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**Committee** Passenger Transport  
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## Hutt Valley Bus Service Review

### 1. Purpose

To bring the Committee up-to-date with progress on the Hutt Valley Bus Service Review.

### 2. Background

Requests for Tender (RFTs) for all Hutt Valley services (except Wainuiomata and Eastbourne) were released on 8 January 2003. Whereas in the past the Council has usually issued RFTs for weekday, Saturday, Sunday, and occasionally peak and interpeak services on each route separately, resulting in some cases in different operators providing different parts of the service, this time we have issued only one RFT per route. In some cases more than one route is included in a single RFT. Contract lengths vary between two years and four years.

Maps of the routes as put out to tender are shown in **attachment 1**.

### 3. Procurement Issues

The Committee's attention is drawn to the following ways in which this tender round differs from previous ones.

Wainuiomata and Eastbourne services will be put out to tender shortly. In the case of Wainuiomata, following the supplementary consultation carried out in November last year, we have decided to put a slightly amended Option B out to tender (see **attachment 2**).

#### 3.1 Vehicle Capacities and Community Coach Services

All services have been specified for vehicle seating capacity of at least 20 seats. Bus size is a difficult issue on minor routes. On one hand people expect smaller vehicles to be used on the often mistaken assumption that they are significantly cheaper to operate than full-sized vehicles. On the other hand larger vehicles are generally more user-friendly than the smallest vehicles – passenger vans. Currently a passenger van operator, Community Coach

Services Ltd, operates several Hutt Valley contracts for the Council, as well as the Plimmerton – Camborne Shopper service which operates to and from Porirua City Centre on Tuesdays and Fridays only. Because Community Coach Services Ltd is not interested in operating larger vehicles, it has not participated in this tender round. The company will continue to operate the Pomare Road school bus service in the Western Hills (Pomare Road is not suitable for larger vehicles) and the Wai-iti Crescent Shopper service which serves two retirement homes in Woburn.

### 3.2 Super Low Floor Vehicles

We have specified that the three core routes, from Petone to Naenae, Stokes Valley and Upper Hutt, are intended to be operated by super low floor (SLF) vehicles, recognising that this may not be possible in the short-term due to the non-availability of suitable vehicles. We have not gone to the extent of specifying that these vehicles must also be wheelchair accessible, since experience to date suggests that the extra benefits (ie use by passengers in wheelchairs, as distinct from other users with impaired mobility) do not justify the extra costs.

### 3.3 Gross Contracts (converting to net)

Gross contracts are contracts based on the gross cost of operating a service, rather than the more common net contracts, which are based on the operating cost less the anticipated fare revenue.

Gross contracts (converting to net after half the contract period has elapsed) have been used in the Hutt Valley tender round because:

- (a) The routes and service levels are substantially different from those currently in place. The impact of these changes is unknown, but a risk the Council is willing to take in the interests of a more accessible and sustainable community (as accepted by the Committee in response to Report 02.517 to its 29 August 2002 meeting). It was deemed to be appropriate for the Council rather than the tenderer to bear the initial risk, because the operators tend to be relatively conservative in their expectations of patronage growth. If, as a result of the proposed changes, patronage grows faster than the operators allow for, the operators would benefit under net contracts. Under gross contracts the Council, which is promoting the changes, will reap the initial benefit.
- (b) Major simplification of the fare structure is proposed. Once again, the implications for fare revenue are unknown. Normal elasticities do not apply since we are not talking about an across-the-board increase in fares but a complete overhaul of the fare structure, with the fare for some journeys going up and other fares going down. Fare integration between operators (should there be multiple operators) will be much easier to achieve since fare revenue, except for operator specific products, will not require a revenue allocation mechanism. Net contracts will still be possible in the future, as tenderers will be able to predict the use of inter-operator and system-wide tickets based on the experience gained during the period of gross contract operation.

In addition, gross contracts are more likely to stimulate competition since tenderers do not need to take into account fare revenue when calculating their tender price. This is undoubtedly seen by some of the incumbent operators as giving an unfair advantage to competitors, but councillors need to bear in mind that the Council has been taken to task in the last two CPP audits for not doing enough to stimulate competition in the tendering market.

Gross contracts have always been available to regional councils under the Competitive Pricing Procedures, and have been used in Wellington on a number of occasions when a service has been new or experimental and when it has therefore made sense for the Council rather than the operator to take the risk on revenue. The After Midnight services, for example, were all begun as gross contracts, and have since been re-tendered as net contracts, once they were successfully established.

