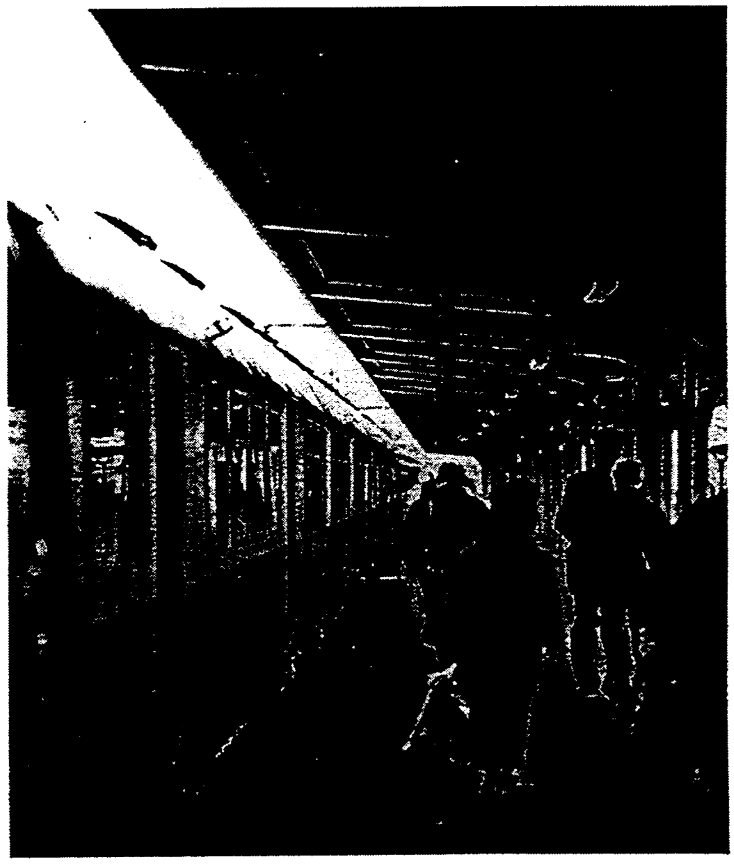

Passenger Rail Options for the Wellington Region

Discussion Document prepared by officers of Upper Hutt, Porirua, Hutt and Wellington City Councils, Wellington Regional Council, and Kapiti Coast, Carterton, Masterton and South Wairarapa District Councils

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Contents

1 Introduction

This paper looks at potential options for passenger rail in the Wellington region. It has been produced for a Workshop of Wellington region local authorities to be held on 2 March 2001. The objectives of the Workshop are to:

- establish the overall objectives that Councils within the region would like to see from a passenger rail system
- systematically work through the options and arrive at a common view, or at least a clear understanding of differences, and an agreed path forward.

There are many permutations for the areas of ownership, governance and service delivery across the different components of the rail network. This paper does not attempt to reach a final conclusion on a preferred option, as that is a matter for each individual Council.

This paper has been prepared by officer representatives of the region, city and district Councils in the Wellington region.

2 Background

Situation

In mid-2000, Tranz Rail signalled its intention to move away from passenger services and concentrate on its freight business. To achieve this it has put the Tranz Metro and Tranz Scenic businesses up for sale. Tranz Scenic is currently under due diligence by 4-5 interested parties, and Tranz Metro is the subject of individual discussions with Auckland and Wellington local authorities.

Current status of Auckland

The Auckland region has made significant progress in developing an agreement to overcome this by purchasing Tranz Rail's interest in the urban rail corridors in Auckland. They have agreed a price and ownership structure, although significant hurdles remain. These include Transfund funding, assignment of leases, and legislative changes[1].

The Auckland deal is still "live" and the 15 February 2001 deadline has been extended to 31 March 2001 with the agreement of central government and Tranz Rail. Cabinet has set up a subcommittee to look at national rail policy and has committed to indicating its support or otherwise by this date. Many of the issues to be resolved in Auckland, such as Transfund funding, integrity of the rail network, and legislative changes, are likely to have relevance to possible options for Wellington.

