Prioritisation workshop

LTP Committee workshop
24 October 2023

Greater Wellington
Te Pane Matua Taiao

Purpose & outcomes

Purpose

Balancing affordability and outcomes:

- Discuss Environment trade-off options
- Review additional Metlink trade-off options
- Discuss other management tools and revenue opportunities available

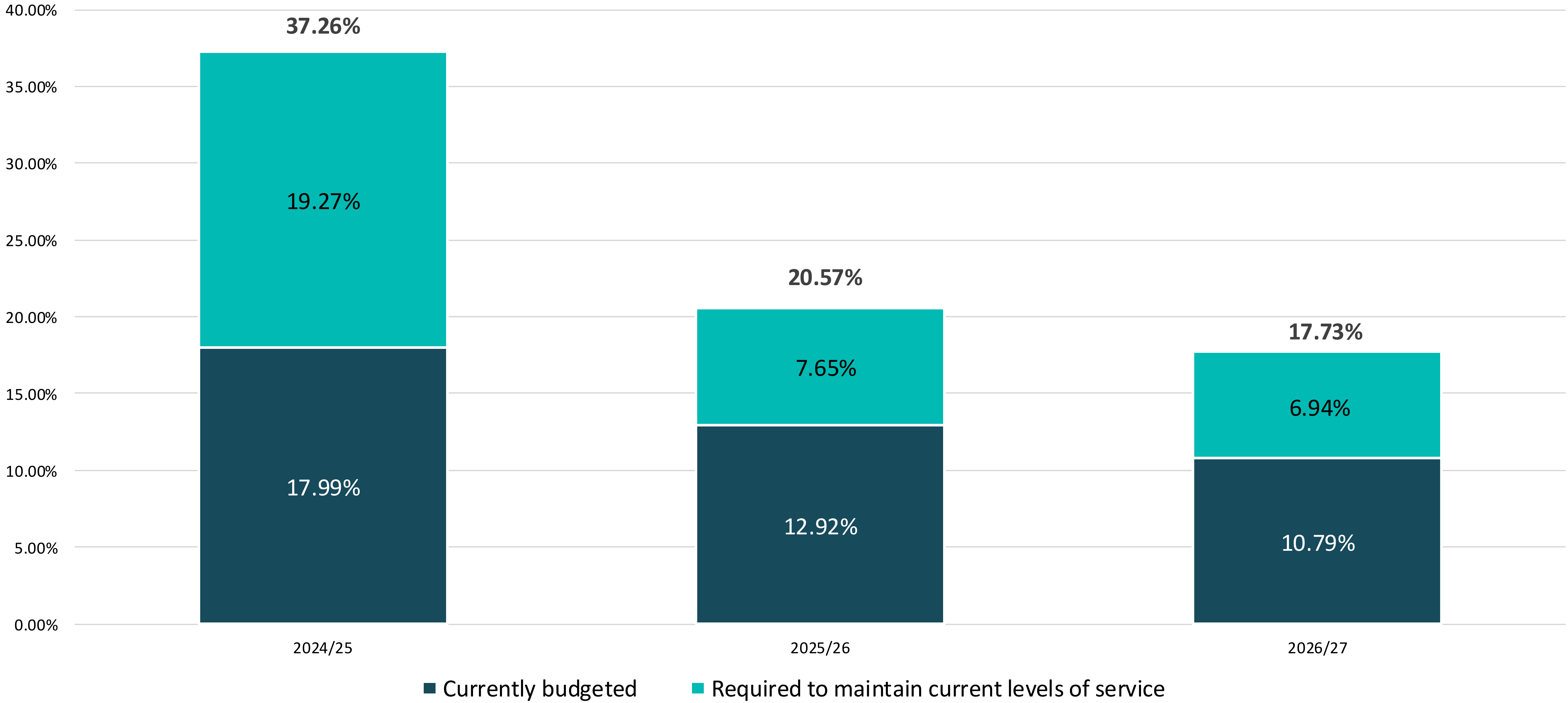
Outcome

LTP Committee has given clear direction on trade-off options

Update from the 3 October LTP Committee workshop

Greater Wellington
Te Pane Matua Taiao

Recap: Starting point rates position (as at 26 September workshop)



