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Report to the Passenger Transport Committee
From Dr D J Watson, Division Manager Transport

Transport Division Operating Plan 2002 - 2010

1. Purpose

To provide an overview of the Transport Division Operating Plans and to seek their adoption in principle for recommendation to the Council's Policy and Finance Committee.

2. Assumptions

The assumptions used in preparing the Operating Plans are:

- This is the third "hard" numbers year of the Long Term Financial Strategy 2000-2010
- The Council supports the implementation of the public transport elements of the current Regional Land Transport Strategy
- Government and its transport agencies will not introduce any new major policy or funding initiatives that will effect the Council's programme for the 2002/03 financial year
- The Council's current funding policies for passenger transport will continue
- The funding provided by Transfund New Zealand will consist of four parts:
 - * Baseline funding – This is the level of funding attracted by the operation of services provided at 1 July 2000 on the 40% bus, 60% rail subsidy of cost formula prevailing at that date
 - * Kick start funding – This will be 40% up to 30 June 2003 and not available beyond that date for new expenditure approved by Transfund New Zealand

- * Patronage funding – Assuming a growth in overall patronage of 4% for the 2002/03 year the total funding available from this source will be \$3.5m (it is also assumed that, in relation to the Lambton Bus/Rail Interchange, there is no patronage growth funding clawback)
 - * Alternatives to Roothing (ATR) funding – All passenger transport capital projects will receive at least 40% Transfund New Zealand funding
 - * If assumed patronage growth does not materialise, the Council will need to re-evaluate its future expenditure programme on public transport
- Cost increases in existing contracted bus services will average 2% in 2002/03 with no increase in future years
 - No inflationary cost increase is allowed for the urban rail contract for 2002/03
 - An acceptable form of road pricing will be found and implemented in the 2005/06 financial year which will raise \$6m a year for passenger transport. If this new revenue source is not formed the Council will need to re-evaluate its future expenditure programme on public transport
 - Tranz Metro Wellington will be sold by Tranz Rail early in 2002/03 and the new owner will be interested in providing urban rail services over the longer term.

3. 2002 Update of Approved LTFS

The approved LTFS has been updated by reviewing the cost of the inputs to provide the services and projects listed. This involved consideration of the contract cost inflation index provided by Transfund New Zealand, the ongoing cost of kick start projects previously approved by the Council and the likely changes in other resource costs, including the cost of staff.

The detailed numbers supporting this 2002 update of the approved LTFS are set out in the draft Operating Plans. There is a zero transport rate change between the 2002/03 year in the 2001 adopted LTFS and the 2002/03 year in the draft Operating Plans.

There is however a 5.68% increase in the transport rate (which is a 2.81% increase in the regional rate) between the actual rate in 2001/02 and that proposed in the Operating Plans for 2002/03. The primary reasons for the 5.68% increase were the inclusion of two major new projects in the 2002/03 year. These are the extension of electric urban rail services to Waikanae (the “Waikanae Electrification Package”) and integrated ticketing. Both these projects are discussed further later in the report.

4. Comments on the Assumptions

The Lambton Interchange project is included in the approved LTFS as a contract for service over a period of eight years. The level of funding that Transfund New Zealand will contribute has not yet been finalised. The Transfund Board meets in mid February to consider the Council’s funding proposal. The assumption on the level of funding from Transfund is that they revise their funding offer by not seeking any patronage growth funding claw back.

Last year the level of overall patronage growth on all bus and rail services was assumed to be 2% per annum for 2001/02 and 2002/03 with no increase in 2003/04 or later years. Funding income from patronage growth has been exceeding this level and as a consequence the assumption for 2002/03 has been increased.

Increased income from patronage growth in the current year may also lead to a greater than expected reserve by year end. There are some off-setting cost increases that have to be taken into account. Prior to the final transport rate being set in June/July the extent of the reserve will be known. The uncertainties of patronage growth and fuel prices would indicate that a proportion of the reserve will need to be retained as a contingency. However there may be an opportunity to apply some to a reduction in the proposed transport rate at that time.

5. Importance of Baseline Funding

Transfund New Zealand's contribution to passenger transport funding after 1 July 2003 is primarily going to be determined by the level of baseline funding pertaining at that time. The patronage growth funding procedures state that the baseline funding for each Council will be reworked on 1 July 2003 to include the Council's current baseline funding plus the average level of Transfund funding provided as kick start funding and patronage growth since 1 November 2000. Funding after 1 July 2003 will consist only of baseline funding and patronage growth funding.

