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## **Report 01.14**

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

### **Divisional Manager's Report - February 2001**

#### **1. Financial and Annual Plan Performance**

At the end of December 2000 the Division was showing a favourable position of \$969,000. Details surrounding this and other relevant material will be in the six monthly review document going to the meeting of the Policy and Finance Committee shortly.

#### **2. The Business Plan**

Much of the last period has been taken up with preparation of the 2001-2010 Business Plan. In normal circumstances, as we are in year two of the latest Long Term Financial Strategy, the business plan would be a simple update of the previous one. This time it involves many changes brought about by the advent of patronage funding on 1 November 2000.

#### **3. Lambton Interchange (ATR)**

At the last meeting of the Committee it was reported that the Wellington station forecourt element of the interchange project had qualified as an ATR project. This part of the project is now well on the way to completion.

The pedestrian canopies radiating from the bus terminus are being submitted for funding as kick start projects. No response to those applications has yet been received.

The bus terminal itself had failed the ATR efficiency ratio cut off of 3.0. After officers met with Transfund staff it was agreed their removal of a number of the elements of the project (reducing the cost but not materially altering the benefits) would enable the project to meet the qualifying criteria once the ER evaluation is reworked. It is now expected that Transfund New Zealand will contribute to this part of the project.

Councillor McDavitt and myself met Mr Martin Gummer, CEO of Transfund New Zealand, to discuss this issue and others on 25 January 2001. He wishes to be kept informed of our progress on the Tranz Rail negotiations.

#### 4. **A Further Aspect of the Division's Finances**

In the previous Divisional Manager's report I have covered three financial aspects. These are the Division's revenue sources and cash flow, contracting of services, and the accumulation and use of reserves. I want to conclude this series with the restrictions placed on how the Council accounts for its transport finances and how it spends them.

The financial requirements of the Local Government Act apply to all Council Divisions. Additional to this are the financial requirements of the Transit New Zealand Act. If the Council wishes to obtain funding from Transfund New Zealand or the Land Transport Safety Authority it must produce a Regional Programme (section 42F of the Act). Such a programme may include bids for one or more of the following:

- Outputs referred to in section 3D of the Act
- Outputs relating to administration
- Outputs relating to any aspect of safety (administration)

[Note : Section 3D refers to alternatives to roading]

The programme cannot include provision for any output for roading.

Section 24 of the Act requires the Council to operate a Land Transport Disbursement Account. All monies received from Transfund must be paid into the account and it shall only be expended on approved outputs and capital projects.

Section 27 of the Act requires that no payment can be made from the Land Transport Disbursement Account unless it relates to an approved output or capital project and the price has been determined by a competitive pricing procedure. If the output is in respect of a passenger service then no payment from any source can be made unless the price has been determined by a competitive pricing procedure and no such payment can be made to any local authority.

#### 5. **CPP – Urban Rail**

A further meeting was held on 5 January 2001 with Transfund New Zealand officers to cover the remaining issues regarding the request for an alternative CPP for urban rail. Once the questions raised by Transfund have been answered it is expected that the request for a CPP will go before their Board.

The main matters raised were the details to ascertain that rail offered environmental, social and congestion benefits greater than those that might be obtained from allowing bus services to compete for any service contract. To answer this we are providing them with a copy of our consultant's report.

They were not convinced that we had demonstrated that a sole supply contract would be more cost effective than a competitive tender between potential rail operators. We are responding to this by examining the possible cost and timescale of gaining access to the Wellington rail corridor. Either the Auckland assignment model or a track

access model. We believe the additional cost of these two models cannot be recouped through a competitive tender.

They do not understand why any contract has to be for a ten year term. We are responding by suggesting that this relates to the cost of new infrastructure that cannot be recouped over a short contract period. Indeed we now hold the view that a longer period than 10 years is needed.

We currently await a further response from Transfund.

## 6. **Patronage Funding Baseline**

Transfund wish to negotiate baseline funding for all regions by 31<sup>st</sup> March 2001. The Regional Manager, Ian Hunter has been in contact seeking our view on the baseline amount. I have responded to him along the following lines.

While the Council continues to have a year by year rolling contract with Tranz Rail Limited for the Tranz Metro Wellington services then the baseline funding should be the average of the last three years funding for community bus and rail services inflated to 1 July 2000 dollars. This would then be inflated on an annual basis. The amount comes to some \$14,769,504 for the current year. This would be an interim baseline. Once Tranz Metro was sold or the Council entered into a long term contract with Tranz Rail Limited for those services then the baseline would need to be reviewed to reflect the costs of maintaining the rail service network.

## 7. **Johnsonville Line**

... Tranz Rail have invited the Committee to view and ride a refurbished Johnsonville line unit. This has been arranged for Tuesday 20<sup>th</sup> February 2001 after the Annual Plan meeting of the Committee. The **attached** letter gives further details.

## 8. **Annual Leave**

I will be on leave from 15<sup>th</sup> February to 4 March. In my absence Mr Anthony Cross will be Acting Divisional Manager. He will guide you through the proposed Divisional Business Plan at the meeting being held on 20<sup>th</sup> February for that purpose.

## 9. **Recommendation**

*That the report be received for information.*

Report prepared by:

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**Attachment : 1 – Tranz Rail Invitation Letter**