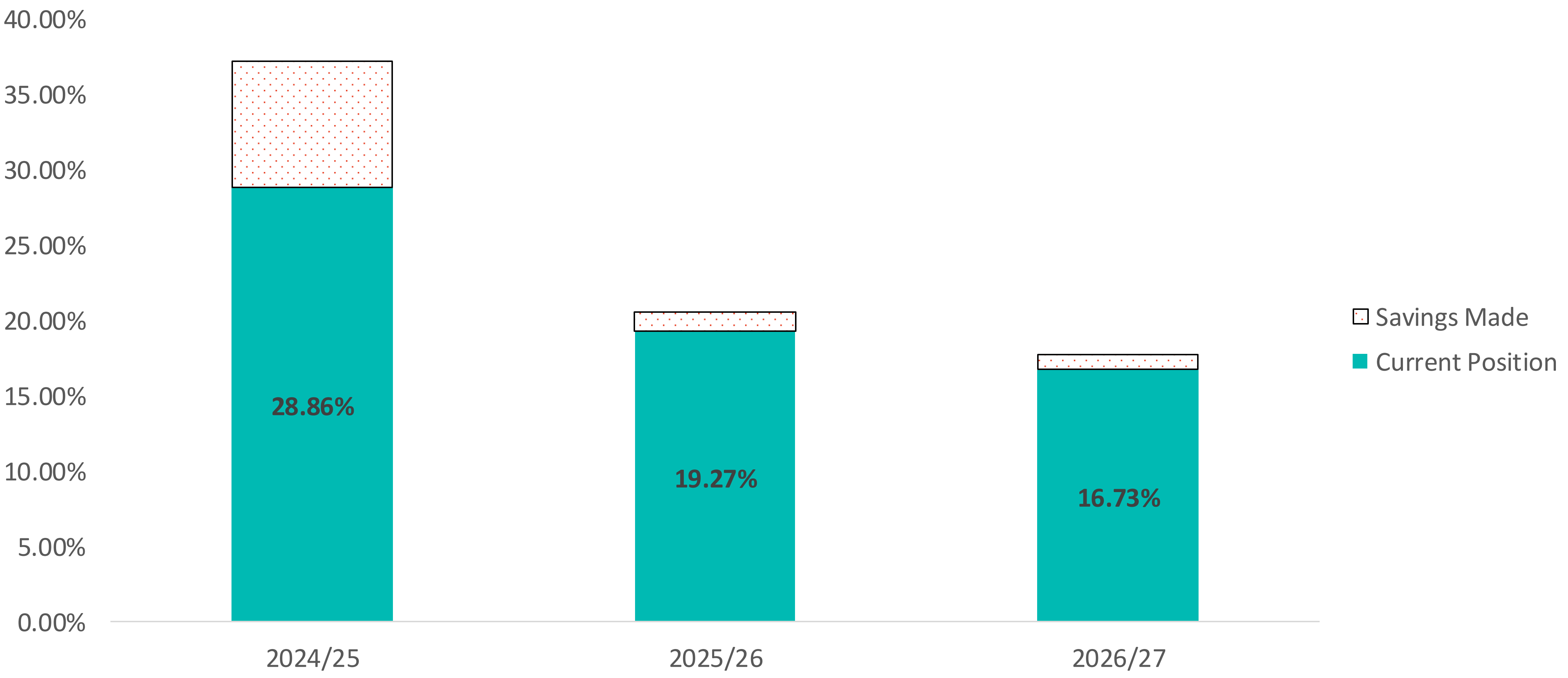
Process Update: Work done since 3 October Metlink workshop

The workshop focused on Metlink options.
Committee direction reduced the rates requirement in Year 1 by 7.4%

