



Report 08.148
Date 17 March 2008
File E/06/29/03

Committee Transport & Access Committee
Author Wayne Hastie Divisional Manager, Public Transport

Divisional Manager's Report

1. Purpose

To provide a brief update on public transport activities.

2. Significance of the decision

The matters for decision in this report **do not** trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Highlights

- Considerable work has gone into developing a presentation and interactive model for the seven community forums being held in the region to discuss public transport issues.
- Year to date patronage is 0.7% less than last financial year. However, recent months show a move towards positive growth with January 2008 (the most recent month's data) showing growth of 6.6%.
- An outline of the draft procurement strategy was presented to the Land Transport NZ Board Procurement Committee on 7 March 2008. The presentation was well received and we are on target to complete the strategy by the end of the financial year.
- The new EMU project mobilisation phase is progressing well, including the first visit to Korea by the Project Team. Other rail projects are also underway and will be discussed in a presentation to the Committee.
- Work on the extension to the Plimmerton Subway begins on Saturday 15th March. The new subway will link the eastern side of Plimmerton Station with a commuter car park on Plimmerton Domain. The Domain car park will be able to accommodate about 50 cars, compared to the existing one which can only take up to about 20. In the next few years we plan to increase the car park capacity to about 100 cars.

- Sixteen new bus shelters will be installed across the region over the next couple of months.
- The Johnsonville bus/rail interchange project is progressing with negotiations continuing between the public transport stakeholders and Johnsonville Mall owners. At this stage we are waiting on ONTRACK to confirm their preferred option for the interchange and for our consultant to deliver a final preliminary design and economic evaluation, due by the end of March. When we receive this information we aim to finalise negotiations with the Mall owners and report back to the Committee in detail.
- Land Transport NZ has approved funding for the design phase of the Real Time Information project. The Land Transport NZ Board required a detailed review from Land Transport NZ staff regarding the need for a national strategy for Real Time Information systems before decision-making, which delayed the Greater Wellington process of appointing a consultant for the project by approximately one month. The Request for Tender to appoint a consultant was issued on 4 March and will close on 1 April. The consultant is expected to start working in May.
- Work has been completed on the investigation of electronic options to replace Total Mobility vouchers. The aim is to improve the ease of use, and administration, of the scheme. It will also help ensure compliance with the requirements arising from the recent MOT review of the scheme, and will enable potential expansion of the scheme.

A suitable option has been identified, and implementation of this option (involving all users being issued with a photographic identification swipe-card, able to interact with the taxi meter,) will be considered shortly.

- This Council has several Quality Partnership Agreements (QPAs) with the transport operators and territorial local authorities in the region. These high level, semi-legal documents recognise the partnership implications of providing public transport services. They are designed to facilitate improvements to public transport services and infrastructure by bringing all parties together at regular intervals for meetings.

Agreements are currently in place with Porirua/Kapiti, Wellington, and Hutt Valley. Masterton District Council has also requested (though a submission on the Draft Regional Passenger Transport Plan) that a similar agreement be established in Wairarapa.

QPA meetings have been in abeyance since the last local body elections. Some work has been done reviewing the agreements and the way meetings have run in the past. There seems little doubt that the agreements and the associated meetings are potentially useful. However, the meetings themselves have not proved to be as effective as they could be.

We have identified some mechanisms to improve the effectiveness of the meetings and recommend that they be re-started. Early on the agenda will

be a review of the agreement document and a discussion on how to get the greatest value from the meetings. Internally the Manager, Design and Development will take responsibility for the agreements and meetings, including agenda preparation.

We also recommend that Greater Wellington agrees to establish a QPA in the Wairarapa.

4. Financial report

4.1 Year-to-date operating result overview

The net operating surplus from operations for the Public Transport Division for the eight months ended 29 February 2008 is \$0.9 million compared to the budgeted surplus of \$43,000. The most significant variances are:

- A reduction in expenditure on diesel bus operating contracts of \$0.6 million. The June 2007 quarter diesel bus inflation was less than expected which has had a positive impact on the year-to-date spend for this financial year. However, this result is expected to turn around by year if oil prices remain high and the \$NZ / \$US exchange rate does not increase further.
- An increase in rail operating expenditure of \$0.7 million. This increased expenditure is mainly because of a reduction in patronage and increased charges for rail infrastructure renewals.

If operating costs and revenues associated with capex are also included, then the overall operating position becomes a deficit of \$2.9 million compared to the budgeted deficit of \$12.1 million. The decreased deficit is because of changes to timing of capex and improvement projects i.e. Ontrack infrastructure upgrades, rail rolling stock projects and station, platform and carpark upgrades.

4.2 Forecast full year net operating result

The full year forecast net operating deficit from operations is \$0.3 million compared to the budgeted deficit of \$0.1 million. When capital and improvement projects are taken into account we are anticipating a full year deficit of \$9.9 million compared to the budgeted deficit of \$18.4 million. The more significant full year variances to budget are:

- Diesel bus operating contract expenditure is forecast to be \$0.4 million above budget. Diesel prices are currently at record high levels (around \$110 \$US a barrel) and our forecast is based on oil prices staying high for the rest of the year and the \$NZ / \$US exchange rate remaining at current levels.
- Rail contract operating expenditure is forecast to be \$0.9 million above budget. This result is based on the December forecast from Tranz Metro and includes an expected reduction in patronage and increased charge for

rail infrastructure renewals. We expect a revised forecast from Tranz Metro that reflects recent increases in patronage.

