



NZ TRANSPORT AGENCY
WAKA KOTAHI

AGENDA NO.

4.2

Board Paper	
Paper no:	13/07/0735
Meeting date:	4 July 2013
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Recommended by:	Jenny Chetwynd, Regional Director (Central), FAR Review Steering Committee Chair Ernst Zollner, Group Manager (Strategy & Performance) Dave Brash, Group Manager (Planning & Investment)
Board function:	Setting sector and organisational direction
Subject:	Funding Assistance Rates (FAR) Review – The proposed framework for how funding assistance rates should be set and applied

Purpose

- 1 This paper seeks the Board's approval of a framework for how the NZ Transport Agency sets and applies funding assistance rates (FAR).
- 2 The paper summarises the key process steps to date, sets out the proposed framework, and the rationale behind the framework, and indicates how feedback from the first round of engagement with local government (and other stakeholders) has been considered and taken into account.
- 3 The paper also notes the key issues for the next stage of the funding assistance rates review.

Recommendations

- 4 That the Board **approves** the use of the following framework in setting and applying funding assistance rates (subject to any criteria set by the Minister of Transport under section 20C of the Land Transport Management Act). The framework contains: a statement of the role of funding assistance rates; seven principles that underpin how the rates are applied and set; and a five part approach to be used in setting and applying funding assistance rates.

Role of Funding Assistance Rates:

“Funding assistance rates are a mechanism that recognises there are both local and national benefits from investing in the land transport network. It is one tool within the broader transport planning and investment system that:

- *Ensures the costs of the New Zealand land transport network are appropriately shared between direct land transport system users and local communities; and*

- *Assists local government (and other approved organisations) and the NZ Transport Agency to jointly achieve the optimal national land transport outcomes within their financial resources.*

Seven Principles underpinning how rates are set and applied:

- i. Be consistent with seeking value for money from investment in the land transport network by supporting optimal national land transport outcomes – including outcomes in terms of safety, accessibility, travel time reliability, network resilience, and management of environmental and health impacts - being achieved in the right way, at the right time and for the right price.
- ii. Appropriately split the costs of the New Zealand land transport network between direct land transport system users and local communities recognising that each of those groups affects, and benefits from, that network.
- iii. Facilitate land transport network users experiencing an integrated and appropriately consistent network throughout the country.
- iv. Provide approved organisations and the NZ Transport Agency with as much investment certainty as practicable
- v. Ensure funding assistance rates are efficient to apply.
- vi. Base funding assistance rates on evidence and data that is readily accessible and reliable.
- vii. Ensure that any variations to how funding assistance rates are set or applied to address outliers or exceptions are transparent.

Five Part Approach to setting and applying funding assistance rates

- Part 1 - National Land Transport Fund revenue will only be used for the (eligible) costs of undertaking or maintaining a land transport activity to achieve fit for purpose standards. Such standards are determined by what the function of the relevant part of the land transport network is, and what the appropriate customer levels of service are for parts of the network with that function.
- Part 2 - A national average funding assistance rate will be set to appropriately split the costs of the land transport network as a whole between direct land transport system users and local communities (i.e. property owners and land users) recognising that each of those groups affects, and benefits from, the New Zealand land transport network.
- Part 3 - The same funding assistance rate will apply to all of the land transport activities a particular approved organisation undertakes (other than any enhanced targeted funding assistance rates used in discrete situations for time limited periods and, potentially, the funding assistance rates for emergency works).
- Part 4 - There may be some variations in the funding assistance rates between approved organisations if there are matters which:
- Make any one or more approved organisation(s) intrinsically different to most other approved organisations, and
 - Materially affect those approved organisations' ability to deliver optimal land transport outcomes, and
 - Are not within the control of those approved organisations or the control of their local communities (property owners and land users)

Part 5 - Enhanced targeted funding assistance rates can be used, transparently, in exceptional circumstances and for time limited periods, to either:

- Facilitate something that is particularly important from a national land transport perspective where it is highly likely the activity would not proceed within an appropriate timeframe if additional assistance was not provided; or
- Give a kick start to encourage, and enable, an approved organisation to make a step change in customer levels of service or the way they are delivering an activity.