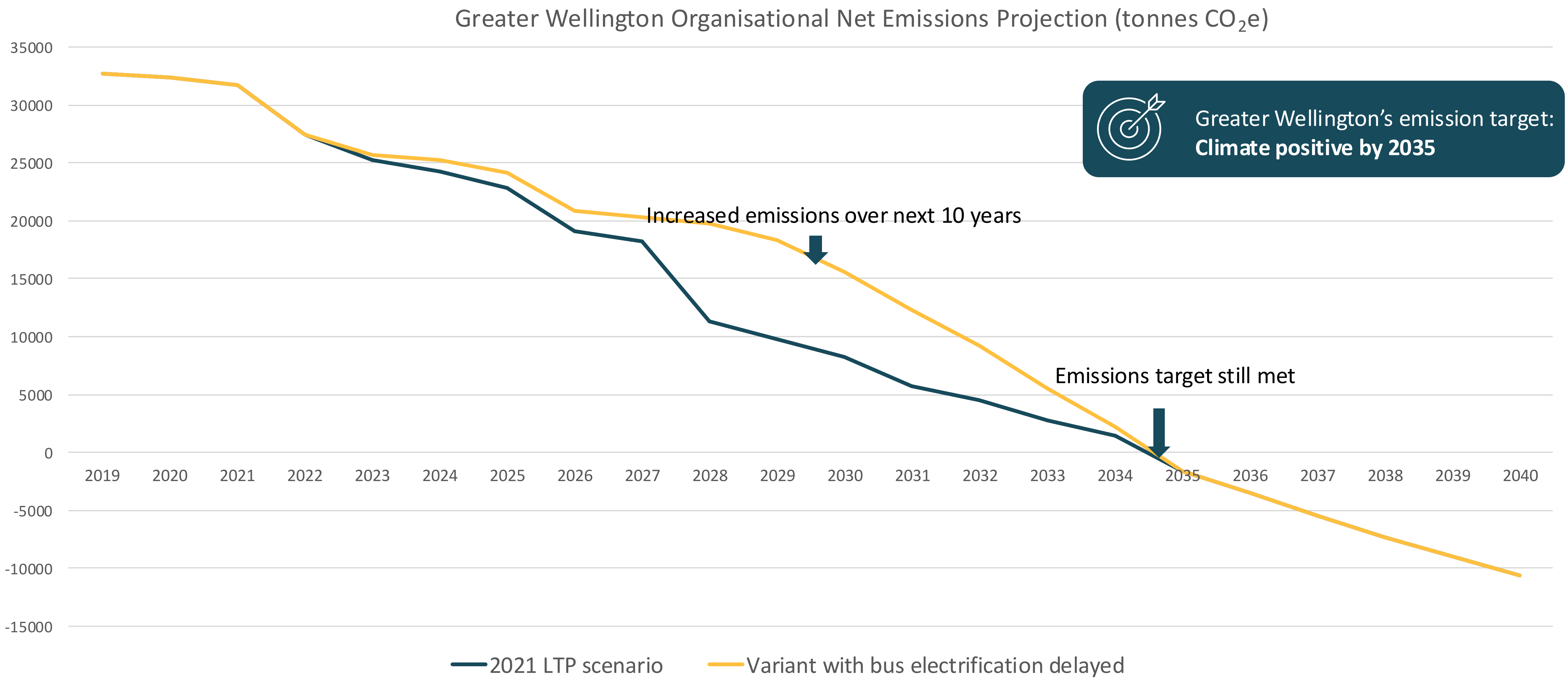
<u>This included allowing:</u>

- Existing Diesel buses in 2028 Tenders
- An increase in public transport fares by inflation
- Slowdown modeshift target from 40% to 20%
- Deferring / rationalising smaller projects (e.g. Regional rollout of on-demand etc.)

Update: Rates position after 3 October workshop



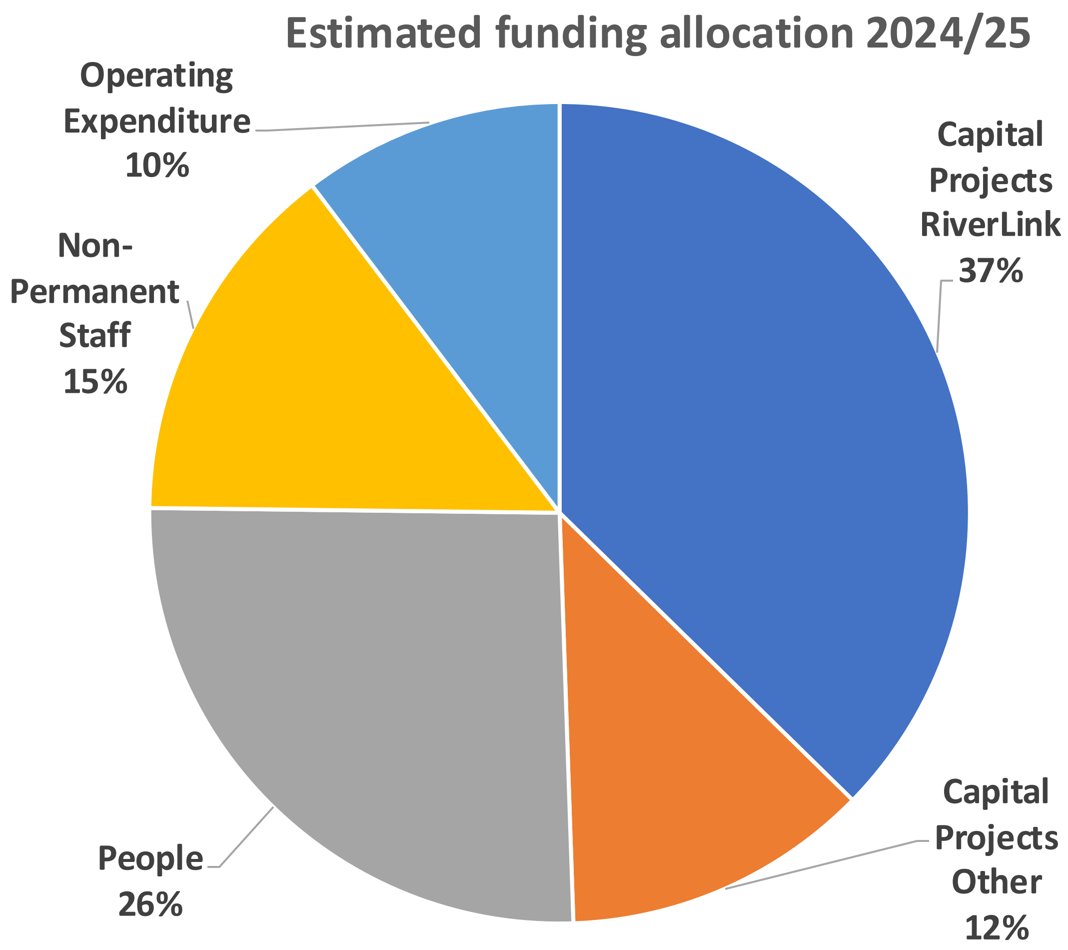
Impact on GW's greenhouse gas emission target – bus electrification



