



NZ TRANSPORT AGENCY
WAKA KOTAHI

RUAPEHU DISTRICT
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29 September 2011

Mayor Sue Morris
Ruapehu District Council
Private Bag 1001
Taumarunui 3946

Councillors
**COPY FOR YOUR
INFORMATION**

SM. ✓ 13/10/11

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Dear Mayor Morris

Funding Assistance Rate

The Minister of Transport outlined to me the telephone discussion he had with you on the changes to funding assistance rates, and asked me to respond to the questions and issues that you raised. The Minister has also provided me with a copy of your letter dated 21 September 2011.

To put these changes in context, the funding assistance base rates that the New Zealand Transport Agency applies are frequently reviewed and adjusted to take account of changing circumstances and needs, while at the same time keeping the overall funding assistance rate at "50%" across the whole country. This has been long standing practice. The actual rates have not been adjusted for several years, although we have explicitly told local authorities what their funding rates would have been. In December 2006 your council was advised that the rate would have dropped to 61% for the 2007/08 year and in December 2007 the advice was a further drop to 60% for the 2008/09 year. Both these letters were sent to you by the Chief Executive of Land Transport NZ. We are changing some funding assistance rates now in preparation for the 2012-15 National Land Transport Programme, and where adjustments are necessary we are phasing those in over several years.

You queried whether the NZTA took into account the significant land value reduction recently in Ruapehu District. Yes we did. Across the country we use the "five-yearly averaged net equalised rateable land value" to calculate the base funding rate indicator. Within that averaged land value we used the latest figure of \$1950.5 million for the Ruapehu District as at 1 April 2011. Ruapehu has been treated like everyone else in terms of this calculation.

I understand you raised that the NZTA had encouraged the council to increase its maintenance programme and then the Council has been penalised in terms of funding assistance for doing that. Our approach is to work with every local authority to ensure road maintenance programmes are adequate and represent the best long-term value. We base this on pavement performance trend information and field inspections. We assist and advise local authorities on what is required, although the decision on the programme is for the

local authority to make. It's important to get the programme right and that needs to be independent of funding assistance rate.

You also asked about whether Ruapehu District was being treated fairly in comparison to Whanganui. From a land transport investment perspective, Whanganui District has different characteristics to Ruapehu District. Whanganui's base funding assistance rate has not changed for the 2012 -15 National Land Transport Programme because, relative to the rest of the country, the relationship between its maintenance/operations programme level and land value has been reasonably stable (its 2012-15 base rate indicator is within plus or minus 1% of its currently approved base rate and has been so since 2006/07). The base funding assistance rate for Ruapehu has reduced by 2% because the base rate indicator is 5% below the currently approved base rate. Ruapehu has therefore benefitted greatly from the decision to not apply any base rate changes since 2006/07.

I understand you are concerned that rural authorities may be disadvantaged in terms of funding assistance compared with suburban authorities. As indicated earlier the overall base funding assistance rate across the country is targeted at 50%. Any trends in base rate changes between urban and rural authorities can only come about through relative changes in either programme levels or land values. Programme levels are based on established need and land values are a well established proxy for affordability/ability to pay.

Having read your letter to the Minister of Transport dated 21 September, I understand the concerns you have and the rating difficulties your council now faces. However, after the previous letters you received, the situation should not have come as a surprise to your council. I can assure you that the Board's policy for setting funding assistance base rates has been applied to Ruapehu in the same way as it has to all other authorities. Ruapehu continues to receive a high rate of assistance compared to most other authorities around the country and was one of those fortunate few to have benefited from the decision of previous Boards to not adjust the rates earlier.

I trust this response helps explain our decision on the base rates for Ruapehu District. I would be happy to discuss this further if you wish.

Yours sincerely



Geoff Dangerfield
Chief Executive