Auckland - Wellington differences

There are significant differences between the Auckland and Wellington situations for passenger rail:

[1] Variation of the lease that Tranz Rail holds over the corridor, approval of the LATE as a rail operator, etc.

Auckland rolling stock is considered to have only three years life left, which is about the lead-time required to organise new stock. This is an important driver of the perceived urgency to complete a deal now.

Wellington lines are electrified, largely double-tracked, and part of the rolling stock has been refurbished.

The actual layout of the rail network and the topography it covers is quite different. Wellington has more tunnels, bridges and difficult terrain.

Passenger rail usage is far higher in Wellington. On a per population basis, by a factor of about 10, and a factor of about 20 for rail passenger-kilometres[2].

Wellington is a significantly more "developed" market and therefore a different business proposition. Tranz Metro (Wellington) is a largely self-contained business unit of Tranz Rail.

Auckland has more potential to make use of the rail transport corridors, through busways, utilities and airspace.

From a freight perspective Auckland is an origin/destination whereas much of the traffic through Wellington is en route to of from the South Island and therefore more time sensitive.

Political environment

The Ministry of Transport has been conducting a policy review of transport for the past few months and has already addressed public transport by voting additional funds for patronage funding. The emphasis of the policy review has been on funding and governance options for roads, and announcements on the likely content of new roading legislation is expected at the LGNZ Transport Forum on 28 March 2001. This coincides with the end of March 2001 deadline for government policy directives for rail.

Local Government Act reform is likewise part way through its process and the final shape of new legislation has not been decided. The removal of the restriction on ownership of transport infrastructure by regional councils is a distinct possibility. As above, the emphasis has been on pragmatic policy solutions, and not fundamental reform.

The changes in Tranz Rail shareholding and strategic direction (away from passenger services to concentrate on freight) has highlighted some difficulties with the ownership of rail infrastructure by a private sector company. Passenger rail services is one, another is the potential closure of the Gisborne line. Current government signals are that repurchasing the corridor lease or rail infrastructure on a national basis is unlikely.

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[2] Auckland region has about 2.5 times the population of Wellington region but only about a quarter of the rail users. The trips are much longer too – this results in about 580km per capita per year by rail in Wellington vs. about 30 km per capita by rail in Auckland.

3 Key Issues

Monopoly provider	A monopoly provider situation currently exists for provision of passenger rail services in NZ. Auckland and Wellington Regional Councils (ARC and WRC) have clearly stated in their Regional Land Transport Strategies that they wish to maintain passenger rail services. Therefore they currently have no alternative but to accept Tranz Rail as the provider. Some competition could be introduced between bus and rail, but ultimately this could be self-defeating because a mixture of public transport modes is needed to fulfil the strategy, and clearly the Regional Councils are not about to abandon passenger rail.

Value for money	It is not possible to demonstrate that public funds are achieving value for money under the current arrangements. The two principal means, contestable tendering of services and financial transparency, are not available.

Investment needed	The Regional Land Transport Strategy clearly signals a programme of further investment in passenger transport infrastructure, and the Regional Council has concerns about how this can be achieved effectively under the current arrangements. Specifically, poor drivers exist for good asset stewardship and long term investment.

Public interest	In some areas of infrastructure that provide essential services and/or have long life spans, there is an argument for protecting the public interest through public ownership. The basis is that it is not possible to protect these interests through other means.

4 Components of the passenger rail system

To guide the discussion, the physical and non-physical components of the rail system have been separated and defined as below:

- **Corridor land**
- **Corridor lease**
- **Tracks (including overhead wires, tunnels, bridges)**
- **Stations (and associated land)**
- **Rolling stock**
- **Public funding**
- **Fare revenue**

Corridor land	*The land under the tracks.* The rail corridor is owned by the Crown through New Zealand Railways Corporation (NZRC). There is some overlap of ownership on adjoining pieces of land such as marshalling yards and commuter carparks. Some of these may be owned outright by Tranz Rail, some by other parties such as local councils. The rail corridor itself is the key component, as there is no realistic possibility of creating an alternative rail network. The corridor has other potential uses for commercial activities (e.g. communications links) and (largely in Auckland) transport modes (e.g. busways, guided busways).

