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Report to the Policy and Finance Committee
From Barry Leonard, Manager Customer Services

Tranz Metro: Performance Issues

1. Purpose

To appraise Councillors on the current performance of Tranz Metro services and to comment on the safety and other issues which have been raised in the media.

2. Public Excluded

Grounds for exclusion of the public under section 48(1) of the Local Government Official Information act 1987 are:

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist (ie to enable the Council to carry on negotiations (including commercial negotiations) without prejudice or disadvantage).

3. Background

In the normal course of events this paper would have been considered by the next Passenger Transport Committee but as this Committee does not meet again until 20 June, and given the interest in Tranz Rail matters from Councillors outside that Committee, it was decided to report directly to Policy and Finance Committee on this occasion.

Since the beginning of February there have been over 30 instances of delays to Tranz Metro services recorded by Ridewell. In broad terms these can be categorised as, mechanical breakdowns 10, overhead wire down 4, signal/points failures 5, external factors 2, staff delays 4, other 5.

These figures represent an increase in the number of disruptions reported with the incidences of failure of the overhead wire being of particular concern as this type of failure has been rare in the past. These failures are not restricted to one section of

track or even one line and on the surface may suggest the possibility of a lack of maintenance. As a consequence these issues were raised with the management of Tranz Metro at our regular operating meeting held on 17 April.

4. Tranz Metro Performance Report

Attached is a copy of the Tranz Metro Performance Report (**attachment 1**) covering the months of February and March presented at the monthly operating meeting.

The main points within the report include:

- Patronage – Patronage and to a lesser extent fare revenue, have been influenced by a reduction in the number of major events at the stadium this year, and the smaller crowds due in part to the “average” performance of the Hurricanes in their early games. Future patronage levels will also be adjusted to reflect the sale of the “Capital Connection” to Tranz Scenic 2000 Ltd . In the past Tranz Metro has included urban fare revenue from this service as part of the overall revenue relating to the contract. The patronage carried on the Capital Connection will count towards patronage funding from Transfund, but the difference between Tranz Metro costs and fare box revenue will deteriorate by the Capital Connection sales. This could be \$2M per annum.

The increase in off peak patronage shows that the increase in off peak frequency has been successful in attracting additional patronage.

- Marketing Initiatives - The Capital Explorer which offers travel on Tranz Metro, Stagecoach, Cityline and Mana/Newlands services after 9:00 am weekdays and all weekend for \$15 was launched on 4 March. Although this ticket was highlighted in the latest edition of our “Bus and Train Guide” there has not been any further specific marketing, with the period being used to “iron” out hitches with the product. Now it is felt these have all been addressed a programme is planned for May 2001. This promotion is to be funded by Tranz Metro.
- Tranz Metro is planning for a price increase. This is permitted under the terms of their contract, but we feel it is being used as a method to frustrate our efforts to obtain greater detail on the operating costs which are claimed by Tranz Metro. This factor is discussed further later in this paper. In the meantime Tranz Metro have agreed to seek our views on the make up of the new fares without prejudice to any other actions either side may elect to take.
- Planning for the new Wairarapa service is now complete but we still have an issue over the makeup of Tranz Metro’s claim for the additional services.
- Customer Satisfaction – These results are the same as those included in the previous report. Although a further survey was carried out in February, the results will not be available until the next report. This is unfortunate as there has been a deterioration in services levels and standards this year which will not be reflected in these results.
- On-Time Performance – These graphs clearly show the effects of the service disruptions which have occurred over the past two months with the weekly “on

delays. In order to overcome this difficulty alterations have been made to the radio system to enable the Train Control operator to broadcast details of disruptions. This broadcast can be heard by the passenger supervisory staff as well as drivers of services en route. This will enable an additional person to assist the Train Control Operator by taking a specific interest in the urban aspects of the operation and at the same time ensure that passenger information is kept up to date.

Tranz Metro have had some industrial issues relating to the manning of urban services and in some cases delays have occurred because a full complement of staff have not been available. They have recently recruited an additional 10 staff to fill 6 vacancies. When trained this will provide additional cover for last minutes sickness and the like which would otherwise leave trains understaffed.

Third party activities fall into two groups, deliberate actions and accidental actions. Little can be done to avoid the accidental incidents other than to reinforce the need to obtain permits when working in the vicinity of the track. The major type of deliberate action is the stone throwing in the Hutt Valley. Tranz Metro have sought police assistance in stamping out this dangerous practice but with only limited success. The other major issue is trespass. There have been a number of near misses and at least two cases of injury and one fatality. There is no effective method of stopping trespass and education of the dangers is the only solution.

6. Safety Issues

On 8 April officers wrote to Tranz Rail Ltd reiterating the sections within the contract document which specify that the relationship between Tranz Rail and Council is such that Tranz Rail Ltd is solely responsible for all operational aspects of the services including safety and compliance with the terms associated with the Rail Operating Licence issued by the LTSA. This was to remove any doubt which may have existed given the status of the contract which technically lapsed on 30 June 2001.

Following our meeting with Tranz Metro we are confident that Tranz Metro officers recognise that service standards have slipped and accept that it is a Tranz Rail matter to improve them. They have addressed a number of the problems as set out above and have made their Head Office aware of the shortcomings.

