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

Rail Issues

1. Purpose

To update the Committee on the progress towards being able to enter into a long term contract with the urban rail provider, currently Tranz Rail.

To advise the Committee of the consequences of any future sale of Wellington Tranz Metro.

2. The CPP

It has been reported several times before that the Council's ability to enter into a long term contract for the urban rail services was dependent on two key events. The ability of the Council and Transfund New Zealand to commit to long term funding and the ability of the Council to negotiate a long term contract with the rail provider using a "Competitive Pricing Procedure" approved by Transfund New Zealand.

Discussions with Transfund New Zealand (expanded on in the monthly report) over the CPP for urban rail services are continuing. The Council sought an alternative CPP for urban rail in late August. Transfund asked some questions regarding the Council's proposal. A response to those questions has gone to Transfund recently. A reply is awaited.

3. Long Term Funding

Patronage funding will provide a long term funding stream for the Council. The Council will need to assess the risks of entering into a long term contract when the

funding is aligned to patronage. The contract entered into might at least share that risk by making a proportion of the contract price conditional on specified patronage levels.

4. **The Future of Tranz Rail**

Tranz Rail has announced its intentions to consider selling its urban passenger rail businesses. In essence this is no different to when Stagecoach purchased Cityline in the Hutt. Existing contracts with operators are routinely transferred to the new owner. If Tranz Rail sold Wellington Tranz Metro prior to the end of the Council's existing contract with them the new owner would be required to continue to operate the services under the current contract.

What is a difficulty for the Council is its ability to enter into a long term contract until there is a new owner. This is bound to delay the Council's desire to see major enhancements in the current rail services.

Any significant delay in getting these major improvements underway will compromise the Council's Regional Land Transport Strategy. In particular the construction of Transmission Gully by 2006 may not be possible because the Western Corridor rail improvements may not have been advanced early enough.

4. **Communication**

The Acting Council Chairperson made a media release on the future of the urban rail services when Tranz Rail made its announcement. No other action is necessary.

5. **Recommendation**

That the report be received.

Report prepared by:

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