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

Transport Division Operating Plans 2001-2010

1. Purpose

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

2. Assumptions and Commitments

The assumptions used in preparing the Plans are:

- The Council will foster the implementation of the public transport elements of the current Regional Land Transport Strategy
- The funding provided by Transfund New Zealand will consist of four parts:
 - Baseline Funding – This will be equal to the funding received from Transfund New Zealand in the 2000/01 year. After 1 July 2003 the baseline will be increased to include the average monthly kick start funding payments made since 1 November 2000 and any patronage funding paid in that period.
 - Kick Start Funding – This will be 60% of new qualifying expenditure in 2001/02 and 40% in 2002/03.
 - Patronage Funding – Using the output from the Regional Transport Model for public transport patronage growth of 2% per annum this will be \$1.8 m in 2001/02, \$2.6 m in 2002/03 and this will be assumed to remain at that level through to 2010.
 - Alternatives to Roothing (ATR) Funding – All capital projects will receive at least 40% Transfund New Zealand funding.
- An acceptable form of road pricing will be found and implemented in the 2005/06 financial year and will raise around \$6 million a year for public transport.
- The Council's current funding policies for public transport will continue.

The Committee understands the contractual commitments the Council has with operators. Additional to those, we also have two ongoing funding arrangements involving public transport infrastructure. These are with Kapiti Coast District Council for the Paraparaumu Station pedestrian overbridge and with the Wellington City Council for the Lambton Interchange, though the latter has yet to be finalised.

3. **Comment**

3.1 **The Current LTFS**

The draft Operating Plans which are the subject of this meeting are an update of the second year 'hard' numbers of the adopted Long Term Financial Strategy. As such, they do not fully reflect two major events that took place over the last few months, patronage funding and the announcement by Tranz Rail Limited to sell Tranz Metro Wellington.

As the Council joined the patronage funding scheme on 1 November 2000 it qualifies for any additional funding resulting from patronage growth from that date. The assumption on patronage growth and revenue from patronage funding is shown above. There is a financial risk associated with this assumption that the Committee needs to fully understand.

The patronage growth assumption leads to additional income not envisaged in the previously adopted LTFS. This has an effect on the transport rate expectations for 2001/02 and onwards. The adopted LTFS showed a transport rate of \$23.77 m for 2001/02. This is reduced to \$23.26 m under the patronage growth assumption, a reduction of \$510,000. If the patronage growth assumption was 1% then the rate for 2001/02 would increase by approximately \$400,000 to \$23.66 m. If the percentage growth assumption was 3% then the rate for 2001/02 would be further reduced by \$400,000 to \$22.86 m.

Patronage growth over the last five years has been of the order of 2% per annum. Collection of detailed auditable patronage data is being undertaken by Pricewaterhouse Coopers as part of the Patronage Funding scheme. By late April we should have established baseline patronage data for the year 1999/2000 and patronage growth for 1 November 2000 to 31st March 2001. This will provide a good check on the patronage growth assumption before the Council finally makes the 2001/02 rate.

From 1 November 2000 the kick start funding element of patronage funding also started. One kick start project was introduced before Christmas, the Newlands/Churton Park bus service changes. That project is included in the draft Operating Plans along with the revenue resulting from kick start.

3.2 **External Changes**

The patronage funding scheme, in particular, kick start funding, encourages the council to bring new projects forward to access the extra funding made available. The Tranz Rail announcement implies that any capital projects related to the rail service, currently included in the operating plans to start 2001/02 need to be delayed pending resolution of the sale issue.

The following table lists the one rail project that needs to be delayed (project 1a). It also sets down some non rail capital projects that can be brought forward to benefit

from kick start funding. It also includes one additional transport planning project not previously included in the Long Term Financial Strategy (project 5a).

The Committee needs to note that all the kick start funded projects approved by Transfund New Zealand to start in 2000/01 are not included in the draft Operating Plans as indicated in the half year review report, except for Newlands/Churton Park. The table shows kick start projects applied for and approved (labelled 2a to 2i) applied for but not yet approved. (labelled 3a to 3d), and projects not yet applied for (labelled 4a to 4i). Most of these projects are in the draft LTFS but are programmed for later years.

Project	Estimated Annual Cost \$	
	2001/02	2002/03
Rail		
(1a) Waikanae Electrification	1,250,000	1,250,000
Kick Start Approved		
(2a) Rail Service Changes	600,000	600,000
(2b) Kapiti Coast Bus Changes	315,000	315,000
(2c) Wellington City Bus Services	1,000,000	1,000,000
(2d) Porirua-Hutt Valley via SH58	120,000	120,000
(2e) Paekakariki Shoppers Service	7,000	7,000
(2f) Otaki Bus Service	65,000	65,000
(2g) Eastbourne Peak bus	70,000	70,000
(2h) Bus Stop Waiting Shelters	300,000	300,000
(2i) Bus Stop Information Displays	48,000	48,000
Kick Start Applied for		
(3a) Porirua/Johnsonville/Hutt Valley bus	275,000	275,000
(3b) Eastbourne weekend bus	18,000	18,000
(3c) Porirua/Whitby bus	390,000	390,000
(3d) Wairarapa carriage refurbishments	750,000	750,000
Proposed Kick Start		
(4a) Hutt bus enhancements	200,000	200,000
(4b) Additional Marketing	100,000	200,000
(4c) Real Time Information	600,000	600,000
(4d) Masterton extra peak rail service stage II	50,000	50,000
(4e) Integrated ticketing Stage I	100,000	
Integrated ticketing Stage II		1,400,000
(4f) Porirua bus/rail interchange		400,000
(4g) Waikanae bus changes		50,000
(4h) Bus priority Newtown/Karori		30,000
(4i) Wellington bus enhancements stage II		250,000
Other Projects		
(5a) Corridor Studies	100,000	

The extra project, 5a Corridor Plans, was not previously included but it is now clear that a corridor plan for the Wellington City Corridor will be required in 2001/02.

