

## **Procurement Manager's Report for period ending 8 February 2007**

### **1. Rail rolling stock (Patrick Chu)**

#### **1.1 Wairarapa passenger cars**

Delivery of the first train remains on target for mid 2007. Pre-delivery commissioning tests, such as brake tests and running tests, for the first car are scheduled for early Feb 2007 at Toll's Hillside plant in Dunedin. These tests will be witnessed by Halcrow. The provision of an additional generator van has also been confirmed. This serves as a back up generator car for the fleet and provides overflow luggage space as required.

In Dec 2006, Halcrow carried out an audit of the SW cars manufacturing process at the Hillside factory. The focus of the audit was to review the adequacy and effectiveness of the quality management system and the subsequent activities. The results of the audit indicate a good quality management system, and a focus on continual improvement was observed.

Greater Wellington Officers visited the Hillside workshop, together with Halcrow, in mid Dec 2006 to review the progress of the work. A number of technical and minor quality issues were discussed. The works are generally in good order and on schedule. Attached is an interior photo of an SW1 car taken during the visit.



#### **1.2 New Electric Multiple Units (EMUs)**

On 18 December 2006 Bombardier, Rotem /Mitsui and CAF were invited to proceed to the next stage of the EMU supply procurement process, ie. Request

For Tender (RFT). These three potential tenders were shortlisted following the Expression of Interest stage.

On 11 January 2007 the RFT documentation was issued to the three potential tenderers. The tender closes on 16 April 2007 and the contract award date is targeted for late August 2007.

Following the issue of the RFT documentation, tender workshops were conducted with each of the tenderers on 16, 17 and 18 January 2007. The purpose was to introduce the tenderers to the expectations of the stakeholders and clarify the intent of the RFT and all associated agreements. Each half-day session was audio recorded and provided each tenderer with the background and scope of the project. Tenderers were escorted on visits to the Wellington Port facilities and Toll maintenance depot and concluded the day with a presentation of the project by the Project Director (Rhona Hewitt) and Halcrow.

It is anticipated during February that a significant number of Requests For Information (RFI) will be received from tenderers requesting clarification of the RFT document.

Work on the associated Technical Services and Commissioning Agreements is progressing and due to be completed by the end of February.

## **2. Rail strategy (Angus Gabara)**

### **2.1 Peak time train capacity issues**

The matter is covered in a separate report to the Committee.

### **2.2 Western Corridor implementation**

A review of the suite of Western Corridor rail projects is underway with a renewed focus on rail service reliability and infrastructure capacity for growth. Contact is being made with Transit and ONTRACK to ensure early co-ordination of joint projects and interdependent projects.

Work has begun on designing the studies and surveys which are required to produce robust information on the operational benefits of specific groups of projects.

In December 2006 Cabinet approved the use of C2 funding to assist local share for Western Corridor projects. An application for funding to allow the purchase of the additional 12 Electric Multiple Units (EMUs), which will fulfil the Western Corridor rollingstock requirements, has been submitted to the February Land Transport NZ Board meeting. This will enable us to co-ordinate the purchase of the additional units into the procurement of the 58 Base Case EMUs and thus benefit from potential savings of \$3-4m from economies of scale.

### **3. Transport infrastructure (Richard Noakes)**

#### **3.1 Commuter Car Parks**

##### **3.1.1 Epiha street commuter carpark extension**

The demolition of three buildings in Epiha street at Paraparaumu has now taken place and tenders will be called for in early February to complete the extension to the car park. Completion of this extension is expected by May and will create a further 57 car parking spaces adding to the existing 460 spaces at this location.

##### **3.1.2 Petone East commuter carpark proposal**

Work continues by GW officers to progress the new 42 space commuter carpark on the Hutt road south of Petone station. The current proposal is awaiting ONTRACK sign off and is to be part of this year's development programme if budget allows.

##### **3.1.3 Plimmerton**

Previous submittals for a new pedestrian level crossing at the north end of Plimmerton station were rejected by ONTRACK. An alternative proposal of extending the existing pedestrian subway has now been submitted and is awaiting final design and approval from ONTRACK. GW officers continue to work alongside ONTRACK with the goal to complete the extension proposed within this financial year.

#### **3.2 Metlink signage**

##### **3.2.1 Metlink standard bus stop signage**

Installation of the Metlink signage continues to move forward with the completion of the Wellington region. The Wairarapa area is the last to receive installation of the Metlink signs and this is online to be completed by the end of January along with any outstanding issues within other areas.

##### **3.2.2 Metlink CBD signage**

Three CBD units have now been installed at St James, Blair Street and Courtenay Central. Signage and information is now in place. Completion of the electrical connections to these units is expected shortly. The manufacture of the remaining 18 units will go out to tender by March with completion date of the units expected by end June 2007.

#### **3.3 Rail Stations**

##### **3.3.1 Wairarapa platforms**

GW officers and other stakeholders have now agreed and signed off the concept plans for the Wairarapa platform and station upgrades. Work is scheduled to start in early February on increasing the platform heights and

lengths. The standard for new platform furniture and signage is complete and orders have been placed.

### 3.4 Asset management

#### 3.4.1 Asset management plan

GW officers continue to work in partnership with consultants (GHD Ltd) to produce the first draft of the overview and introduction to the asset management plan. Data collection for the levels of service are being worked through and assets intended to be owned by GW are still being formulated.

