

Further Information on Possible Additions to the Transport Division 2002/03 Operating Plan

1. Purpose

To provide further detail on the additional projects, that were listed in the Divisional Manager's Overview Report (02.1) to the Passenger Transport Committee on 18 February 2002.

2. Overview

2.1 The additional projects are summarised in section 4 of report 02.92. They are listed in order of priority as determined by officers. The effect each project would have on the 2002/03 Regional rate is also provided.

2.2 In Section 3 of this attachment further details are provided on each project. Financial analysis is also provided to show the rate implications of adding each project, over the remaining LTFS period. This analysis assumes Transfund NZ make no changes to the current Patronage funding scheme.

Note - An indication of possible effects on patronage levels of each project are detailed in section 3. However due to the inherent uncertainty around such effects patronage revenue benefits are not included in the financial analysis.

3. Possible Additions to the Transport Division 2002/03 Operating Plan

3.1 Continued Rolling Stock Refurbishment

The current rolling stock refurbishment programme could be extended until 2005/06. Once the last of the Ganz Mavag fleet is refurbished in 2002/03, English Electric and Wairarapa carriages could then be refurbished by the new owner of Tranz Metro.

3.1.1 *Justification for continued rolling stock refurbishment*

It is clear that the English Electric units, used on the Johnsonville line and for peak services on the other lines, are overdue for replacement or upgrading. Tranz Rail have warned that there is a high probability that some of these units will have to be removed from service in the relatively near future due to safety concerns. With current loadings any reduction in the peak fleet will result in a reduction of patronage. An upgrading programme would reduce the likelihood of this outcome as the "worst" units would be selected for refurbishment.

In addition, Council has agreed to the introduction of a further Wairarapa peak train in 2001/02. Officers are of the view that there will be demand for more capacity relatively soon after the new service commences. Each additional

carriage added to the train seats 50 additional passengers. Commuting in the peak period, 70 kms to and from the Wairarapa equates to patronage revenue of \$5,700 per additional passenger per annum. 50 additional passengers would give rise to additional patronage revenue of \$285,000.

Also Tranz Rail advises that the staff involved in the Ganz Mavag upgrade did not transfer to Alstom Ltd with the sale of the Hutt workshops. These staff are still Tranz Rail employees and Tranz Rail have advised that the production line will be disbanded upon completion of the Ganz Mavag upgrades unless further work can be guaranteed. Consequently there may be a significant “set up” cost to restart a refurbishment programme at some later date. Tranz Rail Ltd suggest this cost will be around \$500,000.

There are a number of implications which require consideration in reaching a decision on this matter. These include:

- the ability to “isolate” this proposal from the sale process of Tranz Metro.
- the effect of any upgrade on the value of the Tranz Metro fleet and the implications of this change on the sale process.
- the suggested “start up” cost of the refurbishment programme (\$500,000) when considered with the cost of the business and the potential for it to impact on the price sought.
- whether this proposal will be acceptable to the JV partner.

Essentially this issue comes down to a balance between being prudent with ratepayers’ money, given the current position with Tranz Metro, and trying to protect and enhance the quality of rail services provided over the long term.

3.1.2 *Financial implications of continued rolling stock refurbishment*

Under the Patronage scheme the current carriage refurbishment programme is included as part of WRC’s 2001/02 baseline services. With the completion of the Ganz Mavag units in 2002/03, baseline funding, at 60%, from Transfund will be lost. However should the carriage refurbishment programme be continued then baseline funding will remain at 2001/02 levels.

The financial impact is shown in Table 1.

Table 1 – Financial implications of continued rolling stock refurbishment

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Additional Expenditure \$	+ 1,131,671	+ 1,414,589	+ 1,414,589	-	-	-	-	-
Impact on Rates	+ 452,668	+ 565,836	+ 565,836	-	-	-	-	-

3.2 **Real Time Information**

The real time information project is currently programmed for 2003/04. The project could be brought forward six months into 2002/03 with a start date of 1 January 2003.

3.2.1 *Justification for bringing forward the Real Time Information Project*

There are two significant benefits from the adoption of this proposal.

Firstly, real time information displays markedly increase passenger confidence in public transport systems. The ability to know where the bus (or train) is in real time allows the passenger to make decisions on how to spend the intervening period. If the bus is running late passengers are made aware of how significant a delay there will be. The displays will increase short distance journeys where walking is a viable alternative and encourage other users who presently lack confidence in the system.