Corridor lease	*The lease giving exclusive right of access to the corridor.* Tranz Rail holds a lease over the rail corridor for 40 years with a right of renewal for a further 40, for a nominal sum. A variation of the lease, such as allowing the Auckland LATE to purchase the corridor, will require NZRC approval, and that arrangement would effectively result in separate lessees for specific parts of the rail corridor. The terms used in Auckland for purchase of these access rights were "assignment" and "full assignment". Under the Auckland assignment proposal, the new operator was to purchase the corridor lease and infrastructure (of tracks, overhead wires[3] and stations) from Tranz Rail, and gain access to the same on the NIMT for an access fee. Under the full assignment proposal, all those assets and the lease are purchased completely[4].

[3] Diesel units in Auckland, but the principle is the same.

[4] The agreed cost of the assignment option in Auckland was a one-off upfront payment of $65m and annual access payments for the NIMT of at least $2.25m and up to $4.25m, based on the number of train movements per day. The value of the property rights involved in this deal was independently assessed by Darroch & Co at $116m (excluding the Avondale-Southdown option).

Tracks	*Tracks (and overhead wires, bridges, tunnels).* The term "infrastructure" is used to describe the capital assets needed to run a rail system. These definitions separate out tracks, stations and rolling stock because of their different characteristics and ownership options. To actually run a rail system you need to be an "Approved Rail Operator". This relates to having an approved safety system (LTSA administers this, and there is also a body that investigates rail accidents).

Stations	*The station buildings, and areas such as carparks between the rail network and the rest of the urban area.* These are owned by Tranz Rail, although some of the adjoining land such as carparks is owned by Councils. The Tranz Rail view seems to be that further investment in stations is to be minimised, and in this vacuum WRC has made some of these investments. The linkage between these areas and the communities they serve is a critical factor. Examples are the location and functioning of stations in relation to suburban centres, higher dwelling densities around transport nodes, and Wellington Railway Station.

Rolling stock	*Ganz Mavag units, English Electric units, Wairarapa and Palmerston North commuter trains.* These are owned by Tranz Rail. The Ganz Mavag units are partway through a refurbishment programme funded by WRC. The funding for this is currently about $1.75m per year. Growing expectations of travel comfort mean that the current rolling stock is only adequate, but from an engineering perspective the Ganz Mavag units are at about half life, whereas the English Electric units are in the twilight of their economic life. Worldwide, rolling stock is generally custom built for a specific application, and the high cost of new units makes refurbishment an attractive option. Growth in rail travel, and the variations in track and loading guages, also means that second-hand rolling stock can be difficult to source.

More recently Tranz Rail agreed to a full assignment option, which includes Auckland Transport Network Ltd (ATN) taking over the lease of the NIMT, and the option to extend the assignment of the Western corridor to Helensville, for $112m. In this situation it would be Tranz Rail paying ATN for access to the NIMT rather than the other way around. Because of this change from payment to revenue, the deals have a very similar cost when analysed on an NPV basis. The $112m deal is considered more attractive because it allows for greater capture of the benefits if the public transport plans are successful.

Public funding	*The subsidy required to make the passenger rail contract viable.* The Tranz Rail contract for provision of passenger rail services is with the Regional Council, and part of those monies come from Transfund, part from WRC transport rates. The overall percentage of public funding (for all public transport) in Wellington is low at around 40%. Subsidy levels of 50-75% worldwide are more common.

Fare revenue	*Income from passengers.* The percentage of fare revenue is high because of relatively high patronage levels in Wellington, the result of several factors including topography, support for rail by local authorities, tradition (civil servants without company cars), large numbers of commuters, a compact city that makes rail use easy, and so on. The profitability of a passenger rail operation depends on many factors but is heavily influenced by the need to provide rolling stock that caters for peak weekday demand.

5 Objectives and Assessment Criteria

Introduction

We may need to make a distinction between the overall objectives we seek for passenger rail in the region, and any assessment criteria for various ownership options. The **objectives**, on which there is probably general agreement, would include:

Delivery on the passenger rail component of the Regional Land Transport Strategy in terms of:

- accessibility, economic efficiency, affordability, safety, and sustainability.
- improvements to the passenger rail service in terms of comfort, convenience, and reliability.
- value for money in the delivery of a service that requires public sector funds, and public confidence that this is being achieved.