#### 3.4.2 Asset management system

A completion report of stage 1 has been issued by consultants (Maunsell) on the evaluation of asset management needs and identification of an Asset Management Information System. The Request for Proposals has been issued and submissions are expected to be returned by early February 2007.

## 4. Contract and Quality update (Rob Braddock)

### 4.1 Bus Services Update

#### 4.1.1 Bus capacity issues

##### (a) Wellington City

New Route 4 ex Happy Valley to City at 0750
New Route 18 ex Karori Park to City at 0755
New Route 2 ex Kilbirnie to City at 0805
New Route 3 ex Karori Park to City at 0815
New (3) x Route 6 PM trips to Lyall Bay via Hataitai
New Route 8 PM trip to Kowhai Park
New (2) x Route 3 AM trips from Kilbirnie to City via Newtown
New (2) x Route 3 PM trips from City to Kilbirnie via Newtown
Delete (4) x Rongotai Circuit trips

Additional morning and evening peak bus services, as shown above, commenced 5 February 2007. It is too early to reliably analyse the effect of these services, however we will provide an update in the next report.

These extra services also coincide with a number of changes to other Wellington city timetables. These other changes have been introduced by Stagecoach Wellington to better reflect present-day bus journey times. Again, it is too early to analyse the effect of these changes and an update on this will also be provided in the next report.

At the time of writing, we have not received any additional feedback from customers affected by the removal of services from Coutts, Bridge and Cairns Streets. Residents were notified by letter drop to houses in the surrounding area, posters on the affected bus stops, plus two letters were sent to the Kilbirnie-Lyall Bay-Rongotai Progressive Association.

(b) Wellington North

Additional morning and evening peak bus services commenced on routes 54 Churton Park, 55 Grenada Village and 57 Woodridge in October 2006. It is still too early to reliably check for any resulting increases in patronage but this will also be reported on in the next update.

4.1.2 Trolley bus services

Following presentation of a new draft contract to Stagecoach on 7 December 2006, negotiations commenced 21 December 2006. A further meeting is scheduled for the end of January 2007.

4.1.3 Other bus services and contracts

(a) Wairarapa Bus Services

Tenders for these services were released on 26 January 2007. Tenderers have been asked to provide a number of prices for different timetable and specification options (including the provision of super low-floor buses on all bus routes and Metlink branding).

Timetable options include an increase from 2 days per week to 5 days per week on the Masterton Town (local within Masterton) service and extra trips between Masterton and Featherston.

(b) Route 14 (Te Anau Road Loop)

There have been ongoing problems with buses being caught up by parked cars on a particularly narrow stretch of Te Anau Road. In some instances, buses have not been able to get through at all which then affects the rest of the journey as there is no room to complete a three point turn.

A subsequent decision to remove buses from Te Anau Road was not well received and we have agreed to revisit use of the route provided that the necessary parking restrictions are put in place that allow unimpeded access to buses of all sizes, including 53 seat tag-axle buses.

Officers from Wellington City Council have completed a street survey in an attempt to address these issues. The report was presented to the Hataitai Residents' Association last year and GW Officers are now waiting for an update.

4.1.4 Service reviews

(a) Hutt Valley

Following a review of Hutt Valley school bus services in 2006 there is an opportunity to consolidate some school services in Wainuiomata

and Stokes Valley (mainly due to shifting patterns of usage), thereby freeing up two extra morning peak buses. These extra buses will be put into public service on R120 Stokes Valley and R130 Naenae. Changes are due to be implemented for the start of School Term 2.

(b) **Wellington School Bus Review**

Changes to services as a result of this review commenced 7 February 2007. Any initial feedback will have been received following writing of this report but will be commented on in the next update.

**4.1.5 Bus and Ferry Procurement Review**

Work has commenced on a complete review of the Council's procurement processes for bus and ferry services. This is expected to take approximately 18 months and is currently in the project planning stage.

**4.2 Rail Services Update**

Following the signing of the new rail contract in November 2006, we are working with officers at Toll NZ in respect to changes in the way they report back to us in areas such as service reliability / on-time performance, passenger number statistics and maintenance.

**4.3 Total Mobility**

At the end of August 2006, the taxi operator based in Otaki who provided Total Mobility services had their operating license revoked by Land Transport NZ.

After negotiations with Paraparaumu Taxi's Ltd, an arrangement has been made whereby they will provide a trial service three days per week on Tuesdays, Thursdays and Fridays with a vehicle that will be based in Otaki, between 10.00am and 3.00pm.

This trial has been extended three months to March 2007 at which point there will be a further review of usage.

**Rhona Hewitt**  
Manager, Procurement

## **Metlink Manager's report For period ending 8 February 2007**

### **1. Manager's comments (Karen Richardson)**

The Metlink Department will shortly be a fully staffed team:

- Alex Campbell, who previously maintained and developed the specialist public transport systems and databases, has recently been promoted to Systems and Information Team Leader and Mei Loo is an Analyst in his team.
- Michelle Smith will be joining us on 7 February as the Marketing and Information Team Leader. She joins us from a similar role at UCOL.
- Nikki Phillips also joins on 7 February as an Administrator to support the Metlink and Transport Design and Development Departments.

The Christmas and holiday period was a busy time for the Metlink Department. There was the pre-Christmas promotion of reduced services over the holiday period, which worked well and as a result there was a corresponding and significant increase in usage of the Metlink Service Centre, Metlink website and txtBUS (bus information via text messages).