Background

5. Funding assistance rates determine the proportion of the approved costs of a land transport activity undertaken by an approved organisation that will be met from the National Land Transport Fund once the NZ Transport Agency approves that activity as qualifying for funding.
6. In October 2012 the Board approved the scope, and the following objectives, for the funding assistance rates review:
 - Determine the role of funding assistance rates in achieving the purpose of the Land Transport Management Act and giving effect to the Government Policy Statement on Land Transport Funding (GPS).
 - Be confident that the way we set funding assistance rates is effective in achieving the purpose of the Land Transport Management Act and giving effect to the GPS while also being reasonable and efficient,
 - Do this in time for any changes to funding assistance rates to be factored into the 2015-18 regional land transport programmes and council long term plans commencing 2015 (in light of recent amendments to the Land Transport Management Act this objective should now refer to “regional land transport plans”),

- Develop a greater mutual understanding with approved organisations, the Ministry of Transport and other stakeholders as to what the role of funding assistance rates is and what they can, and should, seek to achieve.
7. In February 2013 the Board approved a process and timetable for the funding assistance rates review that includes two periods for formal public consultation. The Board also approved a Discussion Document for release for the first period of consultation from 4 March to 3 May 2013. That Discussion Document sought feedback on:
 - The principles that should sit behind how the NZ Transport Agency sets funding assistance rates, and
 - The overall approach, or combination of overall approaches, the NZ Transport Agency should take in setting funding assistance rates.
 8. We received 98 submissions during this first consultation stage, from 100 submitters. The main themes from those submissions are summarised in **Attachment 1** to this Board Paper.
 9. In their submissions, several of our investment partners commented that they did not see sufficient justification for reviewing the funding assistance rates system, and argued that a compelling need for change should be established before any changes are made to how funding assistance rates are applied and set.
 10. The problem/opportunity which the NZ Transport Agency is seeking to address by undertaking this review is that the current funding assistance rates system was set up a long time ago, under statutory frameworks and policy settings that no longer exist.
 - As the NZ Transport Agency is a Crown agent exercising a statutory function involving significant amounts of public money, it is important that there is confidence that the way funding assistance rates are set and applied is consistent with current statutory and strategic policy settings.

- Also, because the current system was set up so long ago, there is an uneven level of understanding about how the current system is set up and what its objectives actually are. Over time this had led to the system being made up of a number of components that were established at different times and seek to achieve different policy objectives.
- Prior to this review commencing, a number of local authorities had expressed significant dissatisfaction about the rates that apply to them (this dissatisfaction was particularly apparent the last time the base funding rates for local road operations, maintenance and renewals were re-set).

The Proposed Framework – the key ideas

11. Drawing on the proposals in the Discussion Document, and the feedback from our investment partners (and others) during the consultation, a framework for setting and applying funding assistance rates has been developed which contains three key elements: a statement of the role of funding assistance rates; the seven principles, and a five part approach/methodology to applying and setting funding assistance rates. It has been developed taking into account many of the ideas and themes communicated to us during our first round of consultation.
12. The concept of co-investment with our local government partners in an optimised land transport network underpins this framework. Both direct land transport system users and local communities (land users and property owners) affect and benefit from the land transport network and both approved organisations and the NZ Transport Agency plan for, and invest in, that network. Therefore, both approved organisations/local communities and the National Land Transport Fund need to contribute an appropriate share of the costs of land transport activities.