The **assessment criteria for structural options** would include:

- safe operation of the network
- able to demonstrate value for money
- strong incentives for excellent service delivery
- clear lines of accountability (governance)
- minimises conflicts of interest
- minimises public sector risk
- ensures long-term integrity of infrastructure

Safe operation of the network

There are clear frameworks in New Zealand to maintain safe operation of the rail network, including the need to have an approved safety system for any rail operator, and a separate body to investigate serious rail accidents. However:

- Tranz Rail has recently gone through a safety review
- there are concerns that a poor safety record for rail in the UK has been contributed to by the rail ownership and operation structures there.

As a result there would need to be central government confidence that any new structure would at least maintain and preferably enhance the safety record for rail transport.

Demonstrated value for money

It is generally considered difficult to demonstrate value for money without some element of contestability. The nature of the rail corridor results in a monopoly provider situation. To establish a truly contestable environment for provision of rail services you therefore need to obtain, at a minimum, public ownership of a right of access to the corridor and associated infrastructure (tracks, overhead wires, etc), because this makes it possible to control tenders for delivery of services.

It is also important that the cost of this access right, over time or as a lump-sum payment, is agreed at the outset. The ability to charge a variable access fee would effectively maintain a monopoly provider situation.

Once this has been done, there are various ways to demonstrate that value for money in expenditure of public monies[5] is being achieved:

- publicly tendered contracts for delivery of services such as track operation, track maintenance, station maintenance, rolling stock maintenance, rolling stock operation, ticketing systems, etc.

[5] This applies to regional ratepayers funds and Transfund subsidy. The accountability provisions of the Local Government Act must be met, and Transfund has various procedures in place that must be satisfied before its funds are released.

- financial transparency, particularly in a joint venture where there is a profitability incentive for the private sector partner
- public sector ownership, where there is financial accountability and financial transparency
- benchmarking or comparisons with other providers (e.g. cost per passenger-kilometre compared to other similar situations/countries)

It is difficult to contract service delivery if there are shallow markets (i.e. few potential providers), and in this situation there is a case for the public sector running those services. There do appear to be adequate providers for the various components of passenger rail services, although further work may be need to confirm the nature of these markets.

Strong incentives for excellent service delivery

This objective relates to the incentives on a service provider to deliver excellent service, and to invest in further development of the service. It will usually be more effective to encourage improvements through incentives than forcing them through a contract.

The demand inelasticity of public passenger transport, the need to have a full schedule of services, and the expectations of the community for transport accessibility, create issues around the incentives for any private sector contractor. The drivers for a private sector operator are essentially to maximise profit and minimise risk, and therefore they will be reluctant to invest unless it contributes to these drivers. Long-term contracts provide an incentive to invest, because they provide certainty of income and a longer time frame over which to generate the desired rate of return.

However, there are examples in passenger public transport where those profitability and risk benefits appear to be recognised. Commercial Wellington bus routes, where investment in better services and quality buses has occurred, is one[6]. Investment in the Capital Connection service is another. This indicates that creating incentives is feasible and that providers do respond.

Clear lines of accountability (governance)

The governance structures used to run passenger rail should provide clear lines of accountability and allow for effective decision-making. Accountability relates to:

- service delivery (in the simplest example, the trains running on time)
- responsibilities for maintaining assets such as stations
- fixing problems (e.g. graffiti)
- cost overruns or losses

Several factors are likely to contribute to this, including:

- clear roles and responsibilities for the various parties involved
- simple and efficient decision-making processes

[6] Recognising that in the bus situation, commercial and non commercial routes can be disaggregated

- well worded agreements and well managed and enforceable contracts.

Minimises conflicts of interest

It is generally considered undesirable to have the possibility of conflicting decisions being made within the same organisation. This may put people in an unfair situation, may result in poor decisions being made, and most importantly may create a perception in the community that decisions are not impartial.

