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Committee Policy, Finance and Strategy
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Transport Division: Proposed Business Plan 2004-2013

1. Purpose

To seek adoption of the proposed Transport Division Business Plan 2004-2013, including any amendments approved by the Committee.

2. Assumptions

A number of assumptions have been made as the basis for the preparation of the Transport Division Business Plan 2004-2013, these are:

- The Council's LTCCP 2003-2013 is the foundation of this business plan
- The funding provided by Transfund New Zealand will consist of three parts
 - core funding – buses and ferries will receive 45% in 2004/05 and 2005/06, increasing to 50% in 2006/07 and onwards, subject to inflation and negotiation
 - rail services – all rail expenditure will be funded at 60%
 - Total Mobility – a special rate of 50%
- An additional income source amounting to \$1m in 2007/08 and rising to \$6m in 2012/13 will be found. This is assumed to come from income associated with tolling some road projects, starting with the "HOT" lane from Petone to Ngauranga
- Cost of existing contracted bus services will increase by 3% in 2004/05 and the rail contracted service by 2% with no increases in future years
- Total Mobility costs will increase by \$100,000 a year due to ongoing increases in the client base
- The trolley bus contract will increase by \$250,000 per year, above inflation, for the years 2004/05 to 2008/09 to accommodate an accelerated replacement of the current trolley bus fleet with super low flow vehicles

- The Council will enter into a long term service contract with Tranz Rail Limited for the provision of Tranz Metro Wellington services.

Copies of the Divisional business plan have already been provided to Councillors and will be tabled at the meeting on 4 March 2004.

3. Changes between the proposed business plan and the LTCCP

The changes discussed here are changes from the LTCCP for the 2004/05 year that are included in this proposed business plan for that year.

3.1 Urban rail

The LTCCP anticipated the Council being able to enter into a long term contract for the Tranz Metro Wellington services. The sale of the majority of Tranz Rail Ltd shares to Toll Holdings and the agreement between Toll and the government for the government to purchase the track and establish Track Co again meant that the Council was unable to resolve the rail contract issue. Negotiations are currently underway with Toll Holdings on a future contract and with Track Co over their passenger responsibilities in the Wellington region.

A consequence of this has been the need to reprogramme all the expected urban rail expenditure associated with capital replacement and refurbishment. The following urban rail projects were not started in 2003/04 as anticipated and are now included in 2004/05:

- the English Electric refurbishment programme
- the British Rail 'S' car refurbishment programme to replace and increase the carriages used on the Wairarapa line.

The establishment of Track Co as the track owner means that projects related to track improvement and additions now rests with them. This places the proposed Waikanae electrification/Kapiti rail package, included in the LTCCP for 2004/05, in doubt for an early start as Track Co is only just being formed. This business plan assumes the Waikanae/Kapiti rail package is again delayed until 2005/06. It is recognised that should Track Co be persuaded to undertake this work earlier than the business plan now anticipates the Council would need to fund it as part of its normal review processes through the year. If this occurred earlier than planned the transport reserve will need to be used to fund the project.

3.2 Other services

There are six other projects that are included in this business plan for the 2004/05 year that were not anticipated in the LTCCP. These projects are listed below showing their 2004/05 cost and rate impacts:

- Wairarapa freight logging project – this has been submitted to Transfund New Zealand as an alternative to roading project (ATR). Only regional

councils can submit ATR projects for funding. The Council would not be raising any funding itself for this project (cost \$627,000, rates \$0)

- Additional bus service signage in the Hutt Valley to complete the current programme before extended it across the region (cost \$250,000, rates \$130,000)
- Increased Ridewell call centre operating costs with introduction of the journey planner (cost \$131,000, rates \$98,000)
- Promotion of cycling initiatives resulting from regional cycling strategy (cost \$126,000, rates \$94,000)
- Wairarapa transport services review (cost – no monetary cost but a delay in starting the Wellington city review)
- A regionwide standard ‘one section’ bus service cash fare of \$1 for adults and 50 cents for children (cost \$250,000, rates \$125,000)

4. Transport rate 2004/05

The LTCCP projected a transport rate increase for 2004/05 of 5.2% above inflation. This proposed business plan, taking account of the assumptions and additions, shows a rate increase of 5.2% (including inflation) before consideration of reserves.

At the half year review the Division was forecasting a total Transport reserve as at 30 June 2004 of \$2.92m. Most of that reserve results from rail capital projects not proceeding due to the Council being unable to enter into a contract with an urban rail operator.

The following is how the anticipated reserve has been allocated in the proposed Business Plan 2004-2013:

- \$325,000 of the reserve was earmarked in 2002/03 to help offset the transport rate in 2004/05
- \$460,000 of the reserve is to fund items rebudgetted from 2003/04 (see half year review)
- \$1m of the reserve is retained as a contingency to provide the Council with a way to fund unexpected events, including the possible earlier than expected work on the Waikanae electrification/Kapiti rail package
- The remainder, \$1.135m is used to offset the transport rate changes for 2004/05 and 2005/06.

With the transport reserve applied as proposed this results in a 2004/05 overall transport rate increase of just less than 3% (including inflation).

5. Financial implications across the remaining eight years

Funding required across the remainder of the LTCCP period is projected to increase from \$27.2m in 2004/05 to \$31.7m in 2011/12 mainly associated with increased expenditure in rail (eg rolling stock).

These projections will need to be subject to review once a new contract can be agreed with Tranz Metro (Wellington). This may or may not be completed before the Council finalises its 2004/05 Annual Plan in June 2004.

6. Changes to the proposed business plan recommended by officers

Officers are not recommending any changes to the proposed business plan.

7. Communications

The communication opportunities will be dealt with as part of the overall communications of the Annual Plan.

8. Recommendations

That the Committee recommend to Council that it:

- (1.) Receive the report and note its contents.*
- (2.) Note that the proposed Business Plan 2004-2013 for the Transport Division includes proposed operating plans for the following departments:*
 - Transport Procurement*
 - Transport Service Design*
 - Access Planning*
- (3.) Approve the proposed Business Plan for the Transport Division (including any amendments approved by the Committee) for inclusion in the Council's proposed 2004/05 Annual Plan.*

Report prepared by:

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