Element 1 - The role of funding assistance rates

13. An idea put forward in submissions was that a description of the role of funding assistance rates would provide clarity to guide funding assistance rate setting and application.
14. The proposed statement of the role of funding assistance rates recognises that the land transport investment system is a co-investment system where there are a number of beneficiaries and a number of investors or financial contributors into one transport network. Direct land transport system users contribute through the payment of fuel excise tax, road user charges and motor vehicle licence fees to the National Land Transport Fund. Public transport users contribute through fares, and local communities contribute through rates, developer contributions and other charges. (The recommendations in this Paper do not address fare box recovery policy as that is the subject of a separate NZ Transport Agency review.) Local communities materially affect the transport system through their land use decisions and materially benefit from the access and development opportunities which the land transport system provides.
15. However, the proposed statement of the role of funding assistance rates also recognises that funding assistance rates are only one part of a wider land transport planning and investment system. The NZ Transport Agency and approved organisations need to work together, and use a wide range of tools for planning and investing in the land transport network, to jointly achieve the optimal land transport outcomes for New Zealand as a whole.
16. The statement also recognises that both the NZ Transport Agency and approved organisations work within real financial boundaries. For the NZ Transport Agency these constraints are the amounts of revenue available in the National Land Transport Fund and under the funding ranges set in the GPS. For approved organisations they are the constraints on their ability to raise revenue and incur debt. This point was stressed in many of the submissions received and is important to acknowledge and recognise.

Element 2 - The Seven Principles

17. As identified in some submissions on the Discussion Document, there is currently a lack of clear principles underlying how funding assistance rates are set and applied. Our Discussion Document proposed a series of principles that might underpin the overall approach, or combination of overall approaches, the NZ Transport Agency takes to setting funding assistance rates going forward.
18. As a result of the feedback we received, the set of principles we are recommending in this Board Paper is different in a number of respects from the set of principles originally suggested in the Discussion Document. Some of the most significant changes are those made to the principles which discuss value for money and certainty. Among other things, we have taken the opportunity to re-cast the principles using more direct language.
19. One of the principles suggested in the Discussion Document was that the approach taken to setting funding assistance rates should be consistent with seeking value for money from investment of the National Land Transport Fund. A number of our investment partners did not see any benefit in having a value for money principle in relation to funding assistance rates as they did not consider it was the role of funding assistance rates to seek value for money, and/or they considered that taking value for money into account in determining funding assistance rates would replicate other mechanisms in the land transport system and would, therefore, mean that value for money was 'double counted' in the overall land transport funding system.
20. We considered these submissions carefully, but ultimately we disagreed with this view. How funding assistance rates are applied and set could work against the optimal land transport outcomes being achieved if:

- They were applied to all of the costs of undertaking a land transport activity even if the activity was being undertaken to a higher standard than was required to achieve the appropriate customer level of service.
 - They encouraged approved organisations to “FAR-chase”, i.e. to pursue a particular type of solution to address a land transport issue because using that solution would attract a higher funding assistance rate than the alternatives.
 - The funding assistance rate for a particular type of activity was so high that the approved organisation bore very little of the risk of over-investing in that type of activity, or had very little incentive to achieve efficiencies in how the activity was undertaken – i.e. had insufficient “skin in the game”.
 - The metrics used in calculating the funding assistance rates encouraged approved organisations to do too much, or too little, of different types of activities.
21. Further, funding assistance rates may be able to help to reduce the extent to which optimal land transport outcomes are not able to be achieved due to matters outside of the relevant approved organisation’s and local community’s control.
22. Another of the principles suggested in the Discussion Document was that the approach used in setting funding assistance rates should strike an appropriate balance between providing certainty for approved organisations and being agile enough to respond to change. Our investment partners stressed that certainty is more important to them than agility. To recognise this, we are now recommending that the following principle be used: “Provide approved organisations and the NZ Transport Agency with as much investment certainty as practicable”.

