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## **Report 02.313**

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

### **Tranz Metro Wellington Issues**

#### **1. Purpose**

To provide the Committee with the most recent Tranz Metro monthly performance report.

To advise the Committee of issues related to the current urban rail contract and fare increase. To provide the Committee with an update on our request for approval of a further, limited, roll over of that contract into the 2002/03 year.

#### **2. Monthly Performance Report**

The Committee has been receiving these reports in public for some months. The public release of the April 2002 report however caused some concern for the Tranz Metro management, in particular, its reference to a rail fare increase on 1 July 2002. The possibility of a fare increase had been flagged in several previous performance reports, without a specific date. Tranz Metro management are now expressing some reluctance to provide future performance reports with the current level of detail if they are going to be made public. There is no issue for them in providing all current information to Councillors. The May performance report is due to be released on 19 June. It will be tabled, if available, at the Committee meeting the following day.

The April report showed improved performance over that highlighted in the February/March report. It will be interesting to see if that improved performance has been maintained.

#### **3. The Current Contract**

The Committee have been kept informed of the stand off over the cost for the service frequency improvements implemented on 5 August 2001. Tranz Metro Wellington will not supply any costing details, even after repeated requests, for the additional services. The Council is not prepared to make a contribution to those services without

such cost details. Tranz Metro insist the problem for them is solely the possible sale of Tranz Metro Wellington with the Council a probable purchaser. As the funder, jointly with Transfund, we must be satisfied that the level of funding is justified. We have no means of achieving this under the current circumstances.

Transfund, surprisingly, have requested that we resolve an adjustment to the contract to incorporate the “kick-start” projects that have been put in place. This seems contrary to their expressed concern over the lack of cost transparency regarding these extra services that they stated when giving approval to the kick-start funding.

#### **4. The Fare Increase**

A copy of the Tranz Metro Wellington fare increases is attached (**attachment 1**). These fare increases come into effect on 1 July 2002.

Tranz Metro Wellington are able to raise fares up to a maximum specified by the current contract. The last fare increase was in 1996. Both Stagecoach and Mana/Newlands have had fare increases in recent years.

Under the current patronage growth funding scheme a fare increase will reduce the Council’s patronage growth income. The standard elasticity of fares is 3% reduction in patronage for every 10% increase in fares. It is estimated that this fare increase will result in a patronage growth income reduction of \$500,000 over the next 12 months. However, current wisdom suggests that the lost patronage will be made up by ongoing patronage growth over a similar period. The overall effect will be a lower than expected patronage growth increase for 2002/03 and subsequent years.

Cr Turver wrote to Mr M Beard, Managing Director of Tranz Rail Limited, in response to the fare increase (**attachment 2**). The Committee needs to consider his proposal in the penultimate paragraph:

“I will have to bring the nature of your fare increase to the attention of my Council colleagues at the next Passenger Transport Committee being held on 20 June 2002. I will be suggesting to them that they instruct the officers to take the increase into consideration when negotiating a further contract roll over, effective from 1 July 2002. This is likely to lead to a reduction in the level of subsidy with effect from 1 July 2002.”

#### **5. Contract Roll Over**

A letter went to Transfund New Zealand on 3 May 2002 (**attachment 3**) seeking a further roll over of the current urban rail contract until Tranz Metro Wellington was sold. The reply dated 21 May 2002 (**attachment 4**) gave a conditional approval for a roll over of less than six months. In a written response (**attachment 5**) to the Transfund Board’s conditional approval it was indicated that the Council was unwilling to accept conditions that embodied further, yet unknown, conditions. A two stage contract roll over was sought, up to the finalisation of a new CPP acceptable to both organisations and a finite period thereafter to implement the CPP. A reply to that request is awaited.

Resolution of the roll over is critical. Without it the Council will be acting illegally if after 30 June 2002 it makes any payment from any source to Tranz Rail Limited.

Transfund New Zealand's Board meets on the same day as this Committee. Any outcome from that meeting will be circulated to Councillors as soon as possible.

## **6. A New CPP**

An application for an alternative CPP for urban rail services in Wellington was lodged with Transfund New Zealand on 3 May 2002. It is understood that the application was not taken to their May Board meeting but that the Board had a general discussion on sole supply CPPs and other CPP related issues. The application is expected to be considered by the Board at its 20 June meeting.

If the CPP is approved by the Board it will provide the Council with a procedure that will lead to the registration of a 10 year contract with an operator that best fulfils a number of predetermined criteria.

## **7. Communications**

The pending discussions of the Transfund Board may have significant impacts on the Council's ability to continue its rail contract and to competitively tender for a new contract. The Committee will need to respond to these as they will be of particular community interest.

A media release has already been made on the fare increase.

## **8. Recommendation**

*That the Tranz Metro Wellington services contract negotiation team be instructed to take into account the 1 July rail fare increases when agreeing to any change in the monthly rail contract payment from 1 July 2002.*

DAVE WATSON  
Divisional Manager, Transport

### **Attachments**

- 1: Tranz Metro fare increases**
- 2: Letter to Mr Beard from Cr Turver dated 11 June 2002**
- 3: Letter to Transfund from WRC dated 3 May 2002**
- 4: Letter to WRC from Transfund dated 21 May 2002**
- 5: Letter to Transfund from WRC dated 29 May 2002**