

File No. T/11/2/2
beard11jun_djw

11 June 2002

Mr Michael Beard
Managing Director
Tranz Rail
Private Bag 92138
AUCKLAND MAIL CENTRE

Dear Michael

Tranz Metro Wellington Fare Increases

I note Mr Hayward's formal advice of 7 June 2002 in relation to your 1 July 2002 fare increases for the Tranz Metro Wellington Services.

I have to say I am very surprised at the size of the increase, an average of 9 per cent, when over the last few years the Council has continued to inflate its subsidy to you to cover our share of the cost increases mentioned. Based on your patronage returns to the Regional Council it appears that you have also enjoyed ongoing customer, and hence revenue, growth.

If you have considered that Tranz Metro's revenue, including the Council's subsidy, was insufficient to meet costs, I would have expected you to chase our contribution to your additional services introduced in August 2001 with more urgency. I sincerely hope that these fare increases are not in any way connected to the additional services for which you refuse to disclose costs. Your ongoing refusal to disclose any cost details to justify payment is now looking a little thin. You must appreciate that Transfund is demanding, through us, that your costs be transparent and that their future contributions may be dependent upon such transparency.

I will have to bring the nature of your fare increase to the attention of my Council colleagues at the next Passenger Transport Committee being held on 20 June 2002. I will be suggesting to them that they instruct the officers to take the increase into consideration when negotiating a further contract roll over, effective from 1 July 2002. This is likely to lead to a reduction in the level of subsidy with effect from 1 July 2002.

Your actions further reinforce my Council's belief that the only way clarity will be brought to the suburban rail operation is through the Council having part ownership of Tranz Metro Wellington.

Yours sincerely

Cr CHRIS TURVER
Chairman, Passenger Transport Committee