Assessment of the Eight Overall Approaches and the Status Quo against the Principles

23. Our Discussion Document proposed eight different overall approaches that could be taken to setting funding assistance rates and asked if there were any other overall approaches that could be taken.
24. We have assessed each of the eight overall approaches identified in that Document against the seven principles. This assessment is shown in **Attachment 2** to this Board Paper. What we found is that a number of the overall approaches identified in the Discussion Document would be inconsistent with both:
 - Supporting value for money from investment/optimal national land transport outcomes, and
 - Facilitating an integrated and appropriate consistent land transport network throughout the country.
25. Also some of the approaches would not appropriately share/split the costs of the land transport system between direct land transport system users and local communities.
26. The overall approach which was consistent with all of the principles was what the Discussion Document called a “Differences Approach” –i.e. an approach under which an approved organisation would have the same funding assistance rate for every activity it undertook but different approved organisations could have different funding assistance rates which were set to address relative differences between the organisations. The recommended five part approach potentially incorporates both these aspects of a Differences Approach.
27. Many of our investment partners considered the status quo should be retained, or retained with only some tweaking/improvements, as the current system meets their needs. One of these submitters commented that “the existing basis of [funding assistance rates] remains a credible approach to what is a difficult and complex issue”. A number of submitters

expressed concerns that if the status quo was changed they could potentially receive a lower funding assistance rate than they currently do and this would be likely to require them to increase rates.

28. The status quo currently uses a combination of the overall approaches identified in the Discussion Document. Given the queries raised by our investment partners about the status quo, we also assessed the status quo against the seven principles.
29. Our assessment identified a number of aspects of the status quo that do not give effect to the seven principles. In particular:
 - The wide range of different funding assistance rates that exist for different activities under the status quo, and the very high funding assistance rates that apply to some activities, are likely to work against value for money being achieved,
 - It is unclear whether the differences between approved organisations currently taken into account in setting funding assistance rates are differences which materially affect approved organisations' ability to deliver the optimal land transport outcomes in the optimal way,
 - Overall the status quo is not based on a clear policy decision as to what the overall split of costs between land transport system users and local communities (land users/property owners) should be.
 - Because there is no shared understanding of what funding assistance rates can, and should, seek to achieve the certainty of the system has been adversely affected by different components being added to the funding assistance rates system, or amended, at different times to seek to achieve different policy objectives.
 - Most of the individual components of the current funding assistance rates system are, in themselves, reasonably efficient to apply. However, having so many different funding assistance rates applying to different activities means the system as a whole is less efficient

to apply. Time spent seeking to ensure that activities are funded under the correct funding assistance rate creates cost (and uncertainty) for both the NZ Transport Agency and approved organisations.

30. Some submissions suggested that we should bulk fund approved organisations, i.e. once an estimate had been prepared of what the relevant approved organisation's costs were going to be then the NZ Transport Agency would pay the National Land Transport Fund share of those costs to the approved organisation up front. If the approved organisation managed to achieve any savings it could still retain the entire National Land Transport Fund share – thereby increasing its effective funding assistance rate.
31. We currently uses elements of a bulk funding approach in that, as part of each National Land Transport Programme, we allocate funding for:
 - Each approved organisation's three-year approved road maintenance, operation and renewals programme – which is funded at the approved organisation's base funding assistance rate, and
 - Regional councils'/unitary authorities' three-year approved passenger transport services programmes - which for bus and ferry services are funded at a 50% funding assistance rate and for passenger rail services are funded at a rate which is currently being gradually transitioned down from 60% to 50%.

Our Planning & Investment Relationship Framework (PIRF) is used to guide the negotiations with approved organisations.

32. Whether or not we are willing to adopt a bulk funding approach (with upfront payment of estimated amounts and the approved organisation retaining any surplus National Land Transport Fund share) would be something that would need to be carefully worked through. However, it is not directly relevant to this review. This is because even if this sort of bulk funding was used there would still need to be a funding assistance rate applied to determine

what share of the approved organisation's estimated costs should be paid from the National Land Transport Fund up front.

33. The other overall approaches suggested by submitters were effectively variations of one or other of the eight overall approaches identified in the Discussion Document.