Discussion: Environment Group Strategic Choices

Greater Wellington
Te Pane Matua Taiao

Context: Cost Backdrop



Unavoidable cost pressures:

- Construction industry inflation
- Increased environmental and health and safety compliance requirements
- Growth in assets requiring maintenance
- Implementing new safety legislation and regulations

Environment savings options

Currently included | Reduction option | Alternative option | Increase option

RiverLink

Reduce Pace
0.7% reduction = $1.4M
(0.1%) Y1

Maintained Level
TBC

Recloaking Papatuanuku

Reduce Pace
(1.25%) reduction = $2.6M
0% Y1

Maintained Level - 50% LCAF funded
(1.25%) reduction = $2.6M
0% Y1

Maintained Level – No LCAF
+2.7% = $5.2M
0% Y1

Natural Resources Plan Change 2 (NRP 2)

Rephase plan changes
Impact: TBC

Environment investment considerations

Currently included

Reduction option

Alternative option

Increase option

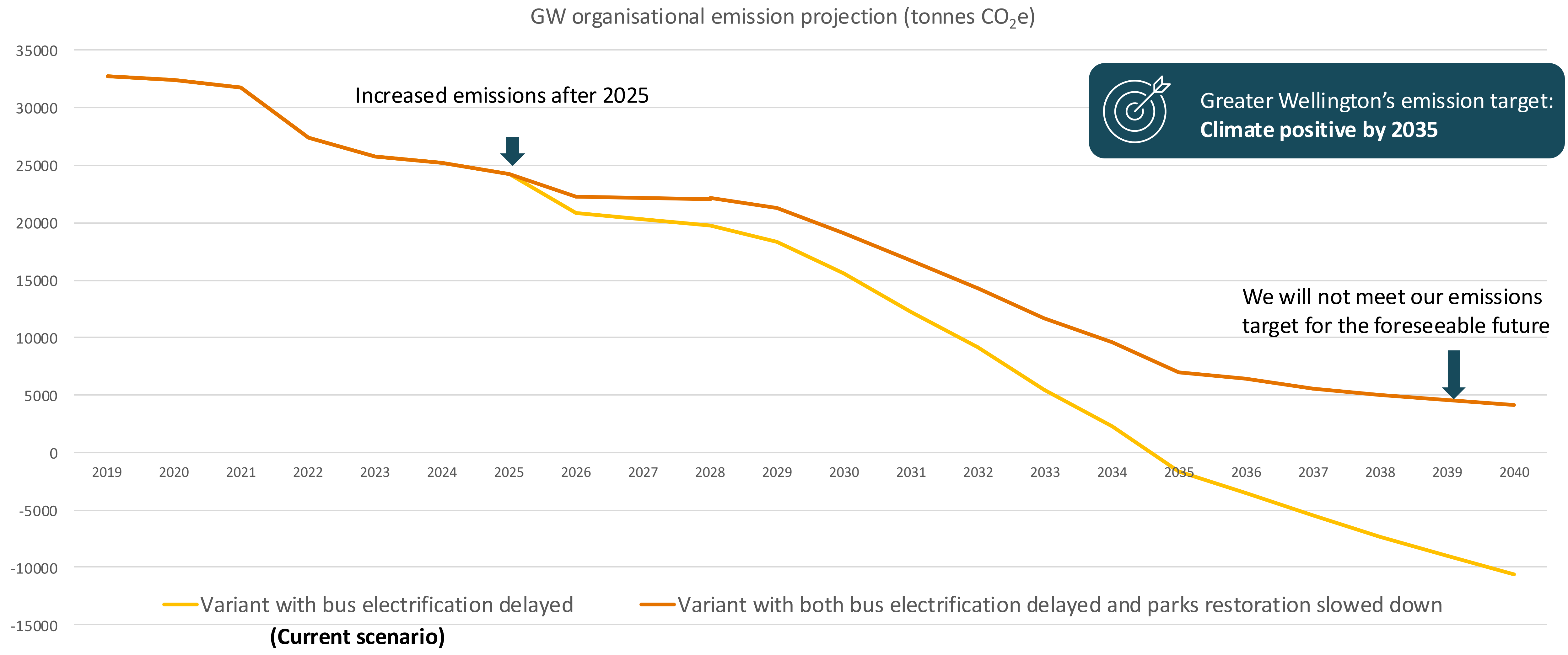
Flood resilience

Prior Level	Current Level	Increased Level
0% increase = $40M	10% increase = $60.5M +1.4% in Y1	12% increase = $24.7M +2.3% in Y1

Pests services/ biodiversity protection

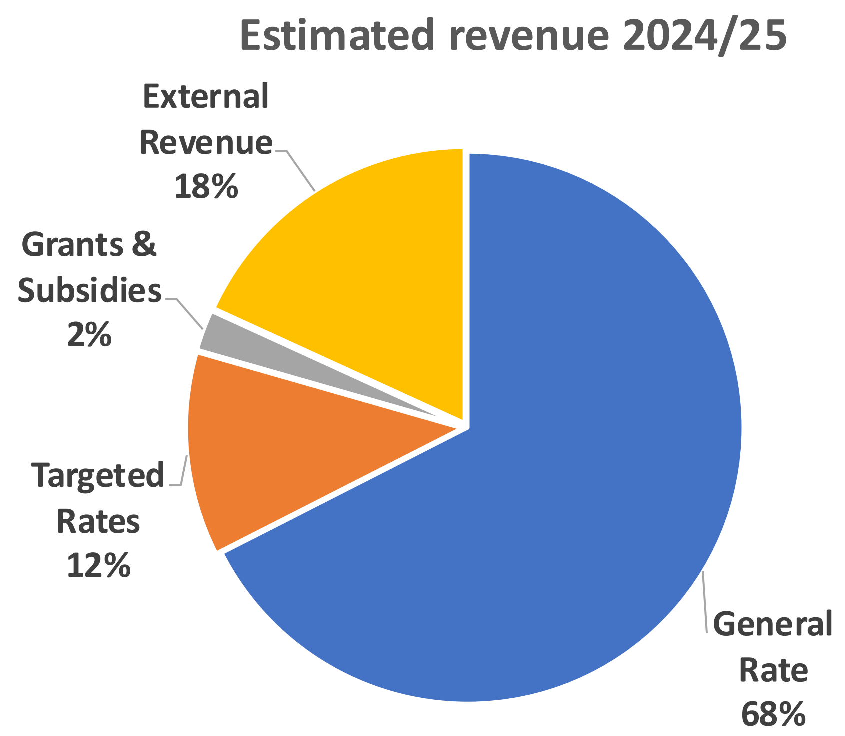
	Current Level	Increased Level
	0% increase = $31M	1.9% increase = $3.8M +0.6% Y1

Impact on greenhouse gas emission target – parks restoration



Greater Wellington's emission target: **Climate positive by 2035**

Context: Revenue



Additional options to consider:

- Commercial partnerships
- Philanthropy

Affordability check in – three year outlook

Year 1 (24/25)	Year 2 (25/26)	Year 3 (26/27)
28.86%	18.65%	16.07%

Where are we at after the Environment trade-off discussion?

Information: Management Tools

Greater Wellington
Te Pane Matua Taiao

Cost savings made across the business

To ensure efficiency across the business, each Group has completed a rigorous cost savings exercise looking line-by-line through Group, Function, and Team budgets.

Broadly, savings were found across categories such as: consultancy services, legacy infrastructure, treasury management, insurances, catering, project budgets and head count rationalisation.

This exercise resulted in a 2% reduction in rates requirement

Financial tools

Financial tools have been used to smooth the rates increase over the first 3 years of the LTP. This has had the impact of reducing rates in year 1 by 5.5% and increasing rates in year 2 by 1%.