### 3.4 “Commercial” Registrations

In this tender round we have taken a different view of commercial registrations. In the past we have tended to be of the view that any commercial registration is positive in that it is a service the Council is not paying for. It seems perverse however, to have commercial services operating which are not the services the Council has decided to purchase having gone through an exhaustive market research and consultation exercise. Stagecoach has registered services to operate between Upper Hutt and Petone and Stokes Valley and Petone. However, neither is at the 15 minute frequency specified by the Council as being the minimum frequency to encourage maximum “turn up and go” patronage. The Upper Hutt registration does not extend north of the city centre when our research established that the ability to travel from north of the city centre to other parts of the valley would be well received, and neither registration included evening or weekend services; in the case of Stokes Valley it was for peak periods only. Therefore the Council would still be obliged to tender out the remaining services on each route. The consequences of this are both undesirable. On one hand the tender becomes unattractive to other tenderers since the most attractive part of the service is not included; the commercial registration therefore becomes an anti-competitive device. On the other hand, if another tenderer does bid for the remaining services and is successful, we end up with two operators on one route - an unattractive outcome for users. This has recently happened as a result of the tendering of the non-commercial parts of two major cross-town routes in Auckland, and has happened in the Hutt Valley in the past. Operators are not to be blamed for making strategic commercial registrations; they are simply doing what they are permitted to do within the highly unsatisfactory “competitive” environment which the Transport Services Licensing Act has created, in order to protect their “patch”.

We have not declined the Stagecoach/Cityline registrations; we have simply not changed our tender specifications in response to them. Just as strategic commercial registrations are available to operators, so is “contracting over” available to regional councils in order to achieve the service they believe their community is asking for.

### 3.5 “Stagecoach Flyer” – extension to Upper Hutt from mid-April

In addition to the registrations mentioned above, Cityline Hutt Valley has registered an extension of most trips on the largely-commercial “Stagecoach Flyer” (currently Airport – Wellington CBD – Lower Hutt) to and from Upper Hutt. This is due to take place on 14 April. Because the extended service will make limited stops only, is relatively infrequent, will charge premium fares, and will follow a different route between Upper and Lower Hutt than the service we put out to tender, no change has been made to the tender specifications in response to this registration.

## 4. TLA Issues

### 4.1 Stops

We are working with the Hutt and Upper Hutt City Councils to put in place bus stops on sections of the new routes which are not currently used by buses.

### 4.2 Hutt Central - Queens Drive and Bunny Street

One of the significant changes to the Hutt Valley bus network will be that most buses will traverse the Lower Hutt CBD from one end to the other, rather than terminating at the unattractive and unpopular Bunny Street facility outside the Queensgate Shopping Centre as they do now. Queensgate will continue to be the most important destination point for bus passengers but there will be less need for passengers to transfer between services there. We commissioned Brian Smith of Parsons Brinckerhoff in Sydney to assess the impacts of our proposals on the Hutt City CBD as well as on Jackson Street, Petone and Petone Station. The draft recommendations of that report are attached (**attachment 3**).

We have been invited to make a presentation to Hutt City Council’s Operations and Compliance Committee on 13 April. Hutt City Council officers will be reporting on the subject to the same meeting.

Although it may not be possible to provide more attractive routes and stopping points through the CBD in time for the October commencement of the core high frequency services, we are hoping that Hutt City Council will be open to investigating options in line with Brian Smith’s recommendations as soon as possible.

### 4.3 Petone Station

The Brian Smith report also looked at options for accommodating the major increase in bus numbers at Petone Station. We are reliant on Hutt City Council to achieve an interim solution by October; in the long term a purpose-built interchange may be feasible.

## 5. Fares

We have yet to make decisions on fares for the new Hutt Valley services. NFO has been carrying out market research specific to fares with focus groups throughout the region to ensure that any changes to fares which may be initiated in the Hutt Valley will be suitable for application elsewhere in the

region in due course. In addition, Tranz Rail has already given its agreement in principle to an integrated monthly bus-train pass for the Hutt Valley.

We hope to report to the next meeting of the Committee on fares reform, following discussion of the research findings with the bus companies and Tranz Metro.

## **6. Phasing In of New Services**

Depending on the outcome of the tendering process, it is proposed that the new bus services will be implemented in two stages.

The following “community” services will be introduced in May or as soon as possible thereafter:

- 111 Totara Park
- 114 Poets Block
- 115 Pinehaven
- 121 Stokes Valley Heights (Robson Street and Holborn) and Gracefield
- 145 Belmont
- 150 Kelson and Maungaraki
- 154 Korokoro

We hope to introduce the remaining services in October.

Work is well underway on developing information and promotional material, including timetables and route maps in a new format.

## **7. Recommendation**

*That the Committee notes progress on implementation of the Hutt Valley bus service review.*

Report prepared by:

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### **Attachments:**

1. Routes as put out to tender
2. Wainuiomata Option B
3. Recommendations from Brian Smith report