Element 3 - The Five Part Approach

34. Clarity over the role of funding assistance rates, the underpinning principles, and feedback on, and assessment of, the possible overall approaches has enabled us to construct a five part approach to setting and applying funding assistance rates.
35. The essence of the approach is that:
 - National Land Transport Fund revenue will only be used for the eligible costs of undertaking land transport activities to achieve fit for purpose standards.
 - A national average funding assistance rate will be set to provide an appropriate split of the cost of the land transport network between direct land transport system users and local communities. We are recommending a national average rather than a national minimum because a national minimum rate would be subject to constant upward pressure as top ups to address special circumstances were added to the minimum rate over time. This would be likely to mean that over time the share of land transport costs met by direct land transport system users went up, and the share of land transport costs met by local communities went down, without any deliberate policy decision being made that the relative shares *should* change.
 - The same funding assistance rate will apply to all transport activities undertaken by a particular approved organisation (except for any short term targeted enhanced funding assistance rates and, potentially, funding assistance rates for emergency works). (It is

proposed that during the next stage of the review, NZ Transport Agency staff would look at options for setting funding assistance rates for emergency works that would be consistent with the principles approved by the Board.)

- There may be some variation in the funding assistance rates between approved organisations if there are matters outside of an approved organisation's/local communities' control that differentiate one organisation from most others and materially affect their ability to deliver optimal land transport outcomes. Essentially, we want to explore whether or not, for reasons outside of their control, it is just harder for some approved organisations/local communities to be able to deliver optimal land transport outcomes than it is for most others. If that is the case, it may be appropriate for those approved organisations to have a higher funding assistance rate than others in order to support them to achieve those outcomes and to facilitate an integrated and appropriately consistent land transport network throughout the country.
- Finally, enhanced targeted funding assistance rates would be able to be used in exceptional circumstances and for time limited periods, providing there is transparency around how and why they are used.

36. The system should be designed to be as efficient to apply as practicable. Any metrics used should be based on accessible and reliable data. Any changes to funding assistance rates should be transitioned in gradually.
37. The different parts of this proposed approach are shown in the diagram in **Attachment 3** to this Board Paper.
38. An outstanding issue with this approach is what the national average funding assistance rate should be and how it should be calculated. This will be addressed, and consulted on, at the

next stage of the review. It will be a contentious issue. Options for setting this national average rate that have been identified to date include:

- Setting it at 50% - This is the current national average for the Base funding assistance rate for local road maintenance, operations and renewals and what most public transport funding assistance rates are currently set at or transitioning to. It would also reflect a fully co-investment approach.
- Determining what the overall share of land transport system costs has been between approved organisations and the National Land Transport Fund over an historic period, such as the last 20 years (taking into account the fact that the National Land Transport Fund meets essentially all of the costs of the State highway network) and setting the national average funding assistance rate to reflect that split.

(As noted in the Discussion Document the overall effective funding assistance rate for all local government land transport activities funded through the National Land Transport Fund between mid-2000 and mid 2010 was about 55%. That includes six years of the period during which the construction funding assistance rate for capital improvements has been set at Base FAR + 10 in order to incentivise more investment in capital improvements.)

Key Issues for the Next Stage

39. The proposed framework differs from the status quo. As such, approved organisations' funding assistance rates could change. Therefore, if you approve the proposed framework, the review will become much more real to approved organisations and other stakeholders.
40. However, until we have determined what the national average funding assistance rate should be, what ways, if any, intrinsic differences between approved organisations will be taken into account, how emergency works are to be treated and what any transitional arrangements

might look like, the exact impact of the changes is going to remain unclear. This uncertainty is likely to make the next stage of the review challenging for both approved organisations and the NZ Transport Agency.

