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Committee Passenger Transport
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Trolley Bus Contract Considerations

1. Purpose

To discuss some issues regarding the future of trolley bus services and to obtain endorsement for a set of actions to progress a new trolley bus contract.

2. Background

The existing five year trolley bus contract ceases on 31 January 2005. The current fleet of trolley buses, with the exception of the one low floor prototype, are not fully accessible as they have entrance steps both at the front and side doors. It would be contrary to good practice to extend the existing contract using that fleet. The 31 January 2005 deadline allows the Council to either replace the trolley bus services with diesel buses or continue the trolley buses with fully accessible trolley buses.

There is a cost difference between the trolley bus service and a replacement diesel bus service. The main component of that cost difference is the cost of providing the trolley bus overhead wiring system. The overhead is currently owned by Wellington City Council and has an annual cost in the region of \$1m. The Regional Council encouraged Stagecoach, at their cost, to obtain a replacement trolley bus that was fully accessible so that it could be compared with the latest fully accessible diesel bus. We are advised that the costs are similar.

Consultation with Wellington City Council and ratepayers over the last five years supports continuing with trolley bus services with this level of cost difference. There were no bus replacement costs associated with the last five year contract. Clearly retention of trolley buses also aligns with the Council's promotion of a sustainable region and the government's New Zealand Transport Strategy environmental and sustainability objectives.

3. Comment

The following assumes that the Council is wanting the trolley bus system to continue for a further period. The discussion will be about the approach to be

taken in achieving that outcome so will not deal with the detailed cost as this is subject to a negotiation with Stagecoach. It will however discuss broad cost parameters to check the financial feasibility of the concepts within the broad LTCCP financial parameters for the next ten years.

3.1 Trolley buses

The trolley bus service has characteristics of both bus and rail. In particular a trolley bus can only be used under a trolley bus overhead which, with the exception of the Foxton, is only available in Wellington City. This means that the operator has to fund the cost of new vehicles out of the trolley bus contract and passenger revenue, the vehicles are not transferable to other routes or cities should the service fail. The Council and Transfund have agreed that there will not be any direct contribution to capital expenditure for the rail contract, but that capital will be raised by the operator and funded through the contract price over the economic life of the capital item. This principle should also apply to trolley buses.

Stagecoach Wellington wishes to start replacing their existing fleet (60 buses) as soon as possible. They have proposed a five year programme, 12 a year, at a total cost to the Council of \$900,000 per year for five years. There will be a number of options for financing the replacement programme. Besides the one offered by Stagecoach there could be an annual contract payment per bus per year payable from the time of delivery of the bus into the fleet based on the average contracted cost for each bus and a payment term of no more than 10 years. There are 60 buses to be converted at an estimated cost of \$300,000 each, a total of \$18m. It is estimated that this would equate to annually \$10,000 per bus per year. The LTCCP allows for increased trolley bus service costs of \$250,000 or so extra per year for four years then levelling off at about \$1m a year greater than now for the ten year period. These amounts would cover the Council's contribution to replacement costs of the trolley bus fleet and provide some funding for any other cost increases.

Such a bus replacement agreement could be a separate contract to one side of the trolley bus service contract. If so this separate agreement could be started prior to 31 January 2005. Alternatively it would be possible to vary the existing contract to kick start the replacement programme. Whatever approach is adopted the trolley buses need to be replaced as soon as possible with fully accessible vehicles. A five year period appears practical.

3.2 The trolley bus overhead system

The overhead system is an integral part of the trolley bus service. When the 1991 changes to passenger service provision and tendering came in it was decided that it was essential to disengage the overhead system from the trolley bus service. This was to enable another operator to provide trolley bus services without having to provide a second overhead network. Wellington City Council created a LATE to own the overhead and the cable car. Currently the CPP for the trolley services require Stagecoach to negotiate payment for access to the overhead and the WCC LATE tenders out the maintenance of it. Stagecoach just happen to be the successful tenderer for the maintenance.

No operator, other than Stagecoach has proposed the introduction of trolley buses after 12 years of that arrangement. Wellington City Council should consider relinquishing ownership of the overhead and transfer it to either Stagecoach or our Council. This transfer should be at no cost as the system is a liability to the owner. The operation of the overhead is managed on a not for profit basis and once it is abandoned it will cost upwards of \$1m to remove.

The Wellington Cable Car Co Ltd, the WCC LATE that owns the overhead system, also owns the Wellington City Cable Car. Early indications from them is that they had assumed the overhead only needed to remain until 2005. To be in a position to maintain the overhead for a further period of say 15 years the company will have to replenish its dwindling stocks and replace all of its specialist equipment (such as tower vans and cheery pickers). As a consequence the projected annual cost of retaining the system may increase overtime. We have received from them a budget projection for the next five year period. Regardless of ownership Stagecoach has to deal with the costs of maintaining the system and incorporate it into its service contract negotiations with the Council. Stagecoach suggests that the overall annual cost of the trolley bus service contract would remain stable.

3.3 Contract for the trolley bus service

The contract for providing the service is a separate contractual arrangement. The requirements of the bus CPP provisions would need to be adhered to, so at the moment the maximum contract length would be 6 years (elsewhere on the order paper it is indicated that the CPP system may be changed by 1 July 2004 to allow for longer contract period of up to 8 years). Stagecoach state that they would need certainty regarding an ongoing service contract before they would willingly sign a separate contract to replace the trolley bus fleet.

3.4 Transfund

Preliminary talks have been held with the Transfund Regional Manager. He has requested further information on the expected future additional costs by year. The need to move towards fully accessible buses to replace trolley buses and the environmental benefits of trolley buses fits well with the government's New Zealand Transport Strategy objectives and other policies. The proposed patronage funding scheme from 1 July 2004 would allow these elements to be included in a recalculation of the Council's core Transfund patronage funding payment. The actual quantum of Transfund support will not be known until we are able to identify the annual additional costs and have had the opportunity to discuss these within the new funding framework.

3.5 Summary

The purpose of the report was to discuss some thoughts of how a new trolley bus contract could be organised. It is suggested that:

- The replacement of trolley buses be a separate contract from the provision of the trolley bus service.

- That the contract payment period for the replacement of trolley buses be ten years, with all trolley buses replaced within five years.
- That the principles of the contract for trolley buses be payment of \$x per year per bus on delivery of each bus.
- That Wellington City Council be approached to consider transferring the trolley bus overhead system to Stagecoach or the Regional Council if and when this becomes possible.
- That a new trolley bus service contract be negotiated with Stagecoach for the period 1 February 2005 to 31 January 2011, (or longer if the Transfund CPP procedures change prior to 1 February 2005).

4. Communications

At this point in the trolley bus service negotiations there is ongoing uncertainty and hence little that can be promoted through the media.

5. Recommendations

1. *That the report be received.*
2. *That the Committee agree to:*
 - (a) *Separating the replacement of trolley buses from the continuation of the trolley buses service.*
 - (b) *Negotiating a ten year contract for the purchase of replacement trolley buses.*
 - (c) *Negotiating a six year contract for trolley bus services to cover the period 1 February 2005 to 31 January 2011 (or longer if circumstances allow),*
 - (d) *An approach being made to Wellington City Council to propose that they transfer the trolley bus overhead wiring system to Stagecoach or the Regional Council, if and when this becomes possible.*

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