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Committee Passenger Transport
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Urban Bus Costs

1. Purpose

To bring to the attention of the Committee the fact that bus service costs supported by the Council are increasing beyond the current levels of inflation.

2. Comment

Ms Kerry Waddell of Mana Coach Services has been asked to address the Committee regarding the reasons why bus service cost increases are currently ahead of general inflation and what this might imply for the future. There appear to be three areas of cost expense for the Council. Firstly the matters that Ms Kerry Waddell will cover are affecting the tender prices we are currently receiving for services that we are merely rolling over, without review and hence change. This alone is placing our bus contract budget under some stress this financial year. As contracts of this type are regularly coming up for renewal the issue has a medium term effect over the average life of bus contracts, some five years or so. We are currently investigating the ongoing effect of these cost increases for that period. In rough figures the contract cost increases are about 17% as against our expectations of 4%. This would lead to about a \$3-4 million a year increase in bus costs above our budgeted figures once all contracts are renewed.

Secondly the Council is becoming the prisoner of its own success. As more people are attracted to travel by bus this leads to overcrowding on some routes and the provision of additional services to alleviate it. Most often the overcrowding occurs at peak times and the cost of an extra bus for this period alone is greater than the revenue. Increased peak hour bus travel is an additional cost to the Council. This is an ongoing issue and if the Council remains successful in its drive to see more and more people using public transport then the problem is here long term.

The third area of cost increase and potentially the one with the greatest impact for the Council is the Council's vision of a sustainable region. In the Council's passenger transport activity this vision was reflected in the phrase of moving from commuter travel to community travel. Expressing the concept in the Hutt Valley bus service review this resulted in the concept of "more buses, more places, more often".

The national land transport vision is set out in the New Zealand Transport Strategy and repeated in legislation through the Land Transport Management Bill. The key objectives of the national vision:

- Assisting economic development
- Assisting safety and personal security
- Improving accessibility and mobility
- Protecting and promoting public health
- Ensuring environmental sustainability

are now required to be incorporated in Regional Land Transport Strategies and from them into the programmes of regional and local councils.

The objective of improving accessibility and mobility is clearly a driver for the “more buses, more places, more often” approach in the Hutt Valley.

The Hutt Valley service review has resulted in a 60% increase in bus kilometres. Clearly the overall cost of this increase in service kilometres is not insignificant. The changes made will however result in greater bus use and hence increase revenue over time. The Council is taking the initial revenue risk however and for a time that may mean a net cost increase and subsequently a further cost pressure on the bus services budget in the short to medium term.

If the Council is to pursue the sustainable region vision vigorously to improve access and mobility through increased public transport use then there will be cost pressures of this type arising with each area bus review.

3. Implications for the Future

The combination of underlying bus cost increases, greater patronage at peak times and the shifted vision means that it is unlikely that the Long Term Council Community Plan 2003-2013 budgets are fully aligned with these cost changes. Staff are working on what the budget consequences are likely to be and the policy options available. Clearly the Council will have some key decisions to make when considering its 2004/05 and future annual budgets.

4. Communications

There is nothing to communicate at this early stage.

5. Recommendation

That this report be received.

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