3.3 **Kick Start Funding**

First some explanation of how kick start funding works and hence how important it might be to maximise it for the future benefit of the Region's transport services. Any new project that we wish to introduce from 1 July 2003 will not receive any cost based funding from Transfund New Zealand, the Council will have to fund the project from any patronage funding surplus it might receive from ongoing patronage growth or rates. Projects brought forward into the 2001/02 or 2002/03 year will receive kick start funding of 60% and 40% respectively. These kick start payments are incorporated in the baseline funding from 1 July 2003, that is the kick start projects continue to receive cost based funding after 1 July 2003. This is a strong incentive to bring projects forward for kick start funding. The overall effect this has on long term rating is to see a strong reduction in rates in the later years of the Long Term Financial Strategy equal to the annual total of kick start funding achieved in this start up period.

3.4 **Status of Kick Start Projects Already Approved by Transfund**

As stated above one kick start funded project, Newlands/Churton Park started before Christmas. During the rest of this financial year any kick start project that starts receives 80% Transfund funding until 30 June 2001. In accordance with the Committee and Council resolutions of 1 November 2000 a number of kick start projects have been applied for to start in 2000/01. They are listed above as projects 2a to 2i. Some of these projects are close to being implemented but as is stated are not included in the draft Operating Plans. At the time of writing the projects were at the following stages:

- (2a) Rail Service Changes – The proposed timetable is completed, Tranz Rail are preparing to implement the changes soon and are going through the necessary internal process to achieve this. Expected start date is April 2001.
- (2b) Kapiti Coast Bus Changes – Newlands/Mana is finalising the new Raumati routes which could be implemented and incorporated in with the new rail timetable. Expected start date is April 2001.
- (2c) Wellington Bus Services – As this is a collection of many small changes they will be introduced progressively over the next several months as resources, mainly bus, become available. The first changes got underway on 12th February 2001.
- (2d) Porirua - Hutt Valley SH58 - The request for tender is out with a closing date of 12 February 2001.
- (2e) Paekakariki Shoppers Service – Survey design is underway.
- (2f) Otaki Bus Service – Survey design is underway.
- (2g) Eastbourne Peak Service – Yet to be actioned.
- (2h) Bus Stop waiting Shelters – A list of 15 shelters has been drawn up and the relevant territorial local authority are being advised.
- (2i) Bus Stop Information Display – The displays have been ordered

3.5 Tranz Metro Sale

The Committee needs to keep in mind the possible future implications of the Tranz Metro sale options. No provision is made in the Division's Operating Plans for a possible purchase of Tranz Metro. Clearly if the Council was involved in a joint venture company to purchase Tranz Metro Wellington then this could have a significant impact on the councils rating requirements.

3.6 Different LTFS Scenarios

The Committee needs to consider what kick start projects, if any, it wishes to include in the draft Operating Plans and whether it wishes to reschedule the Waikanae Rail Electrification project. Below are some options . First what is the effect on the proposed 2001/02 rate line by changing the current LTFS. Any kick start projects that are introduced have a 40% rate requirement in 2001/02 . That means that for every \$1m of kick start projects the transport rate increases by \$400,000. Rescheduling the Waikanae Electrification to the 2002/03 year reduces the rate by about \$600,000.

The options or scenarios presented below are:

- (a) The updated LTFS
- (b) Reschedule the Waikanae Electrification
- (c) As for (b) but include the kick start projects labelled 2a to 2i
- (d) As for (c) but include the additional kick start projects labelled 3a to 3d
- (e) As for (d) and include the corridor study labelled 5a
- (f) As for (b) but include all kick start projects and the corridor study

The rating effects of the options are:

THE 2001/2002 RATE REQUIRMENT					
Scenario	Project Cost	Rate contribution	Rate Change	Transport Rate	Change from LTFS
LTFS				23,771,718	
(a) Updated LTFS			-515,187	23,256,531	-515,187
(b) Plus delay Waikanae electrification	-1,224,600	49%	-600,00	22,656,531	-1,115,187
(c) Plus kickstart applied for & approved	2,525,000	40%	1,010,000	23,666,531	-105,187
(d) Plus kickstart applied for & to be approved	1,433,000	40%	573,200	24,239,731	468,013
(e) Plus Corridor study	100,000	100%	100,000	24,339,731	564,013
(f) Plus kickstart not yet applied for	1,010,000	40%	420,000	24,759,731	988,013

4. Action

The Committee needs to balance the rate requirement now with the projects that it can bring forward for kick start funding. Clearly where projects are brought forward they should only proceed if they attract kick start funding.

It is suggested that the Committee consider the issues in the series of steps as follows:

- Decide whether to reschedule the Waikanae Electrification project from 2001/02 to 2002/03
- Decide what group or groups of kick start projects to bring forward, this will determine the proposed 2001/02 transport rate.

5. Recommendation

- (1) *That the report be received and the contents noted*
- (2) *That the draft Transport Division Operating Plans be amended to:*
 - (a) *Reschedule the Waikanae Electrification project for 2001/02 to 2002/03*
 - (b) *include the kick start funded projects labelled 2a to 2i*
 - (c) *include the kick start funded projects labelled 3a to 3d*
 - (d) *include the kick start funded project labelled 4a to 4i*
 - (e) *include the Corridor Study labelled 5a*
- (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 the Comments proposed Long Term Financial Strategy 2000-2010, 2001 update (Incorporating Council's 2001/02 Annual Plan).*

Report prepared by:

DAVE WATSON
Divisional Manager, Transport