	Year 1	Year 2	Year 3
Finance Tools	(5.5)%	1.0%	0.0%

Affordability check in – three year outlook

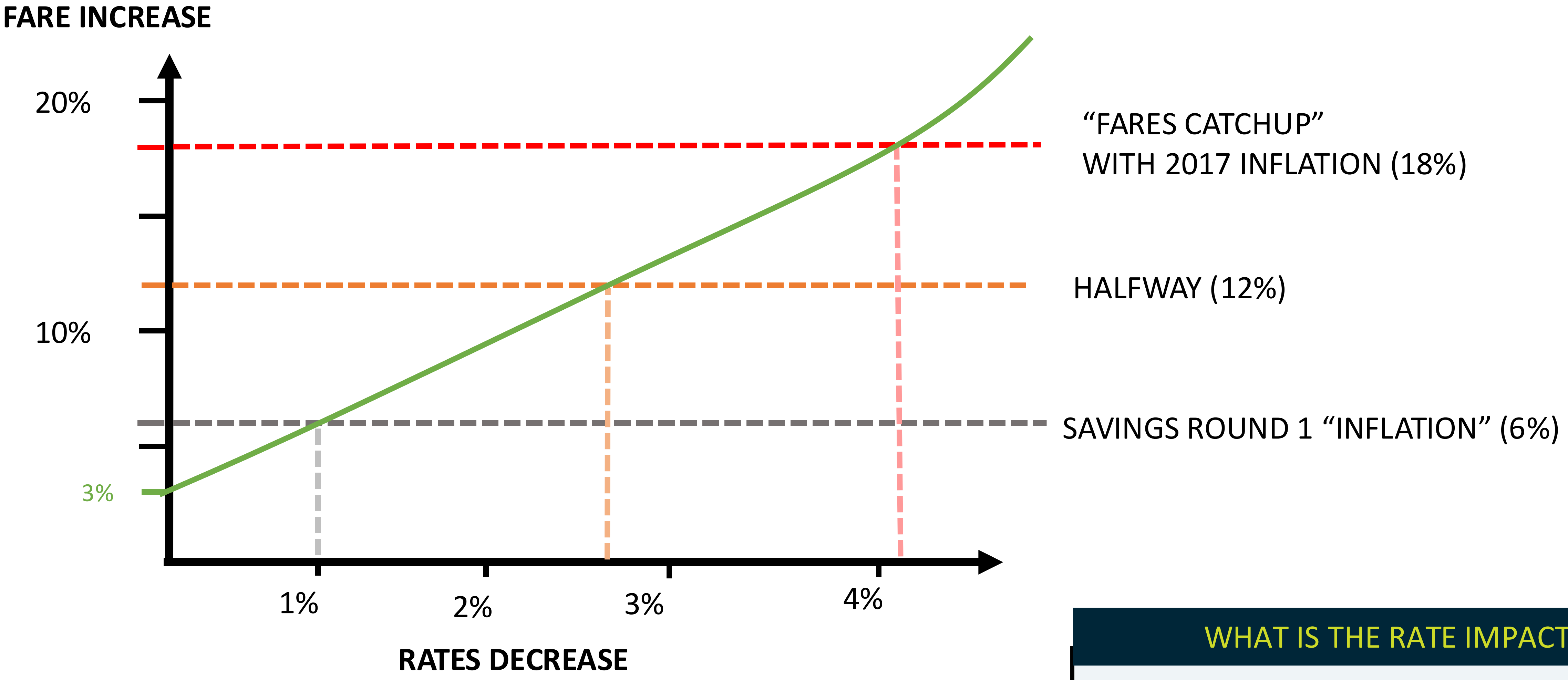
Year 1 (24/25)	Year 2 (25/26)	Year 3 (26/27)
23.36%	19.65%	16.07%

Where are we at after we apply the budget savings from the **Management Tools**?

Discussion: Metlink further options

Greater Wellington
Te Pane Matua Taiao

Fares – Currently the Single Biggest Rates Lever



WHAT IS THE RATE IMPACT?

1% fare increase = ~ $1mn revenue p.a.
$4mn fare increase = ~ 1% rates decrease*

*(*including Waka Kotahi effectively sharing half of increase)*

"Big Rocks" Savings Options

Currently included | Reduction option | Alternative option | Increase option

FARES

- 20% increase = +$33m
- 15% increase = +$16m
- 10% increase = +$13m
- 6.5% Increase = +$9m