### **2. Marketing and Information Team (Acting Team Leader - Karen Richardson)**

The pre-Christmas promotion of reduced services included special Christmas holiday timetables, radio advertising, press adverts, a website update and posters on buses, trains, bus stops and train stations. The promotion also raised awareness of the free services on Christmas Day and encouraged people to use the Metlink network over the holiday period.

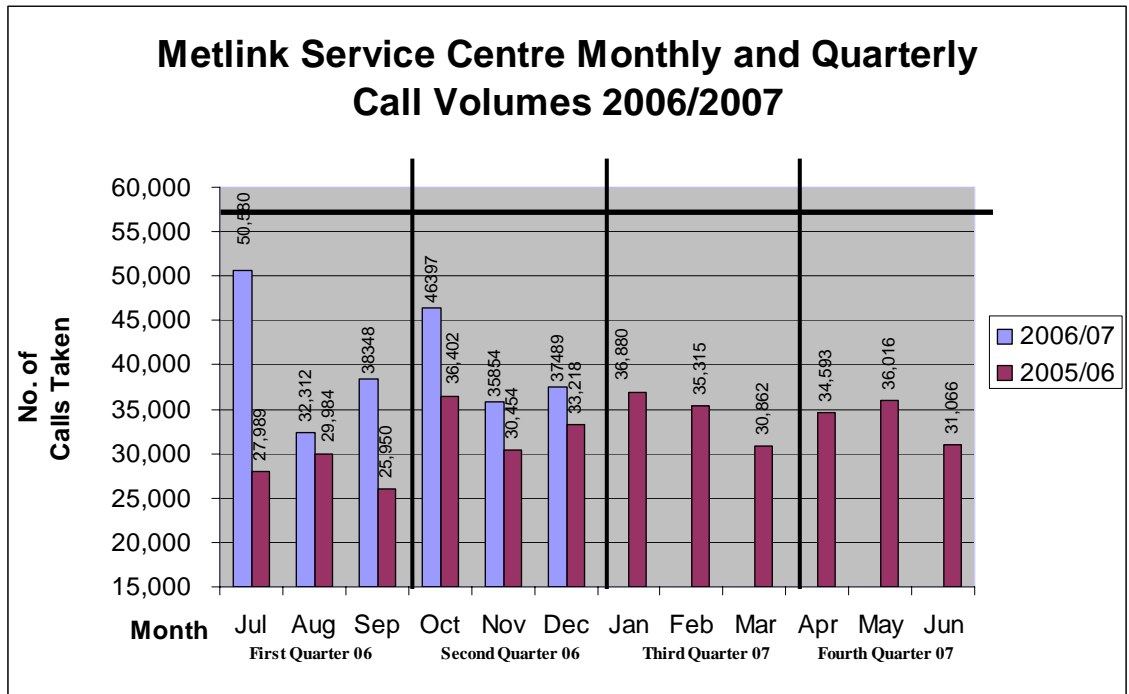
#### **2.1 Timetable and leaflet production (Shelley Grant)**

The majority of Wellington City bus timetables have been reprinted due to changes that came into effect on 4 February 2007. The changes involved adjusting the travel times through the Wellington CBD to make timetables more reliable, plus additional trips were added during the peak commuter times to help reduce overcrowding. The changes and the availability of the new timetables were promoted via posters on the buses and at bus stops, radio ads, the website, newspaper ads in the Wellingtonian and an email to users who had registered on My Travel (a feature on the Metlink website where you can register for email alerts of service changes).

The Stagecoach Flyer bus timetable has been converted into the Metlink pocketsize format and the service has been renamed 'The Flyer' as it is now operated by Go Wellington (formerly Stagecoach). This is the last of nearly 60 timetables to be converted to this format. The new format has been well received by the public.

Upper Hutt bus timetables are currently being reprinted. There are minor changes to the 114 Poets Block and 115 Pinehaven timetables and these take effect from 7 February 2007.

### 3. Metlink Service Centre (Team Leader - Pele Aulavemai)



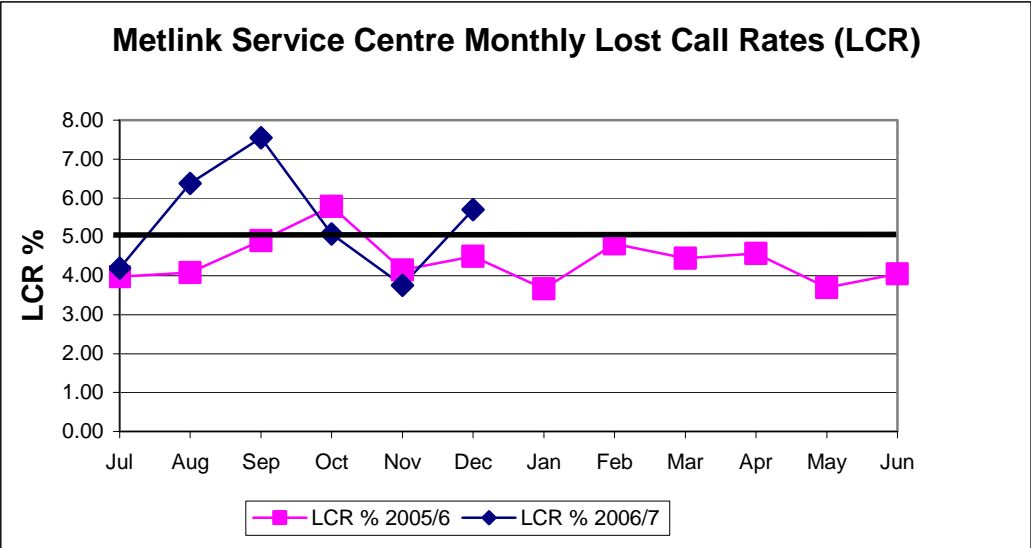
The table above shows the number of calls taken by the Metlink Service Centre and our out of hours service, comparing this financial year with the last financial year.