In the case of local authorities with an ownership interest, the issue is the potential conflict between an overall planning role, which should treat all transport modes and service providers fairly, and the role of holding an ownership interest in a particular area of transport.

Where this situation arises, it may be dealt with establishing internal controls and structures to separate decision-making processes, or utilising third-party review. A further option is to make an assessment that the costs of maintaining structures such as "pure" funder-provider splits outweigh the likely benefits.

Minimises public sector risk

An important objective of private sector delivery of contracts is to shift a significant amount of risk to the private sector. This is because:

- public sector agencies do not have the direct accountability mechanisms via shareholding that exist in the private sector
- in any case accountability may be harder to establish because of the many and varied objectives of public sector agencies, including broad public interest objectives.

Because of this there have been many examples where the public sector has found itself in the position of "carrying the can" when things don't go according to plan.

Risk can be transferred through having a risk partner (as in a joint venture), or by contractual arrangements where that risk is accepted by the private sector. Risks include rectification of faults, non-performance under a contract, failure to reach income/profit projections, third party damages, etc. The cost of this risk will be reflected in the tenders put forward, with the assumption being that the overall cost will be lower because of private sector incentives to manage and minimise risk.

Ensures long-term integrity of infrastructure

Public ownership of key infrastructure is aimed at both minimising the opportunity for private monopoly provider situations, and ensuring that asset maintenance and investment is in the best long-term interests of the community. In a situation where a private sector operator is managing such assets, commercial drivers may mean that the assets become run down, because this may represent the best way of maximising profit. This is despite the desirability of maintaining the value of the assets for future sale, and illustrates the possible mismatch of public interest and private interest objectives.

On this basis the public ownership of urban stations is justified because they are an integral part of the network, and public interest elements need to be protected. Public ownership of rolling stock may also be needed, because it may be difficult to develop long-term contracts that automatically provide the necessary incentives for private sector investment and asset stewardship. Public ownership of the rolling stock also has the advantages of lowering barriers to entry by new operators at tender time (i.e. they don't have to supply their own), as well as allowing the public entity to ensure quality via direct investment in the stock.

The ban on Regional Council transport infrastructure ownership has forced it to pay for assets like rolling stock and stations that are then the property of Tranz Rail with the potential for the private sector operator to benefit from this. However:

- the value of a business is more than just capital assets, for example the subsidy received by bus operators allows them to build up a valuable business, which includes the capital assets necessary to run it.
- the rail assets involved could not easily be removed or used elsewhere.

6 Options

Introduction

There are many possible permutations but there appear to be five main options, which differ in the **ownership** of the access right to the corridor and associated infrastructure. These are

1.	A new operator only (private sector company buys Tranz Metro)
2.	A LATE owned by TLAs with funding from the WRC
3.	A joint venture between WRC and a private sector company
4.	Full ownership by WRC
5.	Ownership options involving central government

Under these broad ownership options, various further options that relate more to operational components could be developed, such as:

- the extent to which a new service provider takes control of the corridor and existing assets, for example would the public sector entity or joint venture own rolling stock, and
- the number and type of service delivery contracts tendered.

The separation of ownership and operational components, and the nature of the process, mean that **ownership options need to be decided first**. Most of the ownership options would not preclude subsequent contracting out of specific service delivery components. This results in a "decision-making flow chart" that is discussed further in Section 7.

To simplify the discussion, the following assumptions are made for **all** options (noting that there may be debate about some of these assumptions):

a) Tranz Rail wants out. They will not be involved in running passenger rail and will sell at least an access right, stations and the rolling stock to a new operator[7].

b) All options would involve a new operator, so all would have the potential advantages of new expertise and innovation in the provision of rail services, access to new capital, etc.

c) Public sector funding will continue to come through WRC (with the addition of patronage funding).

d) It is probable that public sector funding, particularly Transfund funding, will be available over longer term contracts for all options.

e) Continuity of service problems are unlikely because Tranz Rail will wish to capture the value of the passenger rail operation as a going concern.

f) The size and configuration of the Wellington rail network precludes any split, with different operators on different sections (as in Melbourne).

g) New Zealand Railways Corporation retains ownership of the corridor land, and is prepared to vary the lease in the event of a full assignment.