This means that a project, for example a new bus service, started prior to 1 July 2003 which attracts kick start funding and patronage growth funding will continue to receive that level of funding from Transfund after 1 July 2003 but as baseline funding. The same project started after 1 July 2003 will receive no baseline Transfund funding support. Any patronage growth funding resulting from increased patronage from 1 July 2003 will be received under both scenarios.

Clearly there is a real funding advantage from starting projects as early as possible and before 1 July 2003. The report looks at delaying some projects and introducing some others earlier than planned. The Committee in looking at these proposals needs to keep in mind the importance of the Transfund baseline funding and the need to maximise it at 1 July 2003 because of the long term funding effects.

6. Potential Changes and Additions Not Included in the 2002 Update of the Approved LTFS

As this is the third year of hard numbers the Committee is tasked with considering any changes to the timing of existing projects in the 2002 updated LTFS or the inclusion of new projects and making recommendations to include them or not in the proposed draft annual plan and LTFS for 2002-2010. The rest of the report therefore concentrates on policies and projects that could be changed or added. All the amounts shown in this section of the report are annual project costs, the rate implications of these projects are set out in section 7.

(a) *Tranz Metro Wellington*

The assumption above is that Tranz Metro Wellington has a new owner early in the 2002/03 financial year. For the purposes of these Operating Plans the contract price assumption for the level of services that will be operating on 1

July 2002, with the exclusion of the kick start service improvements referred to earlier, is that prevailing now. This is not a change to the LTFS.

The 2002 updated LTFS contains, for the 2002/03 year, the following set of urban rail projects:

- Ganz Mavag refurbishment (the last two car set) at \$282,918
- Waikanae electrification package at \$1,249,952

The Waikanae electrification package was originally scheduled for 2001/02 but was deferred until 2002/03 due to the uncertainties over the sale of Tranz Metro Wellington. It is proposed that the Waikanae electrification be further delayed as it will take some time before the new owner is in a position to take on this project. At this stage the Business Plan assumes that the project will be able to commence in the second half of 2002/03. However, even this timing may prove to be extremely optimistic and a further deferral may be necessary.

It is also proposed that the rolling stock refurbishment programme be extended beyond the completion of the Ganz Mavag refurbishment (all but one of the 44 two-car sets is due to be refurbished by the end of 2001/02; the last set will be refurbished at the beginning of 2002/03). This assumes that, once the Ganz Mavag fleet is completed, the same level of funding will continue to be applied to refurbishment of rolling stock, whether it be English electric units or Wairarapa carriage trains. This proposal would see the annual funding increased in 2002/03 to 2004/05 prior to the purchase of new units in 2005/06. The implementation of such a programme is clearly dependent, however, on resolution of the rail service ownership issue, and on the availability of baseline funding from Transfund at a sufficient level.

The proposed changes to the annual plan and LTFS then are:

- | | | |
|---|--|-------------|
| - | Additional Rolling stock refurbishment | \$1,131,671 |
| - | Waikanae electrification package
(delayed six months) | - \$624,976 |

Both these projects will attract Transfund New Zealand funding. The rolling stock refurbishment will be part of the baseline funding which attracts a 60% subsidy and the Waikanae electrification will be an alternative to roading project with funding at 50%. (Transfund are currently considering the funding of passenger transport infrastructure and may introduce new procedures sometime in the future.)

(b) ***Other Passenger Transport Projects***

The integrated ticketing project is included in the 2002 updated LTFS. Integrated ticketing also depends on there being a willing urban rail operator. It is not expected that this project will be given the highest priority by any new owner. This project is clearly not implementable from 1 July 2002. A new start date of 1 January 2004 is therefore proposed.

The real time information project is currently programmed for 2003/04. This project has been discussed at length by the previous Committee, including

going to tender. The project is proposed to be brought forward in to 2002/03 with a start date of 1 January 2003. Bringing this project forward could attract kick start funding of 40%. Any such funding would then be incorporated into the base line funding from 1 July 2003 for future years.

