



HUTT CITY COUNCIL EMERGENCY WORKS INVESTMENT POLICIES CONSULTATION FEEDBACK

Tēnā koutou e ngā kaihoe o te waka o New Zealand Transport Agency, Waka Kotahi.

Ānei te kōrero urupare a ngā kaihoe no Te Awa Kairangi mo tō koutou tono i te pukapuka “Emergency works investment policies consultation”, 1 May 2024.

Please find, as following, the Hutt City Council submission as requested in the “Emergency works investment policies consultation”, 1 May 2024.

Addressing increased liability in a sustainable manner

Hutt City Council acknowledges the significant increase in the scale and intensity of weather-related events, and also that the funding policy must support sustainable funding assistance across all funding parties: the National Land Transport Fund (NLTF), local shares, and Crown funding.

The proposed changes do not support sustainable funding if moved to the local share.

Hutt City Council does not agree that the solution to the insufficiency of the NLTF allocation should be to move financial liability to the local share by raising the threshold for eligibility and reducing the NLTF contribution.

Hutt City Council has seen, and supports, the comments of other Councils in the Wellington region which identify additional practical and implementation issues with the proposed changes.

The New Zealand Transport Agency Waka Kotahi (NZTA) is still the best placed party to manage this risk and funding settings should not be changed. Moving greater financial liability to Councils will not produce better risk management,

will have unintended consequences and will increase the risk that required remediation cannot be funded.

Engagement feedback questions

Feedback on nine questions was sought.

1. How would proposed changes impact our organisation?

Increased financial liability will require, at the local level, additional risk management and cost, affordability choices and uncertainty on the ability to reinstate the transport network.

During 2022/23 Hutt City Council used emergency works funding for initial response costs of \$2M, a further \$3.2M will be required from emergency works for the recovery phase. Hutt City Council spent a further \$6.7M, which should have been funded from emergency works for other slip damage from these same weather events.

These costs would likely have fallen entirely on ratepayers under the new settings. Each \$1.5M of cash funding requires a 1% increase in rates.

The current funding settings for the NLTF subsidy are still valid

Currently, the NLTP and policy settings generally operate on a national and system-wide basis, avoiding geographical NLTF revenue generation issues.

Increasing the costs local share bears will disproportionately impact smaller Councils, as they have a smaller rating base to fund these costs. NZTA already acknowledges regional differences in Financial Assistance Rates (FAR).

Councils have a more limited ability to bear unplanned costs

An affected Council is likely to be managing multiple effects of an event as well as also requiring additional debt and rates increases to cover the transport infrastructure damage which is now ineligible or has reduced subsidisation.

Generally, risk is best managed on a system-wide basis. If a risk manifests, its impact can be spread across the system. The NLTF has a larger revenue base and areas of funding cuts it can make, to absorb unplanned costs than individual Councils (even if they have reasonable sized rating bases).

Hutt City Council does not agree with the precedent NZTA is creating

The moving of liability to local share, if the current NLTF is deemed insufficient, is a NZTA precedent Hutt City Council does not agree with.

NZTA needs confidence damaged networks can be remediated

Councils' financial ability to fund ineligible or reduced FAR, rather than network need, may drive decisions and lead to unintended consequences; such as deferring urgent remediation, or declaring transport infrastructure uneconomical more aggressively.

Delays in remediation to more quickly restore network efficiency are more likely as Councils need more time to confirm funding (such as engaging directly with Government).

2. Do you support the changes or recommend different ways to address the issue?

Hutt City Council does not support the changes. The increased risk management is still best managed centrally and if NZTA funding is insufficient, reduced outcomes should be expected by NZTA.

NZTA should increase the NLTF allocation if it is Insufficient

Remediation and recovery of the current network is a priority for Councils and NZTA.

Decisions have been made to not immediately increase the NLTF revenue base. This indirectly, but logically, contributes to the NLTF insufficiency issue which drives the proposed changes.

If sufficient funding is not provided, NZTA cannot expect the same outcomes.

Transport and rating revenue mechanism decisions are distorted

The proposed changes moves funding from the specified transport funding mechanisms (FED and RUC) to Councils rating revenue mechanism to deliver the same outcomes.