The number of calls is steadily increasing due to on-going Metlink promotion and increased awareness of the phone number. Over 45,000 calls were taken in October 2006. It was particularly busy in the first week of the month mainly due to the bad weather which created public transport delays. In addition, Tranz Metro ran a \$2 day fare promotion, which generated a lot of calls.

There was an 18% increase in calls in November 2006 and 13% in December 2006 compared with the same months in the previous year. A record 1412 calls were taken on Christmas Day – a 69% increase on the number of calls taken on Christmas Day last year.

New call monitoring software was installed in December to provide us with much better data for analysing call volumes and lost calls. This software will help us to better understand and manage our staffing requirements.





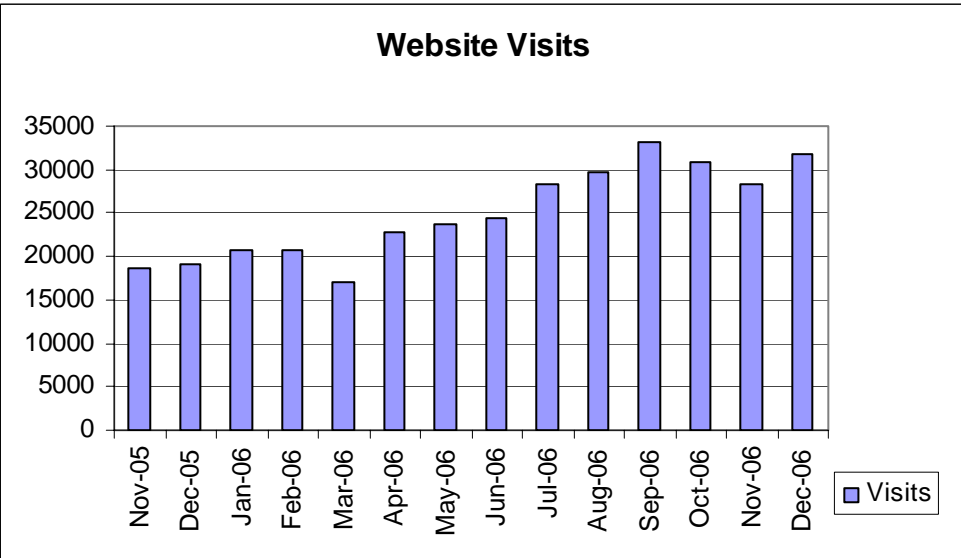
This table shows the monthly percentage of calls that are unanswered by the Metlink Service Centre due to callers hanging up.

Our aim is to achieve a lost call rate (LCR) of 5% or below. This was achieved in October and November and the LCR was less than 6% in December. The average LCR rate for October - December was 4.8%.

**4. Information and Systems (Team Leader - Alex Campbell)**

This is a new team overseeing the Public Transport Division’s information systems and databases. This team consists of team leader Alex Campbell, and Mei Loo, who joined Greater Wellington on 8 January as a Systems and Information Analyst. The work now being undertaken by this team was previously completed by a number of different staff in the Public Transport Division and IT Department on a part time or project basis.

**4.1 Metlink website (Alex Campbell)**

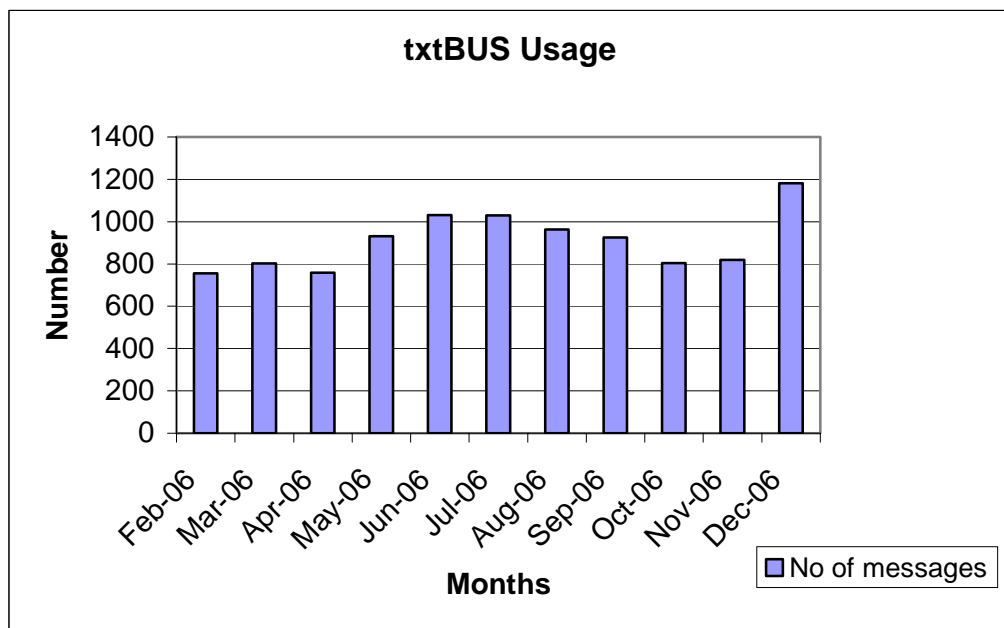


Use of the Metlink website shows significant growth with web “visits” up 52% and 67% respectively for November and December 2006 compared with the same months in 2005.