The second aspect is the ability to ensure that all services purchased are in fact provided. At present this data is provided by a combination of passengers (through complaints), the bus companies, and the inspections carried out by the Ridewell Inspectors. The system would produce a printout of all services that failed to run and would also isolate services that ran early and any services that ran “off route”. The system software includes “learning technology” which continuously reviews the running time between nodes and provides different specifications for different days and time periods within a day. This information would be available to route planners to refine timetables and to improve their accuracy.

The benefits above would not only help to sustain patronage levels but would increase patronage levels. This aside, there is a more tangible justification for bringing this project forward as illustrated in 3.2.2.

3.2.2 *Financial implications of bringing real time information forward 6 months*

Under the current Patronage scheme, the project is eligible for kick start funding if brought forward into 2002/03, and receives funding at 40% of cost from Transfund in 2002/03 and each subsequent year. However if the project is commenced in 2003/04, as originally planned, it will not commence before the kick start deadline, and will therefore receive no funding from Transfund. Consequently there is a favourable financial impact on the Rates from 2003/04 onwards, as shown in Table 2.

Table 2 – Financial implications of bringing real time information forward 6 months

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Additional Expenditure \$	+ 375,000	-	-	-	-	-	-	-
Impact on Rates	+ 225,000	- 300,000	- 300,000	- 300,000	- 300,000	- 300,000	- 300,000	- 300,000

3.3 Marketing Strategy

A sum of \$200,000 could be included in 2002/03 as a marketing budget for the purpose of producing, and beginning to implement, a Public Transport marketing programme.

3.3.1 *Justification for marketing strategy budget*

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 marketing with special event promotions, ticket type improvements and service branding. The Council's marketing efforts have been largely restricted to information dissemination through timetables, public notices, Ridewell, bus stop displays and the posting service changes to residents. This all needs to continue, but within the context of the Transport Division's overall Communications Strategy (currently being developed).

Marketing is seen as crucial not only in ensuring present patronage levels are maintained in the Wellington Region, but also in attracting new passengers onto the network. If implemented well it is not unreasonable to assume that future patronage revenue benefits to the Council would offset additional costs.

The marketing strategy will complement the implementation of the branding strategy. There is ample evidence from other cities that these two elements are increasingly important in maintaining existing patronage and attracting new users.

3.3.2 *Financial implications of additional budget for marketing strategy*

Under the Patronage scheme, the project may be eligible for kick start funding at 40%. If not eligible for kick start funding the project qualifies within the Passenger Services Administration funding category at 33%. Transfund's contribution is assumed to be 33% below.

Table 3 – Financial implications of additional expenditure for marketing

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Additional Expenditure \$	+ 200,000	-	-	-	-	-	-	-
Impact on Rates	+ 134,000	-	-	-	-	-	-	-

3.4 **Waikanae Bus Service Improvements**

The last Kapiti Coast bus changes did not include the full Waikanae bus service originally envisaged because of funding limits. A total of \$100,000 per annum could now be added to finalise the Waikanae bus services changes.

3.4.1 *Justification of Waikanae bus service improvements*

Service improvements in the Kapiti area have been a key driver behind the increases in patronage numbers to date. It is also important, given the Regional Land Transport Strategy's intention to extend the railway electrification to Waikanae, that Waikanae people see further improvements to their bus service, to build up a base level of patronage for when the electric service commences.

3.6 Transmission Gully Cost/Benefit and Analysis Work

A sum of \$75,000 could be included in the 2002/03 operating plan to carry out cost/benefit and analysis work on Transmission Gully.

3.6.1 *Justification for Transmission Gully Cost/Benefit and Analysis Work*

There is a possibility that Transport legislation will be changed to allow private sector involvement, including toll roads, in major road funding. If the Council wishes to see Transmission Gully progressed it will be necessary to undertake an update of the benefit and analysis work already done, using the latest information. This will assist in identify Transfund's contribution to Transmission Gully and in determining optimum toll levels.

3.6.2 *Financial implications of Transmission Gully Cost/Benefit and Analysis Work*

The work will be eligible for 25% funding from Transfund, as part of Transfund's Land Transport Policy Administration category.

Table 6 – Financial implications of additional expenditure for Transmission Gully work

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Additional Expenditure \$	+ 75,000	-	-	-	-	-	-	-
Impact on Rates	+ 56,250	-	-	-	-	-	-	-

Report Prepared by:

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