This misaligns the consequences of FED and RUC decisions and distorts allocation trade-offs NZTA needs to make within the available NLTF.

This also distorts the local rating revenue mechanism (and linking cost with users) which delivers a wider range of services than transport.

Expected savings may be less than the cost of changes

The proposed policy changes suggest savings over 10 years, with a PV of approximately \$660M at a 2.5% discount rate. This saving should be compared to the total cost of nationally implementing risk mitigations that Councils are incentivised to consider. Hutt City Council's experience shows that retrospective resilience projects are very expensive, (its Eastern Hutt Road resilience project alone is currently estimated at \$45M).

Illustratively, an alternative, and more actively controllable approach may be at a national level (so there is scale), some targeted proactive resilience work on key infrastructure, combined with accepting a level of reactive remediation for other infrastructure. Such an approach might be, on balance, a more efficient solution than seeking the \$660M savings. This does imply a national, not local, led approach.

3. Impact on planning for investment in maintenance and resilience and what incentives are required.

Local control of investment and access to proposed savings are required to align investment choices between pro-active infrastructure strengthening or re-active re-instatement.

The proposal will be more costly overall than remaining centralised

The proposal moves the financial balance of liability significantly to the local share which will require Councils to manage the higher risk on a stand alone basis than NZTA currently does across the country (by bearing the majority of costs as they occur).

This increased local management implies each Council's duplicating expertise and cost.

It may lead to investment decisions at a local level (such as pro-actively strengthening infrastructure to have certainty of minimising 1 in 10 year storm damage) which, at national level across Councils, would not be justified.

While nationally NZTA can make a portfolio type decision – to invest proactively in some areas and accept risk (and not invest) in others, individual councils do not have that mechanism available to them.

System level management of risk is a key principle of efficient and effective risk management. This proposal moves in the opposite direction.

Wider changes to funding settings are required for intended outcomes to be effective

Councils do not have control over all the funding decisions to choose between the risk management approaches they have, to proactively strengthen infrastructure or pay for remediation if damage actual happens.

There is a misalignment of where savings are made (for the NLTF) and where costs are borne (local share). This does not incentivise the best whole-of-system approach.

4. What transitional issues are there?

Local share will hold financial risk for pro-active investment and ineligible damage until full pro-active investment is achieved. NZTA will capture savings immediately which misaligns the timing for transitional changes.

5. Is further guidance required for the proposed changes?

No further comments until the other issues raised are addressed.

6. Are there proposed changes not supported?

Hutt City Council has a fundamental difference of opinion on the approach proposed.

7. Are other policy or process changes required?

The impact of decisions to not increase NLTF revenue or make different NLTF allocation choices should be addressed by NZTA or acknowledged outcomes will be reduced before passing shortfall liability to the local share.

8. Are there unaddressed issues with the Uneconomic Transport infrastructure policy

Increasing financial liability to the local share will also increase the local incentive to deem more infrastructure uneconomic due to affordability, not need requirements. This is the opposite intent of increasing the factors to consider.

9. Are there other forms of currently ineligible access that the NLTF should fund

No comments at this point.

Conclusion

NZTA is best placed to manage this risk

The cost pressure of weather events is undeniable. The identified issue, affordability for the NLTF should be addressed through the NLTF revenue or allocation decisions. The proposed changes undermine good risk management practice and introduce additional risks that may have significant unintended and detrimental consequences.

NZTA is still the best party to manage this risk.

Reconsideration of local share funding sustainability

In conclusion, Hutt City Council strongly recommends a reconsideration of the proposed changes, considering the broader impacts on local funding sustainability, risk management capabilities, and overall system efficiency.

The engagement document should more clearly explain how maintaining the current NLTF allocation outweighs the potential disproportionately burdening of local councils, addresses the impact on local share funding sustainability and if unintended consequences would result.

Levels of Service

This proposal calls for Councils to update their Activity Management Plans to identify differential levels of service in the event of damage from an emergency event. This is a significant undertaking, which has considerable ramifications for Councils and is an administrative burden on Councils at a time when Councils need to be responsive.