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Report 00.668

11 September 2000

File: T/2/7/1

[00.668.djw]

Report to the Passenger Transport Committee
By Dr Dave Watson, Divisional Manager Transport

Implications of Patronage Funding for the Current Year

1. Purpose

To advise the Committee of the implications of patronage funding for the current year.

To determine the best use of the additional income from patronage funding for the remainder of the year.

2. Background

Members of the Committee may be attending the Transfund New Zealand workshop on patronage funding to be held on 18th September 2000 at the Museum Hotel from 9.30 am to 4.00 pm. Transfund New Zealand has to abide by its legal requirements and to do so it has undertaken considerable work to identify the tangible benefits of public transport. From that work it has made progress towards identifying the marginal worth, to it, of an extra passenger kilometre at peak and off peak times for each region.

This work has been in response to the Ministerial agreement with Transfund New Zealand, where the Minister has sought more investment in public passenger transport to stimulate patronage growth. The Minister wishes to see this additional investment to begin from October 2000.

Transfund New Zealand may honour the Ministerial agreement by seed funding Regional Councils from 1 November 2000 by changing the financial assistance ratio (FAR) to provide more money to Regional Councils. Both Transfund New Zealand and the Minister understand that Regional Councils will re-invest the resulting unspent rates on public transport services.

... We have been advised that we can expect to receive up to an additional \$5m (including GST) per year immediately with further increases dependent on patronage growth (see **attachment 1**).

It is understood that public transport infrastructure will continue to be funded separately through the ATR procedures. This may change at a later date so that all public transport is funded through patronage funding.

3. **Comment**

We have a robust Regional Land Transport Strategy and this has been reflected in the Long Term Financial Strategy. Any additional income from Transfund New Zealand should therefore be directed towards fulfilling the Regional Land Transport Strategy. This may mean bringing forward projects and service changes budgeted in the Long Term Financial Strategy. This will have rating and expenditure consequences for future years.

Infrastructure related to urban rail, the extension of the electrification to Waikanae for example, must await our ability to enter into a long term contractual arrangement with Tranz Rail. Service additions on rail and bus expected to occur in future years can however be considered.

Fuel prices continue to increase. This means that the Transfund New Zealand inflation factor for public transport used in all our bus contracts will increase more than we have assumed in the annual plan and budget. Our best estimate of the likely additional cost to the Council for the remainder of the year is \$1m. This additional cost is not budgeted for and should therefore be funded prior to any new or additional services.

Staff are exploring with operators some service additions that can be implemented with current bus fleets and rolling stock which are in keeping with current Council Policies set out in the Regional Land Transport Strategy and the Long Term Financial Strategy. They could be up and running relatively quickly. Transfund New Zealand is looking at some changes to the CPP system to allow these additional services to be implemented on an interim basis without use of the full CPP process which has a lead time of about six to eight months.

These service improvements that are being considered are:

- Increasing the off-peak rail frequency to 30 minutes on the Paraparaumu line (In the RLTS)
- Increasing urban bus services in the Kapiti Coast area to reflect the rail frequency change (RLTS)
- Provide a bus service between Porirua and the Hutt Valley (RLTS)
- Introduce the premium route service on the Wellington No. 12 services. (In the QPA)
- Provide a complete rail service to Paraparaumu Saturday and Sunday evenings up to midnight. (RLTS)

- Make minor service changes across the region where demand warrants on existing contracted bus services. (In RPTP)

No reliable cost estimates are available yet for these proposals.

Patronage funding will not begin until 1 November 2000. The service additions mentioned above can be implemented as soon as possible, some could be in place prior to 1 November 2000 and some later.

4. **Communication**

It is not appropriate to say too much about patronage funding now because the detail has yet to be finalised. Once we have a complete understanding of what will be actual increase in funding to this region and what it can be allocated to them we will be in a position to announce specific service improvements.

5. **Recommendation**

- (1) *That the Committee note the increased annual income that might eventuate with Patronage Funding.*
- (2) *That the Committee recommend to the Policy and Finance Committee that the Transport Division's Business Plan 2000/01 be amended to include:*
 - *an additional \$1m for public transport service cost increases due to inflation.*
 - *additional expenditure on public transport services of up to the difference between the increased funding from Transfund New Zealand for the rest of the current financial year and the additional service costs due to inflation.*
- (3) *The officers report back to the next Committee the service improvements they are moving to implement and their additional cost for the period up to 30 June 2001.*

Report prepared by:

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Attachment : 1