41. Following your decision, our task ahead will be to communicate and engage with our co-investment partners (and other stakeholders) to explain the framework, and how their feedback has been taken into account in developing that framework. We will also obtain their input on options to give effect to the 5 part approach.
42. We will publicly release information about the framework (including this Board Paper) by the end of July 2013. We will actively engage with approved organisations (and other stakeholders) until immediately before the 2013 local government elections (i.e. until the beginning of September 2013).
43. We will seek to use the local government election period (i.e. September to October 2013) to obtain the views of operational staff at approved organisations (and other stakeholders) about how a national average funding assistance rate should be set, what intrinsic differences, if any, could lead to variation in the funding assistance rates between approved organisations and how any such variations could practically be given effect to.
44. In our engagement we will emphasise that:
 - Specific options for giving effect to the 5 part approach will be the subject of a further round of public consultation in late 2013/early 2014,
 - At that time information will be provided as to what the effects of the various options would be for different approved organisations, and
 - Care will be taken to ensure that any changes to individual approved organisations' funding assistance rates are transitioned in gradually. This recognises one of the main themes in

the submissions received on the Discussion Document - that any changes to funding assistance rates should be transitioned in gradually.

45. Developing options to give effect to the framework will challenge the sector. The overall funding assistance rates system will need to be consistent with seeking value for money from investment in the land transport network and achieving an appropriate split of costs between direct land transport users and local communities. It will also need to be as efficient and as certain as practicable. However, trade-offs may need to be made. For example, one possible option for taking into account an intrinsic difference between one approved organisation and others may provide more certainty but be less efficient to apply than another option.
46. Following your decision on the framework for setting and applying funding assistance rates going forward, we also propose to brief the Minister of Transport to update him on the review, and to inquire whether or not, at this stage he wishes to set any new criteria for how the Agency sets funding assistance rates. (Under section 20C of the Land Transport Management Act the Minister of Transport can, but is not required to, set criteria which the NZ Transport Agency must comply with in setting funding assistance rates.)
47. We will also seek the Minister's revocation of existing historic funding assistance rates criteria. These criteria relate to how funding assistance rates are set for use of the targeted community fund (T Funds). The targeted community fund is used to address issues relating to accessibility and mobility for communities in areas of high socioeconomic deprivation. The existing T fund criteria may not be entirely consistent with the proposed framework for the funding assistance rates system, e.g. they require some very high funding assistance rates to be set - which may work against value for money. Instead, the recommended framework contains alternative mechanisms to address issues of whether there are fit for purpose levels of service for access and mobility for all communities, including those in areas with high levels of socioeconomic deprivation.

Attachments

48. There are three (3) attachments:

- Attachment 1 - The main themes from the submissions on the Funding Assistance Rates Discussion Document
- Attachment 2 - Assessment of the overall approaches identified in the Discussion Document against the seven principles
- Attachment 3 - Diagram of the proposed five part approach

Attachment 1 – The main themes from the submissions on the Funding Assistance Rates (FAR) Review Discussion Document

1. Many (but not all) local authorities, and local authority fora, expressed the views that:
 - The status quo should be retained, or retained with only some tweaking/ improvements,
 - Funding assistance rates should be treated as being part of a partnership/co-investment approach to funding the land transport system, rather than as a subsidy from central government,
 - The key issues for them are affordability and certainty of funding.
2. The reasons given for support for the status quo were that it met the submitters' needs, and they considered that it probably met the needs of other approved organisations. One of these submitters commented that “the existing basis of [funding assistance rates] remains a credible approach to what is a difficult and complex issue”. A number of submitters expressed concerns that if the status quo was changed they could potentially receive a lower funding assistance rate than they currently do and this would require them to increase rates.
3. As a result most local authorities supported some form of Differences Approach being used in setting funding assistance rates. However, there was support for public transport activities to continue to be funded on a Flat Approach on the basis that that is simple and certain.
4. A group of local authority sector submitters expressed the view that the role of funding assistance rates was limited to addressing issues of inequality or diversity between approved organisations and should not be used to seek to influence decisions or land transport outcomes. This group was of the view that influencing decisions and outcomes is the role of other parts of the land transport funding system. However, the submissions received from individuals and groups outside the local government sector, and a couple of local authorities, considered it appropriate for funding assistance rates to be deliberately used to seek to achieve certain outcomes that would be beneficial for either the land transport system or society more broadly.