In December 2006 a new feature was added to the Metlink website “Your Bus Stop Info”. This feature makes it possible to see and print the services that serve an individual bus stop.

This feature was developed in direct response to requests from customers for timetables that just show the times for their bus stop.

#### 4.2 txtBUS (Alex Campbell)



Use of txtBUS – the text messaging bus information service - reached a new high in December 2006 with almost 1200 information requests received. It is likely a major contributor to this increased usage was the application of bus stop numbers to the region’s bus stops as part of the rollout of the new Metlink bus stop signs.

The txtBUS service is due to be promoted around May this year to coincide with the launch of the planned txtTRAIN service. Up until now the promotion of txtBUS has been limited outside of the Hutt Valley where it was first piloted.

#### 4.3 Public Transport Patronage (Alex Campbell)

Bus, train and ferry patronage data for the 2006 calendar year from the main operating companies has now been received. This data shows that overall use of buses, trains and ferries increased by 4.2% in the 2006 calendar year.

When comparing 2005 and 2006 it is notable that for the first half of the year patronage increased on average 7.8% (January to June) compared with an average increase of 0.9% for the second half of the year (July to December).

	<b>2006</b>	<b>2005</b>	<b>% change</b>
Jan	2,171,288	1,927,184	12.7%
Feb	2,771,039	2,816,236	-1.6%
Mar	3,403,083	3,059,122	11.2%
Apr	2,878,061	2,809,072	2.5%
May	3,336,249	2,964,638	12.5%
Jun	2,941,694	2,656,987	10.7%
Jul	3,106,663	3,058,909	1.6%
Aug	3,225,968	3,048,188	5.8%
Sep	2,909,252	2,979,259	-2.3%
Oct	2,967,790	2,957,798	0.3%
Nov	2,906,364	2,931,648	-0.9%
Dec	2,551,483	2,537,868	0.5%
<b>Total</b>	<b>35,168,934</b>	<b>33,746,909</b>	<b>4.2%</b>

Increases in petrol prices in the first half of 2006 contributed to significant patronage growth during the period up to June 2006. An easing of consumer fuel prices in the second half of 2006 is likely to have contributed to a lower level of growth from July to December 2006. Public transport fares were increased in September 2006 and this corresponds with a 2.3% drop in passenger trips for that month.

#### **4.4 txtTRAIN (Saku Kunanayagam)**

Work is continuing with this project and we anticipate launching this new text messaging service in May this year. This will enable users to receive train timetable information via their mobile phone.

**Karen Richardson**  
Manager, Metlink

## **Design and Development Manager's report for period ending 8 February 2007**

### **1. Manager's comments (Brian Baxter)**

#### **1.1 Regional Passenger Transport Plan**

The Draft Regional Passenger Plan has been completed, and the consultation process has largely been completed. Submissions close on 16 February 2007. Submissions are likely to be heard in April, and the Plan finalised in May.

#### **1.2 Service reviews**

Officers are currently working on the following service reviews:

- Ferry services (the current ferry contract expires later this year)
- Kapiti buses (to try and better integrate the rail and bus services, and investigate ways in which train users can be encouraged to use the bus rather than the currently overloaded park-and-ride facilities).

#### **1.3 Integrated ticketing**

Officers are continuing to investigate the potential for the introduction of integrated ticketing in the region, and are currently working on:

- Monitoring the introduction by Stagecoach of its ticketing smartcard in Wellington
- Investigating the use of integrated ticketing in places other than Wellington
- Investigating ticketing options for rail, with special focus on the Wellington Rail Station
- Investigating options for collaboration with ARTA
- Discussing funding with Land Transport NZ.

#### **1.4 Real Time Information**

Officers are currently investigating the potential for the introduction of real time information systems. This largely involves looking at systems that operate elsewhere in New Zealand, such as Christchurch, Hamilton and Auckland.

#### **1.5 Concession Fare Standardisation and ID Card**

Officers are currently working on developing a Council policy on the standardisation of concession fares within the region, including:

- identifying who should be eligible for concession fares

- determining what the amount of the concession should be
- determining how those eligible for the concession might be identified
- investigating any implementation issues (including funding implications).

## **1.6 Total Mobility Scheme extension**

This project is still on hold pending outcome of the current review of the Total Mobility scheme by the Minister of Transport.

**Brian Baxter**

Manager, Design and Development

## **Business Manager's report For the period ending 31 December 2006**

### **1. Manager's comments (Kerry Saywell)**

The last quarter has been dominated by budgets and preparation for Greater Wellington's draft 2007/08 Annual Plan. The new divisional structure was put in place for 2007/08 and project budgets were reviewed with a view to offsetting some of the increases due to diesel bus inflation.

Recruitment of a new divisional accountant has commenced and we hope to fill this position in the first quarter. In the meantime contractors are filling the role and enabling the department to catch up with the backlog.

A key focus for the next quarter will be building our relationship with Land Transport NZ and ensuring that we meet our reporting obligations.

