



Report **06.51**
Date 28 February 2006
File G/06/01/01

Committee **Policy, Finance and Strategy**
Author **Nigel Hutt Manager, FIS & Special Projects**

GW Transport Rates Apportionment Methodology and Allocation Model

1. Purpose

To seek the Committee's approval of the transport rates apportionment methodology and allocation model used in the preparation of the proposed 2006/07 Annual Plan.

2. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council. However, the proposed changes to the Revenue and Finance Policy will be discussed with the community as part of the LTCCP special consultation process.

3. Background

GW has reviewed the way that it allocates transport rates across the region. The main reasons for this were:

- The previous rating allocation model used old statistics based on passenger boarding and alighting statistics from a survey carried out in 1996.
- Population demographics have changed in the region.
- Some previous cost apportionments were estimates and better information is now available.
- Transport service levels have changed markedly.
- The recently announced government funding initiatives will see the Council spending additional money for enhancing the public transport network, including the purchase of rail infrastructure and rolling stock. It is proper to ensure the transport rating model allocates this new expenditure appropriately.

As part of the review several rating model alternatives were considered and discussed with Councillors. The Council indicated a clear preference for the rail network approach for allocating costs.

As a result a new rating model has been developed that allocates the cost of the rail network to ratepayers, based on origin and destination travel statistics taken from the latest national census. The new rating model was used to calculate the transport rate in Greater Wellington Regional Council's proposed 2006/07 Annual Plan (incorporated in the proposed ten-year plan for 2006-16).

4. Allocation Methodology

Public transport expenditure is broken down into:

- Social
- Rail Services
- Bus Services
- Call Centre, Marketing & Administration
- Paratransit (Total Mobility)
- Transport Planning

The transport rates component of the expenditure is then allocated as follows:

4.1 Social

5% of total cost of providing public transport services is attributable to social benefit. This cost is allocated to territorial authorities across the region on equalised rateable capital value, and intra territorial authority by ratepayer class (Rural capital value discounted to 25%).

4.2 Rail services

- Total rail cost determined (rail operating contract, interchanges, car parks, rolling stock, and bus feeders)
- 5% social component deducted
- 20-25% of remaining rail costs are charged to commercial ratepayers in the Wellington Central Business District (the majority of congestion is caused by people travelling to and from the CBD).
- Remaining costs are allocated to districts, based on the origin and destination travel statistics. 50% of the cost is allocated to the district where the trip originated from, and 50% to the district of destination.
- Once costs are allocated to a district, they are apportioned on rateable capital values (RCV) within each Territorial Authority (TA) (rural RCV's discounted to 25%)

4.3 Bus services

- 5% social component deducted
- The balance of the cost of bus services (95%) is first allocated directly to ratepayers in each Territorial Authority based on the routes that the buses travel.
- Concessionary fares, by bus operator, are allocated across all bus services on the percentage of total expenditure.
- If the bus service provides a rail feeder connection, a proportion of the costs for that service is allocated to rail, based on the origin/destination statistics. School services are allocated directly, and no rail apportionment is made.
- If a service runs through two Territorial Authorities, a cost apportionment estimate is made (e.g. a service running through Upper Hutt and Lower Hutt is shared 60/40).
- Once costs are allocated to a district, they are apportioned on RCV within each TA (rural RCV's discounted to 25%)

4.4 Call centre, marketing and administration

- 5% social component deducted
- The balance is allocated to each district based on the weighted average of total expenditure previously allocated from rail and buses

4.5 Paratransit (Total Mobility)

- Allocated to each territorial authority based on percentage of population (from Department of Statistics).
- Within each authority, costs are allocated on rateable capital values, with a 50% discount for rural properties.

4.6 Transport Planning

- Allocated to each territorial authority based on ECV (Wairarapa discounted to 25%, rural RCV's discounted to 50%)

5. Comment

The impact of the new transport rating model is to adjust the apportionment of overall rates between districts, and the allocation between commercial, residential and rural ratepayers. As a result, the relative share of transport rates in the Lower Hutt, Porirua and Kapiti districts decreases, with consequent increases in the Upper Hutt and Wairarapa districts. However, the allocation

changes will be a one off correction, and any future transport rate changes will be driven by either service enhancements, or capital value movements.

The overall rating impact for 2006-07 is summarised in Attachment 1 provided.

6. Communication

The changes to the transport rates allocation methodology has been included in the Council's proposed ten-year plan. The revenue and financing policy has been updated, and will be discussed with the community as part of the LTCCP consultation process.

7. Recommendations

That the Committee:

1. **Receives** the report and notes its content.
2. **Approves** the transport rates apportionment methodology and allocation model used in the preparation of Greater Wellington Regional Council's proposed ten year plan 2006-16, incorporating the 2006/07 Annual Plan.

Report prepared by:

Report approved by:

Report approved by:

Nigel Hutt
Manager, FIS & Special
Projects

Barry Turfrey
Chief Financial Officer

Wayne Hastie
Divisional Manager:
Transport Infrastructure &
Procurement

Attachment 1: Proposed Regional Transport Rate 2006/07 Comparison