



Report 03.209
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Committee Passenger Transport
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Tranz Metro Issues

1. Purpose

To provide the Committee with information on issues relating to the Tranz Metro Wellington urban rail services.

2. CPP

Transfund New Zealand officials were not convinced that the Council funded PWC peer review of the proposed urban rail contract provides adequate comfort for them as a principle funder. Consequently they were not prepared to seek final approval for the rail CPP at their Board's 15 April meeting.

The PWC peer review report states in its conclusions that:

“On the basis of the assessment criteria that we have identified and available information, the Funding Agreement is capable of adequately meeting each criteria. We have not identified any material emission from the Funding Agreement”.

Council officers have some difficulty understanding the position being taken by Transfund officials. Clearly the issues have to be resolved and every effort is being made to achieve this. Unfortunately this means a further months delay.

3. Potential Purchasers of Tranz Metro Wellington

Committee members will have noted Stagecoach's media statement indicating that they will not be a bidder for Tranz Metro Wellington, remaining convinced that the Joint Venture proposal has the most merit.

Representatives of Transdev have met Council officers regarding their possible involvement in a bid for Tranz Metro Wellington. They have been provided with a statement (**attachment 1**) which advises them not to expect continuation of the current subsidy provided by the Council to Tranz Rail Ltd. No other party has approached the Council since Tranz Rail announced that they had placed the sale of Tranz Metro Wellington in the hands of Cameron and Co.

4. Bus Replacement Options

At the Council's 10 December 2002 it was resolved that the Council:

“Requests officers to update their earlier preliminary investigation on how the current Wellington rail based passenger transport services might be replaced partially or wholly, with bus services and/or other alternatives”.

Booz Allen Consultants undertook the last project of this nature in the early 1990s. They have been engaged to repeat that work for 2003 using rail passenger data collected by the Council for the transport model recalibration. This data provides details of passenger boardings by station at peak times. This work is programmed for completion by 30 June 2003. The work will provide the Council with an insight into the resource costs of a bus replacement strategy, a view of the necessary road infrastructure projects and likely costs to achieve a comparable level of service, and the probable annual operating costs of a bus only system.

The above project excludes the Johnsonville line. Bus replacement options for Johnsonville rail services would require no new road infrastructure. Assuming no particular problem with bus availability, buses could replace trains on this line within a very short timescale. A detailed bus route and frequency proposal is currently being worked through with a maximum peak bus requirement of around 24. This bus alternative should be completed by the end of April.

5. Carriage Refurbishment

The Council paid a total of \$10,404,319 towards the refurbishment of the 44 Ganz Mavag two car sets from 1995/6 to 2002/3. The Ganz Mavag units have a further economic life of 15 to 20 years because of this expenditure. While it is clear that the Council has an agreement with Tranz Rail Ltd that these units cannot be used outside the Wellington region, there is nothing to prevent the sale of the carriages to an incoming operator.

Clearly the Council does not want the purchaser of these units to come back to the Council with the intention of recouping that element of the purchase cost, relating to the Council's contribution to these units, through an operating subsidy. Consequently any potential purchaser of Tranz Metro Wellington is being advised to either discount their purchase price by the residual value of the Council's contribution or to recognise that the Council will itself discount these costs in reaching a decision on any future contract price.

The above explains why investing in the English Electric refurbishment programme at this time makes no sense. Tranz Rail were advised that they should proceed with the refurbishment programme at their own cost as that investment would be recognised either through the sale process or future contract payment if no sale eventuated. Wayne Collins, Tranz Rail's CFO, at a meeting with Council officers to discuss the CPP process, stated that Tranz Rail had not budgeted anything for the EE refurbishment programme this year. The recent announcement from Tranz Rail regarding their expected 3 monthly financial position indicates that a sum of \$2.2m was budgeted but had now been taken back.

Clearly Tranz Rail had the financial ability to start the EE refurbishment programme this year as requested.

6. Communications

All potential purchasers of Tranz Metro Wellington will be kept informed of the Council's position and future process. Once the Council has an approved CPP there will be international advertising seeking statements of interest and ability.

7. Recommendation

That the report be received and the information noted.

Report prepared by:

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Attachments:

1 - Statement by GW