BUS GROWTH AND MODESHIFT (40%) TARGET

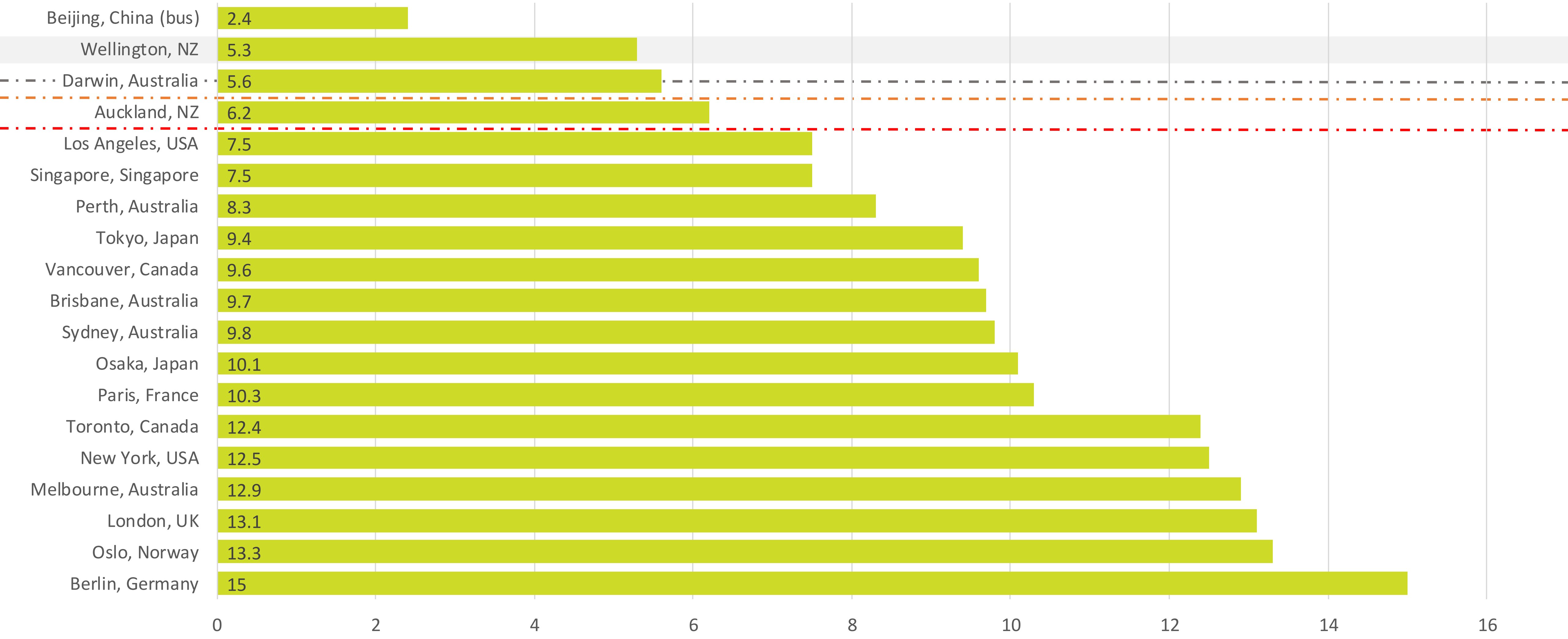
- Pop growth only = $38m savings
- 10% Modeshift = $29m savings
- 20% Modeshift = $19m savings

ON DEMAND REGIONAL ROLLOUT*

- Stop programme ($9m)
- Half programme ($4.5m)
- Slow down rollout 1 year ($1.5m)