Option 1 – New Operator only

Key elements

A new provider could buy an access right - to the corridor and the Tranz Rail owned infrastructure (i.e. the "assignment" option). It seems unlikely that Tranz Rail would agree to a "full assignment" with another private sector operator because this would surrender too much control of the network.

Pros

- Relatively simple and would allow a focus on improving the current arrangements.
- The value of the business would be reflected in the sale price and **if** this was public[8], it would indicate whether value for money had been obtained in the recent past.

Cons

- The new operator would still be a monopoly provider with poor incentives for investment and asset stewardship.
- Lack of financial transparency.
- Reduced scope to improve services while maintaining good stewardship of public funds.

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[7] It is possible that Tranz Rail will not be prepared to accept full assignment on the Main Trunk Line, but will for the Johnsonville, Melling and Hutt lines.

[8] i.e. a publicly announced price and not a share swap or some other purchase mechanism.

Conclusion

Tranz Rail is currently at liberty to sell to the highest bidder. Not a desirable option because of lack of public sector control of the rail corridor and infrastructure, resulting in a continuation of the current monopoly provider situation from the public funder's perspective.

Option 2 – LATE (Auckland model adapted for Wellington situation)

Key elements

A similar arrangement to Auckland with shareholding held by the territorial local authorities. Shareholding to be determined by a formula taking into account population, origin-destination splits, value of assets within each TLA, etc. Operational funding for services would still come from the WRC, giving it a controlling influence.

The assignment model may be sufficient for Wellington (and full assignment is probably not acceptable to Tranz Rail for the whole Wellington passenger rail network). The reasoning for full assignment is weaker than in Auckland, because there is less potential for increasing relative and absolute passenger numbers, and less potential for additional corridor uses such as busways. There are also risks in the full assignment model relating to tunnels, bridges etc.

Contestability and resulting efficiency is achieved through letting contracts for operational components of the rail service.

Pros

- Transparency of financial information.
- The necessary co-operation between local authorities may make it easier for all to achieve their transport objectives.
- WRC retains control of operational funding therefore this is a partnership between local and regional authorities.
- Would allow progress now within existing legislation.
- Auckland sets some precedents in terms of Transfund funding, structures etc.
- Maintains the funder/provider split.

Cons

- Needs financial and governance commitment from TLAs (no Infrastructure Auckland equivalent in Wellington).
- 100% of funding from the public sector.
- Possibly cumbersome decision-making. Room for disagreement between local authorities.

Conclusion

Would require a collective commitment from TLAs in the region. Joint owners require a level of "goodwill" to ensure co-operative behaviour in the interest of the community, and this may be more difficult to achieve when there are several parties involved.

The TLAs are primary stakeholders in transport and have, for example, a direct interest in the functioning of stations in relation to their communities. TLAs may wish to position and support stations as an integral part of urban centres, and facilitate their use as places for retail activity and social interaction.

As regulators of land use within their boundaries, TLAs have a vital interest in how the transport network supports urban development. Examples are higher dwelling densities along transport corridors, and the successful functioning of city centres where higher train use has many desirable outcomes.

Regional and local authorities are already partners in achieving their respective transport outcomes – it is not possible for either to do this without the other. This reality could be reflected in the ownership and governance structures for passenger rail. The Regional Land Transport Strategy is the primary mechanism for this, but a LATE arrangement would give the TLAs a direct stake.

Option 3 – Joint Venture

Key elements

WRC and a joint venture partner buy Tranz Metro as a going concern with part of the price being an access right. The joint venture company would run the passenger rail network from Palmerston North and Masterton to Wellington.

Provision of capital, profits and risk would all be shared 50:50. Contracts for some or most of the operational contracts for the passenger rail service may be let to other parties, or the joint venture partner could run these contracts. In this latter case the public funds accountability would be achieved through equal division of profit: the incentive would be for a rate of return within an agreed range.

Under this option the joint venture company Board of Directors would make all the key decisions under a governance framework established by the Companies Act.

