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Committee Regional Land Transport
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Crown funding applied to future trolley bus service contract

1. Purpose

To consider and respond to a request from the Council's Passenger Transport Committee for advice on the use of Crown funding as one source of funding for the provision of future trolley bus services in Wellington city.

2. Significance of the decision

The matters in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Background

3.1 Trolley bus policy

The Council's Passenger Transport Committee endorsed the continuation of trolley bus services at their 17 July 2003 meeting with the following resolution:

Resolved (Cr Buchanan/Cr Evans)

- (1) That the report be received.*
- (2) That the Committee:*
 - a. Endorses the continuation of trolley bus usage as provided for in the LTCCP.*
 - b. Requests the ownership of the trolley bus overhead be discussed with Wellington City Council.*
 - c. Seeks approval from Transfund New Zealand for a sole supply CPP for the purchase of the trolley bus service in Wellington city with a maximum contract of ten years.*

- d. Negotiates a 10 year contract for the supply of trolley bus services with Stagecoach Wellington, once there is an approved trolley bus CPP.*

The Council holds the view that trolley bus services are preferred to diesel because the benefits of trolley buses exceed their additional costs and trolley buses support the objectives of the New Zealand Transport Strategy (NZTS) better than a replacement diesel bus service. A copy of the Council's funding application to Land Transport New Zealand (LTNZ), prepared by Booz Allen Hamilton, is attached (**attachment 1**).

3.2 Land Transport New Zealand Decision

The Council submitted an application for funding and a procurement process to the Land Transport New Zealand board meeting on 24 March 2005. At the meeting the Board approved the procurement process for the provision of trolley bus services. With regard to funding, the Board resolved to:

- “a. Approve(s) funding of up to \$750,000 (Land Transport NZ share) per year over and above the cost of providing equivalent services by diesel bus over the next 10 years from the Crown allocation to the Wellington region for the purpose of assisting rebuilding and operation of the trolley bus fleet and overhead wiring”*

The full resolution is set out in a letter dated 15 April (**attachment 2**).

The effect of the LTNZ decision is to leave the Council to fully fund the additional costs of trolley bus services over those for an equivalent diesel bus service. The source of funding available to the Council being Crown funding and regional transport rates. The amount involved is about \$15m and equates to the ten year cost of providing the overhead wire.

The Council chairman, Cr Ian Buchanan, wrote to the chair of LTNZ seeking the LTNZ Board's reconsideration of its trolley bus funding decision (**attachment 3**). The LTNZ decision denies the involvement of the region in the allocation of C funding and appears to be contrary to government expectations. The chair of the LTNZ Board, Dr Jan Wright, has responded (**attachment 4**). Her letter suggests that the allocation of C funding be clarified by discussion between GWRC and LTNZ Chief Executives and the Ministry.

3.3 Passenger Transport Committee meeting of 7 April

At the 7 April Passenger Transport Committee meeting, having received the LTNZ decision, it was resolved that:

Resolved (Cr Buchanan/Cr Aitken)

- (1) That Land Transport New Zealand has approved the procurement process and funding for the upgrade and continued operation of the trolley bus system over the next 10 years be noted.*

- (2) *That the Committee refers consideration of the use of Crown funding from the Wellington Transport Package to the Regional Land Transport Committee.*

4. Comment

4.1 Crown funding

Crown funding (known as C funding) is the funding government announced earlier in the year as stage one of their proposed additional allocations of funding towards transport projects in the Wellington region, as a result of the Wellington Transport Project.

Stage two will be a government response to the funding requirements of the Western Corridor proposal to be released in July 2005. The details of the \$225m over ten years of stage one C funding are set out in a cabinet paper (**attachment 5**).

\$65 million over ten years is allocated to “retain mode share” and could be used as a contribution to “local share” for purchasing replacement rail rolling stock, refurbishing current rolling stock, rail infrastructure and trolley bus services (including the overhead line). A further \$30m over ten years could be spent on enhancements to PT above that required to retain mode share. Particular enhancements could include improved bus services, bus priority measures, enhanced rail security, integrated ticketing and real time information.