### **2. Net operating result for the division**

The net operating surplus for the Public Transport Division for the six months ended 31 December 2006 is \$2.7 million compared to the budgeted surplus of \$1.6 million. However, both actual and planned net operating surplus results are distorted by the planned 2006/07 capital expenditure. This is because accounting standards require that funding from Land Transport NZ for capital works is recognised as income in the year of receipt.

If the numbers are restated to exclude capital related operating results then the net operating deficit for the Public Transport Division for the year to date is \$1.2 million compared to the budgeted surplus of \$0.1 million. The unfavourable variance of \$1.3 million is primarily because of higher than anticipated costs of inflation on diesel bus contracts.

Looking at the full year forecast on the same adjusted basis, shows a forecast operating deficit of \$3.4 million compared to the full year budget deficit of \$0.6 million.

More detail is included in the following table and explanations:

**Public Transport Division**  
**Financial Performance by Programme for the Six Months Ended 31 December 2006**

\$ Thousands	Year To Date				Full Year			
	Actual \$000	Budget \$000	Variance \$000	Variance %	Forecast \$000	Budget \$000	Variance \$000	Variance %
Rates Revenue	15,338	15,348	10U	-0.1%	30,697	30,697	0 F	0%
Grants & Subsidies	20,490	20,107	383 F	1.9%	53,723	100,365	46,642U	-46%
External Revenue	62	74	12U	-16.2%	148	148	0 F	0%
Investment & Other Revenue	40	61	21U	-34.4%	80	122	42U	-35%
Internal Revenue	25	405	380U	-93.8%	50	809	759U	-94%
<b>Total Revenue</b>	<b>35,955</b>	<b>35,995</b>	<b>40U</b>	<b>0%</b>	<b>84,697</b>	<b>132,141</b>	<b>47,444U</b>	<b>-2%</b>
Rail Operating Contracts	8,951	8,869	82U	-0.9%	18,292	17,737	555U	-3%
Diesel Bus Operating Contracts	15,039	12,098	2,941U	-24.3%	29,447	24,195	5,252U	-22%
Trolley Bus Contracts	2,533	3,258	725 F	22.3%	5,179	6,515	1,336 F	21%
Ferry Operating Contract	62	45	17U	-37.8%	113	90	23U	-25%
Rail Rolling Stock	40	3,699	3,659 F	98.9%	817	8,077	7,260 F	90%
Bus Priority Measures	-1	0	1 F	100.0%	-1	0	1 F	100%
Carpark Developments	19	19	0 F	0.0%	39	39	0 F	0%
Bus Stop & Shelter Maintenance	315	526	211 F	40.1%	1,106	1,053	53U	-5%
Park N Ride Development	225	320	95 F	29.7%	804	779	25U	-3%
Wellington Interchange Project	308	308	0 F	0.0%	617	617	0 F	0%
Waterloo Interchange Project	147	155	8 F	5.2%	317	309	8U	-2%
Johnsonville Line Project	0	0	0 F	0.0%	0	0	0 F	0%
Rail Development Project	373	0	373U	100.0%	510	0	510U	100%
Western Corridor Rail Projects	0	0	0U	0.0%	0	500	500 F	100%
Total Mobility Scheme	838	930	92 F	9.9%	1,753	1,864	111 F	6%
Integrated Ticketing Maintenance	0	0	0 F	0.0%	300	500	200 F	40%
Rail Rolling Stock Maintenance	0	19	19 F	100.0%	0	38	38 F	100%
Rail Station Upgrades & Maintenance	142	91	51U	-56.0%	149	182	33 F	18%
Service Improvements	492	5	487U	-9740.0%	946	1,546	600 F	39%
<b>Subtotal Procurement Unit</b>	<b>29,484</b>	<b>30,342</b>	<b>858 F</b>	<b>3%</b>	<b>60,388</b>	<b>64,040</b>	<b>3,652 F</b>	<b>6%</b>
Integrated Ticketing -Design	55	100	45 F	45.0%	107	107	0 F	0%
Service Design Studies	11	41	30 F	73.2%	125	125	0 F	0%
Total Mobility Scheme Extension	0	0	0 F	0.0%	941	941	0 F	0%
<b>Subtotal Design &amp; Development Unit</b>	<b>66</b>	<b>141</b>	<b>75 F</b>	<b>53%</b>	<b>1,173</b>	<b>1,173</b>	<b>0 F</b>	<b>0%</b>
Transport Systems	146	135	11U	-8.1%	233	233	0 F	0%
Marketing & Promotion	334	514	180 F	35.0%	1,117	1,117	0 F	0%
<b>Subtotal Metlink Unit</b>	<b>480</b>	<b>649</b>	<b>169 F</b>	<b>26%</b>	<b>1,350</b>	<b>1,350</b>	<b>0 F</b>	<b>0%</b>
<b>Total Project Expenditure</b>	<b>30,030</b>	<b>31,132</b>	<b>1,102 F</b>	<b>4%</b>	<b>62,911</b>	<b>66,563</b>	<b>3,652 F</b>	<b>5%</b>
Administration and Overheads	2,525	2,572	47 F	1.8%	5,258	5,144	114U	-2%
Other	715	675	40U	-5.9%	780	1,351	571 F	42%
<b>Total Expenditure</b>	<b>33,270</b>	<b>34,379</b>	<b>1,109 F</b>	<b>3%</b>	<b>68,949</b>	<b>73,059</b>	<b>4,110 F</b>	<b>6%</b>
<b>Net Operating Surplus Deficit</b>	<b>2,685</b>	<b>1,616</b>	<b>1,069 F</b>	<b>66%</b>	<b>15,748</b>	<b>59,083</b>	<b>43,334U</b>	<b>-73%</b>
Less Operating costs and revenue associated with capex	3,869	1,550	2,319U	-149.6%	19,179	59,689	40,510U	-67.9%
<b>Adjusted Operating Surplus/Deficit</b>	<b>-1,184</b>	<b>66</b>	<b>1,250U</b>		<b>-3,431</b>	<b>-606</b>	<b>2,824U</b>	

## 2.1 Revenue

2.1.1 Grants and subsidies are showing a \$383,000 favourable variance or the year to date. Included in this is grant revenue for work to date on the SW Wairarapa cars.