The financial effects of these two proposed changes to the updated LTFS is:

-	Integrated ticketing (deferred 18 months)	- \$1,440,000
-	Real time information	\$375,000

Marketing of passenger transport services has been, until now, primarily the function of operators. The operators over recent years have become much more proactive in this. Special event promotions, ticket type improvements, service branding are all noticeable. The Council's marketing efforts have been restricted to information dissemination through timetables, public notices, Ridewell Centre, bus stop displays, posting service changes to all residents effected and the occasional more direct specialist service marketing to individual target groups. This all needs to continue but within the context of the Transport Division's overall Communications Strategy (currently being developed). It is proposed to include an additional sum of money as a marketing budget for the purpose of producing and beginning to implement a Public Transport marketing programme. An initial sum of \$200,000 is proposed for inclusion in the draft Annual Plan.

There is limited scope for new bus service initiatives that require additional resources. The last Kapiti Coast bus changes did not include the full Waikanae bus service originally envisaged because of funding limits. It is proposed that that project be completed by including \$100,000 for improved Waikanae bus services.

Those Councillors that made the visit to Auckland Regional Council last year may recall seeing the Auckland passenger transport call centre. They use a computer system to answer any enquiries. We have been looking for such a system for Ridewell. We have evaluated the Auckland system and believe it will provide us with a tool that will enhance our current service. To purchase the system and support it will be an additional cost of \$50,000 per year.

(c) ***Transport Studies***

Transport legislation may be changed to allow private sector involvement in major road funding. Toll roads may also be allowed. If the Council wishes to see Transmission Gully be progressed using these new funding opportunities it will be necessary to undertake an update of the benefit and analysis using the latest information. The cost would be some \$75,000 and will attract a 25% Transfund subsidy.

7. Summary of Potential Changes and Additions and their Transport Rate Implications

The overall transport rate is related to the total expenditure on Transport and the assumed level of income from Transfund New Zealand.

7.1 Implications for 2002/2003 Transport Rate

	<i>Project Cost</i> \$	<i>Rate</i> <i>Contribution</i>	<i>Change to</i> <i>Rate</i> \$	<i>Transport</i> <i>Rate Impact</i> \$
Potential Additional items/changes:				
(a) Additional rolling stock refurbishment	1,131,671	40%	+452,668	+1.76%
(b) Waikanae electrification package (delayed 6 months)	-624,976	50%	-312,488	+1.22%
(c) Integrated ticketing (delayed 18 months)	-1,440,000	60%	-864,000	-3.36%
(d) Real Time Information (brought forward 6 months)	375,000	60%	+225,000	+0.88%
(e) Marketing strategy	200,000	67%	+134,000	+0.52%
(f) Waikanae bus service improvements	100,000	60%	+60,000	+0.23%
(g) Computer database for Ridewell	50,000	67%	+33,500	+0.13%
(h) Transmission Gully B/C	75,000	75%	+56,250	+0.22%
All items			- \$215,070	-0.84%

The above changes would result in a transport rate reduction of \$215,070. This brings the change between the transport rates in 2001/02 and 2002/03 down to an increase of 4.84% (which is a 2.39% increase in the regional rate).

7.2 Implications for Transport Rate in future LTFS years

The effect on transport rates in future years is graphed in **attachment 1** with detailed working given in **attachment 2**.

As can be seen from the attachments, transport rates would increase in all future LTFS years with the major impact in 2004/05 (3.41%).

8. Recommendations

1. *That the report be received.*
2. *That the draft Transport Division Operating Plans be amended to:*
 - (a) *Provide for the following additional projects*
 - (i) *additional rolling stock refurbished \$1,131,671*
 - (ii) *Real Time Information \$375,000*
 - (iii) *marketing strategy \$200,000*
 - (iv) *Waikanae bus service improvements \$100,000*
 - (v) *computer service enquiry database \$50,000*
 - (vi) *Transmission Gully B/C \$75,000*
 - (b) *Delay the following projects*
 - (i) *Waikanae electrification package (by six months)*
 - (ii) *integrated ticketing (by 18 months)*
3. *That the following draft Operating Plans, as amended, be approved in principle:*
 - *Public Transport*
 - *Transport Policy*
 - *Customer Services*
4. *The amended draft Operating Plans for the above activities be recommended to the Policy and Finance Committee for inclusion in the proposed Long Term Financial Strategy 2000-2010, 2002 update (Incorporating Council's 2002/03 Annual Plan).*



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Attachments:

1. **Transport Rates in LTFS years**
2. **Analysis of Transport Rates in LTFS years**