Fares increases compared to costs around the world

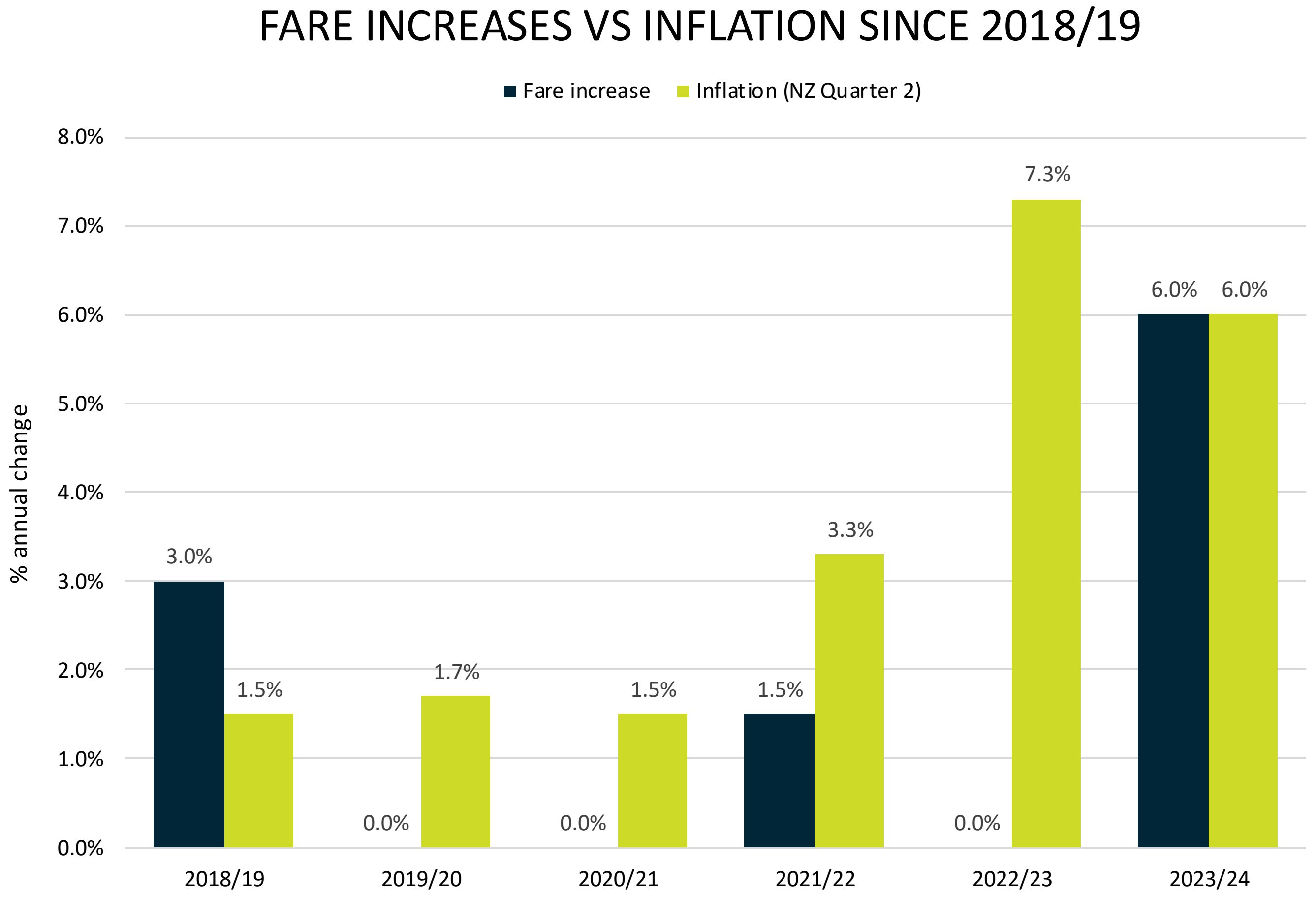
The cost in terms of minutes needed to be worked at minimum wage to afford the lowest priced, single, one-way fare on public transport



Budget savings options: Metlink

International benchmarking studies show Metlink fares to be among the most affordable fares relative to minimum and average wages.

- Recent Government Initiatives have meant we have some of the most targeted fares in the world (toward those that need it the most)
- Excluding concessions, we rank among the 5-6 most affordable cities for fares (out of 80+ cities measured)
- Fare increases since 2017, have not kept track with inflation, inflation has risen by 10.5% greater than fares
- Any opportunity to play catchup or part-catchup with inflation will have a sizeable impact on rates



Affordability check in – three year outlook

Where are we at after the **Metlink** trade-off discussions?

Year 1 (24/25)	**Year 2** (25/26)	**Year 3** (26/27)
18.69%	16.98%	13.40%

Additional options and conclusion

Greater Wellington
Te Pane Matua Taiao

CentrePort shares (revenue opportunity)

Selling CentrePort shares

WRC Holdings/Council have **not** indicated a preference to sell any shares. However, it is one of our few opportunities to raise significant revenue. GW currently holds 77% of shares. Horizons holds 23%.

Option 1:
Purchase Horizons 23% shareholding at significantly discounted value, hold 1 year and re-sell

Potential for one-off profit but finance costs of $1.9m

Option 2:
also sell additional 10% GW shares down to 67% overall (subvention limit)

Potential for one-off capital gain (or investment return) but loss of dividend ($2.4m/yr)

Option 3:
also sell additional 25% GW shares down to 51%

Potential for one-off capital gain (or investment return) but loss of dividend ($3.7m/yr) and subvention payment ($3.9m/yr)

Q. Is there any appetite to explore any of these options further as part of LTP?

Final rates number calculation – three year outlook

Year 1 (24/25)	Year 2 (25/26)	Year 3 (26/27)

Next steps

7 November workshop

- Discuss options for water supply
- Review decision implications of the decisions and confirm direction to develop draft budget

21 November workshop

- Discuss LTP Performance Framework

12 December Workshop

- Draft budget and consultation topics
- Provide an update on the Financial and Infrastructure Strategies