



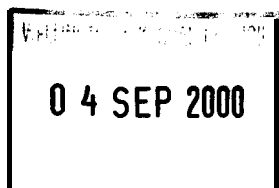
FILE NO	711171	
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TO NOTE	INIT	DATE
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1 September 2000

Ref 530-04-02

Dave Watson
 Divisional Manager, Transport
 Wellington Regional Council
 P.O. Box I 1-646
 Wellington



Dear Dave

Alternative CPPs for Urban Rail Services in the Wellington Region

Thank you for your letter of 9 August 2000 to our chief executive, Martin Gummer, which Martin has passed to me for reply.

Fraser Cameron, Mike Copeland and myself met with you on Wednesday 16 August to discuss the issues addressed in your letter. As agreed at this meeting, Mike has now reviewed the information that you provided and we have considered Mike's response. We agree with Mike's view that additional information is required in order to satisfy Transfund's Board that, in terms of its obligations under section 26(3) of the Transit Act, the specified output should not be defined more widely than as an urban rail service.

It is explicitly stated in section 26(3) that the Board, when exercising its powers under subsections (1) and (2), shall have regard to safety and other benefits, competition, and the costs of administration associated with the pricing procedure or the resulting contract. While we recognise that consideration of the output specification is not directly related to section 17 approval, the Guidelines on the Process for Development and Approval of CPPs clearly state that approval of the output specification at this early stage is desirable because it ensures efficient use of resources and time, and prevents further delays later in the process. We believe that approval of the output specification at this stage would be advantageous to all the parties involved.

We, with Mike Copeland's assistance have identified some further information required for Transfund to consider the appropriate output specification. In particular, we seek answers to the following questions;

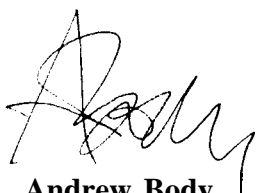
- What, if any, are the administration cost savings and other practical advantages of adopting the narrow specification of urban rail services, as opposed to a broader specification of urban public passenger transport services?

- Are there congestion, safety and other benefits to be gained by excluding other modes from the proposed tendering process? Put another way, if buses were allowed to compete, what would the congestion, safety and other (e.g. environmental) implications be?
- Would modes, other than rail, be able to provide the same level of service cost-effectively?
- What, if any, consideration has been given to the possibility that modes other than rail could compete for parts of the rail network? That is, is it critical that the output be specified as urban rail for all the services proposed?

Please liaise with Fraser Cameron or me to develop a revised proposal to support your proposed output specification. We understand the tight timeframes and do not want to delay this process more than necessary, but we agree with Mike's assertion that the Board would need to see why buses could not reasonably compete, in terms of administration savings, congestion, safety and other benefits. This becomes particularly important because of the value of the potential contracts involved, and because we understand you are likely to seek approval to enter into contracts with a duration of 10 years.

Please call either Fraser or me if you have any questions, or if we can provide further assistance.

Yours sincerely



Andrew Body
Policy and Strategy Manager

Copies to: Bob Alkema
Peter Wright
Martin Gummer