The favourable variance in Grants and Subsidies revenue is the result of these changes to forecast costs.

4.3 Detailed net operating result for the division

Public Transport Division Financial Performance by Programme for the Period Ended 29 February 2008

	Year To Date				Full Year			
	Actual \$000	Budget \$000	Variance \$000	Variance %	Forecast \$000	Budget \$000	Variance \$000	Variance %
Revenue								
Rates Revenue	22,852	22,852	0 F	0%	34,277	34,277	0 F	0%
Grants & Subsidies	25,177	25,321	144U	-1%	38,320	38,000	320 F	1%
External Revenue	84	71	13 F	18%	107	107	0 F	0%
Investment & Other Revenue	36	-4	40 F	-1000%	-7	-7	0 F	0%
Internal Revenue	45	80	35U	-44%	120	120	0 F	0%
Total Revenue	48,194	48,320	126U	0%	72,817	72,497	320 F	0%
Expenditure								
Rail Operating Contracts	14,868	14,122	746U	-5%	22,084	21,183	901U	-4%
Diesel Bus Operating Contracts	19,339	19,890	551 F	3%	30,238	29,835	403U	-1%
Trolley Bus Operating Contracts	4,567	4,460	107U	-2%	6,690	6,690	0 F	0%
Ferry Operating Contract	182	187	5 F	3%	285	281	4U	-1%
Bus Stop & Shelter Maintenance	302	369	67 F	18%	554	554	0 F	0%
Carpark & Station Maint/Operations	348	547	199 F	36%	774	824	50 F	6%
Wellington Interchange Payments	411	411	0 F	0%	617	617	0 F	0%
Bus Priority Measures	0	0	0 F	0%	195	195	0 F	0%
Procurement Studies	372	551	179 F	32%	725	725	0 F	0%
Signage Maintenance	22	169	147 F	87%	80	265	185 F	70%
Total Mobility Scheme	1,186	1,299	113 F	9%	1,948	1,948	0 F	0%
Procurement	41,597	42,005	408 F	1%	64,188	63,115	1,073U	-2%
Design and Development Projects	161	290	129 F	44%	355	420	65 F	15%
Design & Development	161	290	129 F	44%	355	420	65 F	15%
Promotion and Marketing	104	188	84 F	45%	323	383	60 F	16%
Information and Systems	504	675	171 F	25%	782	1,000	218 F	22%
Metlink	608	863	255 F	30%	1,105	1,383	278 F	20%
Total Project Expenditure	42,366	43,158	792 F	2%	65,649	64,919	730U	-1%
Admin	4,419	4,635	216 F	5%	6,771	6,964	193 F	3%
Non-Cash Items	335	354	19 F	5%	531	531	0 F	0%
Other	133	130	3U	-2%	195	195	0 F	0%
Total Expenditure	47,253	48,277	1,024 F	2%	73,146	72,608	537U	-1%
Net Operating Surplus/(Deficit) from Operations	941	43	898 F		-329	-111	217U	
Total Revenue associated with Capex Improvement Projects	9,680	24,264	14,584U	-60%	23,308	42,381	19,073U	-45%
Net Operating Revenue & Costs associated with Capex	13,513	36,393	22,880 F	63%	32,842	60,621	27,779 F	46%
	-3,833	-12,129	8,296 F	-68%	-9,534	-18,240	8,706 F	-48%
Net Operating Surplus/(Deficit)	-2,892	-12,086	9,194 F		-9,862	-18,351	8,489 F	

The year-to-date numbers also show reduced expenditure in carpark and station maintenance, procurement studies, signage maintenance and upgrades and information and systems. These variances mainly relate to the timing of work and are anticipated to be largely on budget at year end although some expenditure may need to be rebudgeted to 2007/08. Some permanent savings are anticipated on Metlink promotional and timetable expenditure.

5. Capital expenditure and improvement projects

The combined improvement and capital projects show a year-to-date expenditure of \$13.6 million compared to a budget of \$41.4 million.

The full year improvement and capital expenditure forecast is \$35.1 million which is a reduction of \$32.9 million on the full year budget. Where work is not anticipated to be completed this financial year it will be carried forward to 2008/09. Primarily this expenditure is on essential work on the passenger rail network and on improvements to passenger rail rolling stock.

Capital expenditure and improvement project expenditure is funded by a mix of Land Transport NZ grants, internal loan funding and Crown loans. Consequently, delay or deferral of these projects has only a minor effect on the overall funding position of the division.

6. Communication

No communications are required.

7. Recommendations

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Agrees to re-start Quality Partnership Agreement meetings, but with greater emphasis and control over agenda content.*
4. *Agrees to establish a Quality Partnership Agreement in the Wairarapa.*

Report prepared by:

Wayne Hastie
Divisional Manager, Public
Transport