The LTSA also maintains an ongoing interest in the safety record at Tranz Rail as evidenced by the recent speed restrictions imposed at times of high temperatures.

7. Funding of Services

Tranz Metro tabled a letter (**attachment 2**) at the meeting which confirmed their current practice of refusing to provide details of the costs associated with the provision of the services. While we have been seeking more detailed information on all aspects of the service the need for specific cost information was particularly sought in relation to the “kick start” services introduced over the past nine months. This information is required to justify the increase in cost between the first estimates and the final price. To date we have refused to pay the requested sum as the cost data was not provided. Tranz Metro have now suggested that they may elect to recover the sum through a fare increase.

8. Vehicle Refurbishment Programmes

Funding has been allocated to complete the refurbishment of the final Ganz Mavag set. The proposed Annual Plan includes the sum of \$1.131M to commence the refurbishment of the English Electric units. It is suggested that this funding will be sufficient to upgrade two 2 car sets. At this rate of refurbishment it will take up to 10 years to refurbish the operational fleet. Tranz Metro have suggested that the refurbishment staff have the capacity to complete additional units if funding was available, and they may elect to make submissions to this end as part of the public consultation phase of the Annual Plan.

Tranz Metro have agreed that all the costs related to the refurbishments can be revealed which will meet the transparency requirements of Transfund. At this stage this staff are employed by Tranz Rail Ltd, it is likely that should an ongoing refurbishment plan be agreed they will transfer to Alstom Ltd who recently purchased the Hutt Shops and hold the mechanical maintenance contract with Tranz Rail Ltd.

Tranz Metro have agreed to present a proposal for the refurbishment of the English Electric units. This proposal should include the scope of the work to be undertaken, an indicative timescale and a proposed “audit” system for the costs involved.

Should the transfer of staff to Alstom take place Council should consider the benefits which may accrue from direct negotiations with Alstom who have already expressed interest in this type of work.

9. The Funding Standoff

At the present time Tranz Metro is operating on the basis of last year’s contract and at last year’s payment levels. This position exists solely because Tranz Metro refuses to supply any detailed cost information. Earlier the reason given for refusing this information was American Stock Exchange rules which required all shareholders to have equal access to any information provided. Now that most American based investors have sold their shareholding the reason for refusal is the pending sale and particularly the fact that we wish to be a joint venture partner with the potential purchaser.

We have now agreed the escalation factor of 4.18% which should apply to payments made after June 2001 and payment of this shortfall can now be made. This raises the base contract cost (excluding the kick start project) from \$17,441,530 to \$18,162,362. With regard to the kick start services, we have refused to agree a sum with Tranz Rail until we have received some cost information to support the sum claimed. This information has not been forthcoming and we have now been advised in writing that it will not be provided. We have indicated that if this is the case no additional funds will be paid to the company. The response we have received is that they will use the planned fare increase to recoup their costs.

The “lapsed” contract which has continued in the absence of any new agreement, allows the company to increase fares subject to a number of conditions relating to the perceived costs of travel by car, and others relating to concession fares. Although we have yet to receive the detail officers are confident that the fare increase proposed will meet these criteria.

With the change to patronage funding any action with the potential to reduce passenger numbers (even if it increases passenger fare revenue) has to be viewed with caution. We suspect that in order to recover the amounts requested for the kick start services any fare increase will need to be significant. Tranz Metro have also indicated that within the fare increase the effect of their desired rounding will result in greater than average increases in some origin destination groups. If this is so it compromises Council's aim within the Regional Land transport Strategy in relation to reducing road congestion and promoting the use of public transport as an alternative.

At this point Council has a number of options including:

- Agreeing to pay the sums requested for kick start services
- "Buying" Tranz Metro out of any fare increase
- Allowing the fare increase to go ahead but unilaterally reducing funding if it is felt that the return from the fare increase is unreasonable

10. Communications

The proposal to refurbish the English Electric EMU stock is outlined in the draft Annual Plan about to be released for public consultation. No further communications are required at this time. The Tranz Metro Operating Report may be made public following this meeting.

11. Recommendations

That the Committee recommends that Council:

- (1) *notes that the fall off in the Tranz Metro Services' performance has been brought to the notice of the management of Tranz Metro.*
- (2) *notes that the responsibility for all operational matters, especially those relating to safety are solely matters for Tranz Rail Ltd.*
- (3) *notes that Tranz Metro has accepted the 4.18% escalation factor and hence the base contract price for 2001/02 is now \$18,162,362*
- (4) *notes that Tranz Metro has refused to reveal a breakdown in the costs associated with the additional services operated under the kick start provisions and to date no payments have been made by WRC.*
- (5) *notes that the officers will await receipt of Tranz Metro's proposed fare increase before recommending any further action regarding the current stand off over the funding of the kick start projects.*

Report prepared by:

Approved for submission by:

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Manager Customer Services

DAVE WATSON
Divisional Manager, Transport

Attachments:

- 1- Tranz Metro Monthly Performance Report**
- 2- Letter from Tranz Metro dated 17 April 2002**