The forecast result is showing a \$46.6 million unfavourable variance. This is related to the capital expenditure budgeted for 2006/07 that will now be deferred to future years. Because of the delay, the Land Transport NZ funding grant will not be claimed.

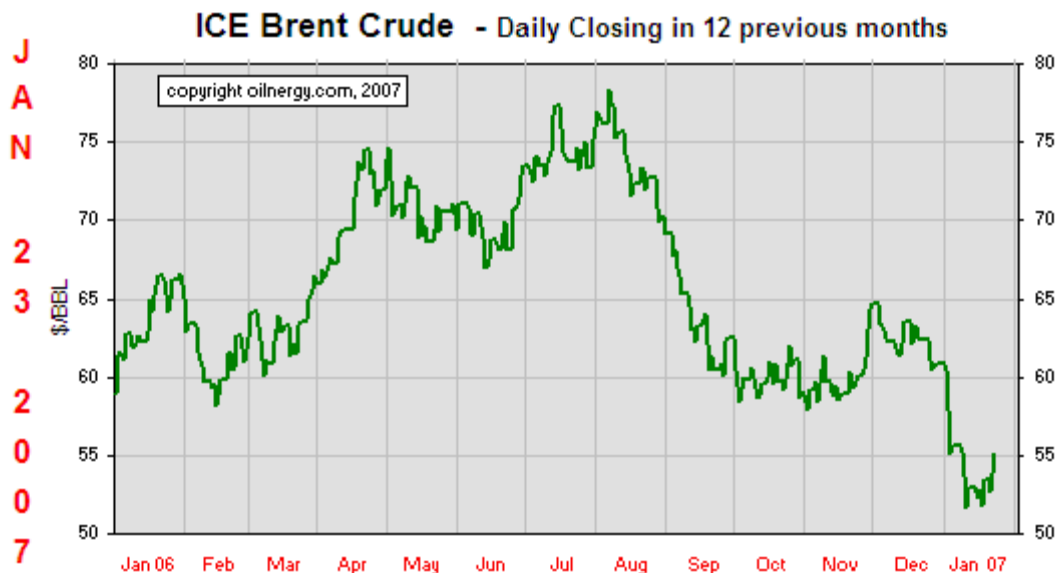
In addition, C1 funding was removed from the forecast, as it has become apparent that we are unlikely to meet the eligibility criteria to claim this funding in 2006/07. Where appropriate we have increased the forecast for internal loans to compensate.

- 2.1.2 Internal revenue is showing an unfavourable variance of \$380,000. However this is internal within the Division and does not affect the overall result as there are offsetting internal cost variances.

## 2.2 Expenditure

- 2.2.1 The rail operating contract is forecast to be \$555,000 over budget reflecting estimates of Tranz Metro's full year operating result discussed with the operator. Subsequent to this forecast, Tranz Metro have provided us with a new forecast. We will review this and adjust future forecasts if appropriate.
- 2.2.2 Diesel bus operating contracts are \$2.9 million over budget for the year to date and are forecast to be \$5.3 million more than budget for the full year. This is mainly because oil prices have been substantially higher than expected when the budget was set in June (oil prices drive the index that determines contractual inflation payments to bus operators).

The assumption in the current forecast is that oil remains at USD63 per barrel. The price of oil has been fluctuating between USD53 and USD65 per barrel over the last three months and even more over the longer term. The attached graph shows fluctuations over the last year.



- 2.2.3 Trolley bus contract expenditure is \$725,000 under budget and is forecast to be \$1.3 million under budget at year end. The contract is not yet in place however it is likely that contractual payments will remain at current levels for the 2006/07 year.



- 2.2.4 Rail rolling stock expenditure is \$3.6 million under budget and is forecast to be \$7.2 million under budget. Under the new rail contract, the major component of this expenditure, heavy maintenance, is the responsibility of Tranz Metro and not Greater Wellington.
- 2.2.5 The rail development project is showing year to date expenditure of \$373,000 and is forecast to be \$510,000 more than budget. The forecast includes \$100,000 for capacity studies and \$410,000 for work on the rail ownership plan. This rail ownership review is strategically important for the Division and was not apparent when the 2006/07 budgets were set. The review will provide asset management information which forms an important component of the Long-term Council Community Plans and is also required for Land Transport NZ funding requests.
- 2.2.6 Western Corridor rail projects are forecast to be \$500,000 less than budget. A review of the suite of Western Corridor rail projects is underway with a renewed focus on rail service reliability and infrastructure capacity for growth. Contact is being made with Transit and ONTRACK to ensure early co-ordination of joint projects and interdependent projects. Work has begun on designing the studies and surveys which are required to produce robust information on the operational benefits of specific groups of projects.
- 2.2.7 Service improvements are \$487,000 over budget for the six months. However they are forecast to be \$600,000 under budget for the full year. The year to date is unfavourable against budget because the budget was weighted to the second half of the year, but costs will be incurred fairly evenly through the year.