Pros

- Transparency of financial information.
- Allows a balance between public interest and commercial imperatives.
- Reduces extent of public risk compared with full public ownership.
- Allows profits to be returned to the public purse.

Cons

- Would require legislative change.
- WRC would have an ownership interest in a service that competes with other services it provides a planning role for.
- A critical opportunity for achieving contestability would be choosing the joint venture partner, and this must be done at the outset when there are many uncertainties..
- If the bus and rail provider are the same company Commerce Commission approval may be needed.

Conclusion

Joint owners require a level of "goodwill" to ensure co-operative behaviour in the interest of the community. It is not yet clear how this will be achieved in such a joint venture, or who will decide when there is disagreement over conflicting objectives, who has ultimate control, and whether the joint venture will confuse accountabilities for passenger rail objectives.

The Regional Council has identified that that prior to selection of a JV partner these matters will need to be clarified through Statements of Corporate Intent, a company constitution and JV agreement.

Since the commercial partner is expected to act commercially, they may well attempt to maximise their profits through management fees or financial arrangements, and attempt to transfer as much risk as possible to the public sector partner. If the joint venture partner was not delivering services, their relationship would be more of a funder and/or rail consultant and this input could be achieved by other means.

Option 4 – Sole WRC ownership

Key elements

Same as Option 2 but WRC would be the sole owner of the lease and infrastructure.

Pros

- Transparency of financial information.
- Establishes clear public ownership and control.
- Simplifies decision-making.
- Auckland sets some precedents and provides a model.

Cons

- Would require legislative change.
- 100% of funding from the public sector.
- WRC would have an ownership interest in a service that competes with other services it provides a planning role for.
- WRC has no expertise in running a passenger rail system.

Conclusion

If public ownership is to be achieved this represents a simple and effective way of achieving it. Many of the advantages of Option 2 would be achieved with the possible exception of the buy-in and commitment of the TLAs to maximise the potential of the passenger rail network.

The regional investment principles of Option 2 would be similar, although the investment would effectively be double that in Option 3. This regional investment could be through a shift from investment in port infrastructure to rail infrastructure, as in Auckland, although this would need to be investigated and would need the buy-in of the regional community.

Decision-making would be simplified but would still need to be undertaken in consultation with stakeholders.

Option 5 – Central government ownership

Key elements

Central government purchases the lease and infrastructure and allows WRC to operate the passenger rail system.

Pros

- Central government fixes a problem it created. Public ownership re-established.
- Access to the track would be more easily negotiated (keeping it as a network).

Cons

- More parties would be involved potentially leading to conflicts of objectives and decision-making difficulties
- Not central government will.

Conclusion

Not considered a viable option because of perceived central government reluctance to get involved in rail ownership at a national level.

7 Conclusions

This paper has attempted to set out the key options available for ownership. In making these decisions and then moving on to more detailed consideration of structures and operational options, there appears to be a stepwise process required, which covers the following key decisions:

Is public ownership of rail assets/infrastructure needed to protect the public interest and ensure value for money?

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How should local authorities be involved in those ownership structures?

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Should the structure be a joint venture (which raises other issues)?

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To what extent should operational services be contracted out?

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Other downstream issues (e.g. air rights).

The paper focuses on the first two of these decisions, although **further work is needed** to fully explore even these. For example, further information is needed on:

- A full analysis of the two or three key options
- Analysis of the depth of markets that would allow contracting out

The Ministry of Transport has also indicated that an indication of the likely direction that Wellington local authorities favour would be very helpful in determining national rail policy before March 31 2001. However, the timetables and level of comfort of the various Councils in reaching a position on options will determine if this is possible.

8 Suggestions for a way forward

1. Advise the Minister of Transport of the co-ordinated approach being undertaken by the TLAs and the Regional Council in Wellington and seek his views on this discussion paper and the options outlined in it.
2. The options now be referred to the respective Councils for consideration, particularly their support or otherwise for public ownership and the possibilities of Regional Council and or TLA involvement.
3. The Councils agree to an on-going co-ordinated consideration of resolving passenger rail issues in Wellington region, noting the current mechanisms for doing this through the Regional Land Transport Strategy.