5. Another key theme was that, if any changes are made to funding assistance rates, those changes should be transitioned in very gradually.

A summary of the submissions received is available at nzta.govt.nz/far.

Attachment 2 – Assessment of the overall approaches in the Discussion Document against the seven principles

The following Table assesses the eight different overall approaches identified in the Discussion Document against the seven principles recommended in the Board Paper.

Key + = positive - = negative

Principles	How funding assistance rates can give effect to the principle	Overall approaches identified in the Discussion Document							
		Flat	Differences	Classification	Revenue	Population	Incentives	Contribution	Relative benefit
<p>1. Be consistent with seeking value for money from investment in the land transport network by supporting optimal national land transport outcomes – including outcomes in terms of safety, accessibility, travel time reliability, network resilience, and management of environmental and health impacts - being achieved in the right way, at the right time and for the right price.</p> <p>and</p> <p>3. Facilitate land transport network users experiencing an integrated and appropriately consistent network throughout the country</p>	<p>It is proposed that funding assistance rates should only be applied to the costs of undertaking or maintaining a land transport activity to fit for purpose standards. (Principles 1 and 3)</p>								
	<p>Would not be likely to result in very high funding assistance rates applying to a whole group or groups of activities (Principle 1)</p>	+	+	-	-	-	-	-	-
	<p>Would not be likely to result in differential funding assistance rates for different types of activities which could be used to address the same land transport issues. (Principle 1)</p>	+	+	-	+	+	-	+	-
	<p>Would help reduce the extent to which the optimal land transport outcomes are prevented from occurring in an optimal way, as a result of matters that are essentially outside of both the relevant approved organisations' and local communities" (property owners' and land users') control. – i.e. there may be some intrinsic constraints that apply to some approved organisations and not others which, if not addressed, would prevent the optimal outcomes from being achieved. (Principles 1 and 3)</p>	-	+	-	-	-	-/+ ¹	-	-

¹ A general incentives approach would not achieve this. However, targeted short term exceptions based funding assistance rates might help this to occur in appropriate circumstances.

Principles	How funding assistance rates can give effect to the principle	Overall approaches identified in the Discussion Document							
		Flat	Differences	Classification	Revenue	Population	Incentives	Contribution	Relative benefit
2. Appropriately split the costs of the New Zealand land transport network between direct land transport system users and local communities recognising that each of those groups affects, and benefits from, that network.	Could be done through a minimum or average funding assistance rate, or by enabling relative benefit to be factored into the funding assistance rates for particular kinds of activities.	+ ²	+ ³	+ ⁴	-	-	-	-	+ ⁵
4. Provide approved organisations and the NZ Transport Agency with as much investment certainty as practicable		+	+	+	-	+	-	-	-
7. Ensure that any variations to how funding assistance rates are set or applied to address outliers or exceptions are transparent	Could be set up so that outliers and exceptions were treated transparently	-	+	+	-	-	+	-	+
Efficient to apply (Principle 5) and based on readily accessible and reliable evidence and data (Principle 6) are also very important principles but they should be factored into the design of how any particular overall approach is implemented rather than in the choice of overall approach. They don't really assist in making a choice between overall approaches when the design of how those approaches would be applied is not known – although it is known that a Flat approach would be very efficient. Any changes to funding assistance rates which result from the review should be gradually transitioned in.									

² Enables the appropriate split to be factored into an overall average funding assistance rate

³ Enables the appropriate split to be factored into an overall average/minimum funding assistance rate

⁴ Enables the appropriate split to be factored into the funding assistance rates for particular kinds of activities.

⁵ Enables the appropriate split to be factored into the funding assistance rates for particular kinds of activities