### **3. Capital expenditure**

Capital expenditure for the year to date is \$5.3 million compared to a budget of \$2.6 million. This unfavourable variance is due to timing of work on the SW Wairarapa carriages.

The full year capital expenditure forecast is \$29.3 million or \$53.6 million under budget. Most of this expenditure will be deferred to future years.

The majority (\$42 million) is for the new EMU project. There has been some slippage in the new EMU's project timeline because negotiations around the procurement process with TOLL, and Land Transport NZ took longer than anticipated. However, other procurement timeframes have been compressed to keep the overall project timeline on track (new EMU cars into service in 2010). The draft 2007/08 Annual Plan contains revised estimates of EMU expenditure.

Capital expenditure is funded by a mix of Land Transport NZ grants and internal loan funding. Consequently, delay or deferral of capital expenditure has only a minor effect on the overall funding position of the Division.

More detail is included in the following table and explanations:

PublicTransport Division  
Capital Expenditure for the Six Months Ended 31 December 2006

Project	Year To Date				Full Year Forecast			
	Actual \$000	Budget \$000	Variance \$000	Variance %	Forecast \$000	Budget \$000	Variance \$000	Variance %
<b>Capital</b>								
J'ville Mall	0	500	500	100.0%	0	1,000	1,000	100.0%
PT Enhancements	0	0	0	0.0%	0	1,000	1,000	100.0%
Concessionary ID Cards	5	0	(5)	0.0%	0	360	360	100.0%
Other capital items (vehicles etc)	70	113	43	0.0%	315	255	(60)	-23.5%
<b>Investment Additions</b>								
SW Wairarapa Cars	4,406	0	(4,406)	0.0%	22,847	26,420	3,573	13.5%
Ganz Mavag Refurbishment	0	0	0	0.0%	200	200	0	0.0%
New EMUs	687	0	(687)	0.0%	2,000	44,172	42,172	95.5%
Western Corridor Rail Projects	0	0	0	0.0%	0	200	200	100.0%
Rail Rolling Stock Maintenance	0	0	0	0.0%	0	5,250	5,250	100.0%
Rail Station Upgrades	112	1,750	1,638	93.6%	3,400	3,500	100	2.9%
Rail Security	0	220	220	100.0%	550	550	0	0.0%
<b>Total Capital Expenditure</b>	<b>5,280</b>	<b>2,583</b>	<b>(2,697)</b>	<b>-104.4%</b>	<b>29,312</b>	<b>82,907</b>	<b>53,595</b>	<b>64.6%</b>

### 3.1 Johnsonville Mall

The Johnsonville Mall project is currently on hold. The external developer is facing delays due to issues around resource consents. It is likely that this project will be re-budgeted to 2007/08.

### 3.2 PT enhancements

Greater Wellington is not able have an ownership interest in these PT Enhancements (i.e. bus lanes) and the work is now planned to be undertaken in 2007/08 (as operating expenditure).

### 3.3 Concessionary ID cards

The concessionary ID cards work budgeted here will not be undertaken in 2006/07. A study is now planned in 2007/08.

### 3.4 SW Wairarapa cars

The year to date unfavourable variance on the SW Wairarapa Cars is a budget phasing issue only. The full year forecast is favourable against budget as a portion of this cost is now likely to be incurred in 2007/08.

### 3.5 New EMU's

The year to date unfavourable variance on the new EMU project is a budget phasing issue only. The full year forecast is favourable against budget. The timing of this project has been significantly altered; however the overall project is still on track to be completed by the original target date in 2010.

### 3.6 Western Corridor rail projects

The Western Corridor rail projects budgeted work on the Kapiti Bus/Rail interchange will not now be undertaken in 2006/07 (see comments under 2.2.6).

### 3.7 Rail station upgrade work

The majority of rail station upgrade work is expected to happen during the second half of the year, whereas the budget assumed work would be spread evenly through the year.

### 3.8 Rail rolling stock maintenance

Rail rolling stock maintenance will now be funded from the rail operating contract, so there will be no capital cost to Greater Wellington.

### 3.9 Rail security

The rail security budget will be used on Wairarapa CCTV and stabling work which will commence during the next six months.

## 4. Funding

The result of all the operating and capital flows is a year to date funding deficit of \$2.5 million. By year end it is forecast that the deficit will be \$1.5 million.

Public Transport Division  
Financial Performance by Programme for the Six Months Ended 31 December 2006

	Year To Date				Full Year			
	Actual \$000	Budget \$000	Variance \$000	Variance %	Forecast \$000	Budget \$000	Variance \$000	Variance %
<b>Net Operating Surplus Deficit</b>	<b>2,685</b>	<b>1,616</b>	<b>1,069 F</b>	<b>66%</b>	<b>15,748</b>	<b>59,083</b>	<b>43,334U</b>	<b>-73%</b>
Less Capital/Investment Expenditure	5,280	2,583	2,697U	-104.4%	29,312	82,907	53,595 F	64.6%
Other Balance Sheet Movements	-70	-113	43U	0.0%	-12,079	-23,825	11,746U	49.3%
<b>Net Funding Surplus/Deficit</b>	<b>-2,525</b>	<b>-854</b>	<b>1,671U</b>		<b>-1,485</b>	<b>1</b>	<b>1,485U</b>	

**Kerry Saywell**  
Manager, Business