mechanism. (No differentials, no discounts)

Funding formula based on ECV for each TA

Then allocated by actual CV within each TA

Getting there

Large change for some groups – would need a transition mechanism.

Pros

Distribution of benefits – Could reflect CBD benefits of PT, if the share was set at the right level.

Responsive to changing service levels

Stable – only marginal changes each year.

Cons

Poorly reflects the benefits that different groups receive.

Transparent – it will not be obvious why the CBD share is fixed at any particular level.

Fairness - ??

Option 3   Levels of service

How it works

Step 1   Allocate costs to ratepayers based on levels of service within TA

Step 2   Apply differentials for ???

Getting there

Large change for some groups – would need a transition mechanism.

Pros

Stable – only marginal changes each year.

Responsive - Changing service levels will trigger changing rates.

Cons

Fairness –The model treats all services as identical, ignoring distance and duration of each service.

Distribution of benefits - Ignores benefits and is focused on costs (like current model)

Transparent - ??

Option 4   Levels of benefit

How it works

Steo1   Assign differentials based on different levels of benefit

Wellington CBD, Businesses, Residential, Rural

Step 2   Allocate funding requirement using ECV

Getting there

Large change for some groups – would need a transition mechanism.

Pros

Fairness – If differentials are set at fair levels

Distribution of benefits – Allocates funding requirements in line with benefits.

Stable – only marginal changes each year.

Cons

Responsive - Changing service levels will not trigger changing rates.

Transparent - ??