Both these C allocations to passenger transport, some \$95m over ten years, are to assist with local share, they are not to replace normal funding support from LTNZ.

4.2 Funding options

The Council will not know the actual cost of the trolley bus services until it has completed contract negotiations with the parties concerned. However it is currently estimated that the full cost will be about \$45m over ten years. The presumption made by LTNZ is that the Council will fund \$15m from C funding and regional transport rates over ten years to cover the additional cost associated with trolley bus services. This is equivalent to the cost associated with the supply of the overhead wire.

4.2.1 Wellington Transport Project C funding expectations

The make up of the \$65m retain mode share C funding used by the WTP officers group was \$55m for rail rolling stock investments and \$10m to trolley bus services for replacement and refurbishment of trolley buses and the overhead.

On this basis the expectation was that funding of the estimated total cost of \$45m would have been shared 50/50 between LTNZ and local share as follows:

LTNZ	\$22.5m	
GW rates	\$12.5m	} local share
C funding	\$10m	}

The LTNZ resolution however means that the \$45m will be funded as follows:

LTNZ	\$15m	
GW rates	\$22.5m	} local share
C funding	\$7.5m	}

This shows a difference in GW transport rates of \$10m over ten years between the Council’s expectation and the reality of the LTNZ decision.

The Council’s draft amended LTCCP for 2003 to 2013 and annual plan for 2005/06 has a budget for trolley bus services at a higher overall cost than the now predicted \$45m. The budget was established prior to Christmas 2004 when some of the costs associated with the trolley bus contract had higher cost estimates. The budgeted GW regional transport rates for the remaining 8 years of the LTCCP is \$14.5m, which equates to a figure of just over \$18m for the ten year trolley bus contract period.

The GWRC transport rates funding shortfall between that necessary to accommodate the LTNZ decision and that which has been allowed for in the draft LTCCP is \$4.5m over ten years.

4.2.2 Possible funding options

An option for consideration would see \$10m of C funding from “retain mode share” (as anticipated by the WTP group) providing the following split of funding:

Option 1

LTNZ	\$15m	
GW	\$20m	} local share
C	\$10m	}

This option would require the Council to increase the local share contribution from a likely budget of \$18m over ten years by an extra \$2m.

Another option would be to fund the full additional costs of trolley buses, the \$15m from C funding for “retain mode share”. This would reduce the level of C funding available to fund rail rolling stock.

Option 2

LTNZ	\$15m	
GW	\$15m	} local share
C	\$15m	}

This option would see the current budgeted \$14.5m over 8 years in the draft amended LTCCP being sufficient to cover the GW transport rating share of the total costs.

A third option would be to use some “enhanced PT” C funding but limit the level of funding from “retain mode share” C funding to \$10m.

Option 3

LTNZ	\$15m
GW	\$15m } local share
C retain mode share	\$10m }
C enhance PT	\$5m }

This option in funding terms is similar to option 2 and the Council’s share of the total trolley bus contract costs for ten years would be met by the current budget in the draft amended LTCCP.

4.3 Consequence of using C funding from the enhanced PT category

C funding for passenger transport in the WTP package is either to “retain mode share” or “enhance PT”. Using up to \$10m of C funding from “retain mode share” on trolley bus services is anticipated by the WTP. Using C funding from the enhance PT category will clearly have an effect on future PT projects. Using any C funding from “enhanced PT” means that the Council’s Passenger Transport Committee will have to either reprogramme projects associated with “enhanced PT”, this would mean delaying them rather than denying them, or the Committee would need to find additional funds to replace this C funding through seeking a transport rate increase over the ten year period.

The projects anticipated to attract C funding from “enhance PT” are (see cabinet paper) shown below. A total of \$24m of C funding is anticipated to be spent over the next 8 years, out of a total of \$30m over ten years. These projects and their associated expenditure are included in the Council’s draft amended LTCCP for 2003 to 2013 and annual plan for 2005/06.

