



Report 08.39
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Committee Transport and Access
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Real Time Information: Options for cost reduction

1. Purpose

To inform the Committee of the results of the cost reduction investigation.

2. Significance of the decision

The matters for decision 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

A report on the Greater Wellington Real Time Information project was presented to the Committee at its meeting on 20 November 2007. The Committee agreed to proceed with the project by entering the tender phase and carrying out the next steps as described in the report (**07.750**). The costs for this recommended option were estimated as **\$12.8M** capital costs and **\$2.2M** operational costs per year.

The Committee also requested that staff investigate ways to minimise the capital and ongoing operational costs, and report back on this to the next meeting of this Committee.

4. Options for cost reduction

4.1 Overview

Consultant MWH were asked to investigate different measures to minimize the capital and ongoing operational costs of a future Real Time Information system. The following measures were investigated:

- Cost sharing (financial contributions from operators and/or Territorial Authorities)

- Price reduction (through different measures such as package deals with telecommunication companies)
- Phasing (only implementing the early phases of the project)
- Reducing the number of on-street displays and/or choosing less expensive displays.

In total MWH investigated and rated 13 measures, of which it recommends four. A copy of the MWH report is attached (**Attachment 1**).

4.2 Recommended measures

MWH still recommends the Real Time Information system as described in its business case from November 2007. However to minimize the costs MWH recommends Greater Wellington introduce the following measures.

4.2.1 Excluding on-board next-stop equipment

The option recommended in the business case included on-board next-stop displays on 75 buses. Next-stop displays are useful, especially for visually impaired or non-local users of public transport. On the other hand it is not a core part of the system. Operators could add next-stop displays at their own expense if they want to offer their users an extra service.

4.2.2 Cost sharing

Aside from the provision of on-board displays, options for cost sharing are not recommended by MWH or get a 'neutral' rating. The main reason is that Greater Wellington needs to be in control of the system, and this is easier if other stakeholders have no financial involvement. Besides, if operators do make a financial contribution to the project it is likely that they will recoup that from Greater Wellington through the operational contracts later on.

4.2.3 Establishing a package deal with the telecommunication companies

MWH made conservative estimations of the communication costs in the business case, based on the available information at that moment. However recent information from Auckland suggests that communication costs can be minimised by negotiating a package deal with the communications company. A good package deal will reduce the ongoing operational costs.

4.2.4 Altering the number of on-street displays

MWH has investigated reducing the number of signs or choosing less expensive signs. The business case recommends 250 Type I displays (high visibility, high functionality) and 100 Type II displays (low visibility, lower functionality). MWH indicate that costs could be saved by reducing the number of displays to 150 Type I displays and 100 Type II displays (although MWH also indicate that this is the absolute minimum number). The impact of this reduction can be minimised by even distribution of the signs throughout the region.

4.2.5 Pre-described maximum price in tender document

Beside the measures described above MWH recommends Greater Wellington set a maximum price in the tender process. This will provide Greater Wellington with a cost certainty.

4.3 Measures not recommended by MWH

Nine of the cost reductions measures investigated by MWH were not recommended by it (although some of its recommendations were “neutral”). The most significant option (in terms of cost reduction) MWH investigated but which it did not recommend related to “phasing”, or staging, the project i.e. only doing part of the project at this time. Significant cost reductions could be achieved at this time if the real time system was bus only, for example, or if it operated only in Wellington City. MWH provided a neutral recommendation for the phasing option, recognising the significant cost savings but also the reduced scope of the system and the potential for increased long-term costs.

4.4 Financial implications of the recommended measures

The table shows the estimated effects of each recommended measure on the costs. The figures still include a contingency of 20%. The benefits of the system are largely unaffected by these cost reductions.

Option	Capital Costs	Operational costs	Net Present Value Costs
System costs (as recommended in the internal business case)	\$12.8M	\$2.2M	\$29.7
<i>Total costs excluding on-board next-stop displays</i>	<i>\$11.9M</i>	<i>\$2.1M</i>	<i>\$28.3</i>
<i>Total costs with communication package deal</i>	<i>\$12.8M</i>	<i>\$2.0M</i>	<i>\$28.2</i>
<i>Total costs with reduction in on-street displays</i>	<i>\$10.6M</i>	<i>\$1.9M</i>	<i>\$25.8</i>
Revised total system costs including the three cost reducing measures	\$9.8M	\$1.6M	\$22.7

The table shows that the capital costs of the project can be reduced by \$3m, and the on-going annual operating costs by \$600,000 per year, if the three recommended cost reduction measures are implemented.

5. Communication

No communications are required.

6. Recommendations

That the Committee:

1. **Receives** the report.
2. **Notes** the content of the report.
3. **Agrees** to adopt the measures recommended in this report to reduce the capital and ongoing operational costs of the real time information system.

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Attachment 1: **MWH report on minimising costs of the real time information system**