

# MIN-4486 Capital Connection transitional funding options

9 May 2024

Outlines proposed options for Capital Connection transitional funding.

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## NZ Transport Agency Waka Kotahi (NZTA) response:

### Background

- The Capital Connection is a KiwiRail operated commuter rail service that runs between Palmerston North and Wellington on weekdays. It has been running since 1991.
- The service will be superseded by the new Lower North Island Rail Integrated Mobility (LNIRIM) project, presently scheduled to commence operation during the 2029 calendar year.
- Current funding approvals and contract arrangements for the Capital Connection cease on 30 June 2024.
- At present, local share funding is provided by both Greater Wellington Regional Council (GWRC) and Horizons Regional Council (HRC), as both councils derive benefit from this service.
- Capital Connection patronage has recovered well post-COVID, now carrying around 480 passengers per day and building. This equates to around 80% of seating capacity (pre-COVID, the service was often running at 100% capacity). The service has a farebox recovery rate of 38%. This compares favourably to an average farebox recovery of 11.2% in 2022/23 (across all public transport modes).

### Capital Connection transitional funding options

- Since 2018, the Capital Connection has been funded through the National Land Transport Programme (NLTP). The service is not included as part of GWRC's wider public transport programme as it has a bespoke funding arrangement. To date, the service has received a fixed annual financial contribution from both GWRC and HRC of \$110,000 per year (per council), with NZTA paying 100% of the remaining costs (including any cost overruns).
- With LNIRIM now undergoing implementation, and with the 2024-27 NLTP period approaching, NZTA has worked with GWRC on a proposed transition roadmap. The roadmap sets out actions required to move from the previous funding approach to a standard Funding Assistance Rate (FAR) arrangement.
- The roadmap proposes GWRC include the Capital Connection as part of its Regional Public Transport Plan. This would bring the Capital Connection into GWRC's Metlink fare structure (to increase farebox revenue), transitioning from the current 'fixed contribution' funding model to a standard (51%) FAR. This increases the local share contribution and enables enhanced accountability, while ensuring financial risk for cost overruns aligns with the FAR.
- Notwithstanding GWRC's proposed roadmap approach, the below table sets out an overview of three Capital Connection funding options based on the transitional roadmap. It includes three options under consideration, with Option 2 preferred by NZTA management.
- The NZTA Board will review and select a preferred approach from the following three options at their 16 May 2024 Board meeting.

Capital Connection (480 passengers per day and 80% seating capacity utilisation)	Total 24-27 cost	NLTF share	Local share
Five-year transition roadmap FAR scenario	\$9,645,674	\$7,703,104	\$1,942,570
<b>Three-year transition roadmap FAR scenario (recommended)</b>	<b>\$9,645,674</b>	<b>\$7,207,386</b>	<b>\$2,438,288</b>
Standard (51%) FAR scenario	\$9,645,674	\$4,919,294	\$4,726,380
Delta (Preferred / Standard)		+\$2,288,092	-\$2,288,092

Noted by Minister

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