Improved bus services	(\$9m spend over 8 years)
Bus priority measures	(\$4m spread over 8 years)
Enhanced rail security	(\$1m years 1 and 2)
Integrated ticketing	(\$3m years 1, 2 and 3)
Real time information	(\$7m years 3, 4 and 5)

All the above projects were included in the original LTCCP for 2003 to 2013. The availability of C funding has enabled these projects to be brought forward. Any reduction in C funding for “enhanced PT” will delay these projects but not return them to the timetable set out in the original LTCCP.

Not using C funding from the “enhanced PT” category but funding the shortfall from transport rates has the same effect. The Passenger Transport Committee would need to reprogramme projects, as it will have a lesser level of rating available for these projects or it will need to seek to raise the transport rate over the ten year period.

5. Conclusion

The key points of this report are:

- The Council’s Passenger Transport Committee has resolved to provide trolley bus services.
- The PT Committee has asked the RLTC to consider the use of Crown funding from the Wellington Transport Package.
- Crown funding in “retain mode share” and “enhanced PT” is to contribute to the local share of projects in these categories.
- The LTNZ decision on trolley bus funding leaves the region to find the additional costs of trolley buses over diesel buses to be funded from local share.
- The Council has a budget income of \$14.5m for the trolley bus contract from GW transport rates over the 8 years of the draft amended LTCCP for 2003 to 2013. This equates to a total rates income of \$18m over ten years and hence a shortfall of \$4.5m over ten years if the LTNZ decision prevails.
- Whatever the source of local share, C funding or transport rates will delay but not deny “enhanced PT” projects, unless the PT Committee obtains an increase in regional transport rates over the ten year period.
- Some funding options for the additional costs of trolley buses are:
 1. \$10m from “retain mode share” C funding and \$5m from GWRC transport rates
 2. \$15m from “retain mode share” C funding
 3. \$10m from “retain mode share” and \$5m from “enhanced PT” C funding
- The government’s Crown funding allocation for passenger transport is in two categories and only the “retain mode share” category acknowledges trolley bus services.

The allocation of C funding set out in the cabinet paper should be following in principle. Hence only the “retain mode share” C funding should be applied to trolley bus services and only to a maximum amount of \$10m.

“Enhanced PT” C funding should be applied only to passenger transport projects identified in the cabinet paper, as set out in section 4.4 above.

It is clear that regardless of the mix of C funding and GWRC transport rates applied to trolley bus services the Council’s Passenger Transport Committee will need to review its funding programme for passenger transport enhancement projects over the next ten years. However the expected shortfall in GWRC transport rates, if the LTNZ decision prevails, is \$4.5m over ten years. This will have only a limited effect on the Passenger Transport Committee’s programme.

6. Communication

There is nothing to communicate at this stage.

7. Recommendation

1. *That the report be received.*
2. *That the Committee advise the Council’s Passenger Transport Committee that when considering the funding sources for trolley bus services*
 - a. *the level of C funding over ten years should be limited to \$10m being that identified as being available from the Wellington Transport Project under the heading of “retain mode share”.*
 - b. *“Enhanced PT” C funding should be retained for enhanced PT projects outlined in the cabinet paper setting out the decisions of government in response to the Wellington transport Project.*
 - c. *The Council’s LTCCP for 2006 to 2016 will need to reflect the use of any “retain mode share” C funding that might be allocated to trolley bus service and the consequential necessary transport rate contribution.*

Report prepared by:

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Attachments:

- 1 – Evaluation of Wellington Trolley Bus Replacement (Booz Allen Hamilton)
- 2 – LTNZ resolution on the Trolley Bus application
- 3 – Letter to LTNZ Board from Ian Buchanan
- 4 – Letter to GWRC from LTNZ Board
- 5 – Cabinet paper