

Report PE19.393
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Committee Council
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Fleet acquisition - bus

1. Purpose

To seek Council approval to give operators an undertaking that GWRC will require additional vehicles in 2021 in order to meet projected growth.

2. Exclusion of the public

Grounds for exclusion of the public under section 48(1) of the Local Government Official Information and Meetings Act 1987 are:

Certain information contained in this report relates to bus service procurement and contracting in the Wellington Region. Release of this information would be likely to prejudice or disadvantage the ability of Greater Wellington Regional Council (GWRC) to carry on negotiations with bus operators for future fleet for the Metlink public transport network. GWRC has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override the need to withhold the information.

3. Background

Capacity issues for Metlink bus services are predominant now in Wellington City and to a lesser extent in the Hutt Valley, with many core services already close to capacity, especially during the peak period.

Patronage growth is expected to continue into the future along the lines of recent years (around 2% per year), requiring adjustment to services, timetables and fleet requirements. With mass transit via Let's Get Wellington Moving some time away, capacity increases will likely be required on an on-going basis.

This paper responds to this need by setting out options and an approach to achieve short term fleet improvements.

3.1 Determination of the fleet

Determination of the fleet is done in the following way:

- GWRC specifies the timetables (number of services and size of bus) required to meet demand
- The operator then uses these timetables to determine the number of buses of each size required to deliver the timetable
- The fleet required that is determined by the operator is brought to GWRC for agreement
- Once GWRC and the operator have agreed the fleet requirements, the operator then arranges the fleet.

3.2 Payment for fleet

Operators are required to pay the cost of acquiring fleet. GWRC pays the operator a rate stated in the contract for its fleet; this payment is not made until the fleet is in operation.

3.3 Funding

The current Annual Plan does not provide sufficient funding in FY 2020/21 and ongoing to account for the number of vehicles required and the associated operating costs (hours and kilometre) to meet the projected patronage growth to 2021.

There is currently \$1.1m allocated to service enhancements which includes bus acquisitions and operating costs. However, of this amount approximately \$900k has been committed for enhancements already agreed to.

The funding shortfall depends on the motive power and vehicle numbers. This is set out below at section 4.3.

Therefore, officers are seeking Council approval for additional funding.

It is assumed that NZTA will fund part of this cost as part of their Funding Assistance Rate (51%).

3.4 Timeline

Currently, it takes an operator approximately 8 - 18 months (depending on bus motive power) from the date of ordering fleet to having it in operation.

4. Projected patronage growth

Bus patronage is growing and is projected to continue to grow.

Patronage growth has been determined by reviewing patronage changes across the region since 2013 (census) and Term 1 2019 demand. The data indicates an average increase in peak patronage of around 2% per annum for the Wellington City Network. There is projected minimal movement in the rest of the Region (0.5%).

This report proposes additional fleet for 2021 to account for the growth based on the above figures.

Growth in peak patronage drives the requirement to increase the number of buses. Off peak growth can generally be accommodated within existing fleet.

4.1 Impacts of projected patronage growth on fleet requirements

(a) NZ Bus

It is estimated that an additional 15 buses (12 large and 3 double decker) will be required to provide for the growth to 2021.

(b) Tranzurban

It is estimated that an additional 8 double decker buses will be required provide for the growth to 2021.

(c) Mana

By 2021 an additional 1 double decker bus is required to support growing Newlands corridor demand.

(d) Uzabus

No additional fleet is projected to be required for 2021 for Uzabus services in Kapiti at this time.

4.2 Can the additional fleet requirements be met from within existing fleet resources?

By 2021 there will be some surplus fleet as a result of previously agreed new fleet commitments.

The table below summarises the surplus fleet that will be available once the new buses mentioned above are operational.

Operator	Size	Qty	Comment
NZBus	LV	15	Buses are: <ul style="list-style-type: none">- Diesel- Euro 3- Without air-conditioning- Some are not wheelchair accessible
Tranzurban	LV	15	Buses are: <ul style="list-style-type: none">- Diesel- Euro 6- Fully compliant to contract requirements
Mana	LV	3	Buses are: <ul style="list-style-type: none">- Diesel- Euro 4- Without air-conditioning

There are no double decker buses that will be surplus fleet. If only LV buses were used to accommodate the projected demand, more buses (and drivers) would be required than identified in section 4.1.

Using the existing fleet resources identified above would not reduce the cost to acquire vehicles as set out below in section 4.3.

4.3 Fleet cost options

Below is a table setting out indicative cost (excluding GST) of the bus motive power options.

The full electric option below cannot be utilised without requiring more buses (and drivers) than identified in section 4.1.

The diesel and diesel/electric options can achieve the capacity increase required by swapping bus sizes using the current network design.

7(2)(b)(ii)

Bus type	Buses required	Total cost annually	Total net cost after NZTA FAR applied	Rates impact (with NZTA funding)
Diesel (LV/DD)	24			~0.7%
Diesel/Electric (LV/DD)	24			~1.0%
Electric (LV only)	28			~1.4%

Notes to the table:

1. The diesel option cost has been based on the contract rates for PVR.
2. With the diesel/electric option the LV buses are electric and the DD buses diesel. There is not an EV version of a 100 passenger DD bus as yet.
3. The electric options have been based on an estimate of the PVR cost for electric equivalent buses based around a rate that has been proposed by one of our operators. We currently do not have a contract PVR rate for electric buses.
4. For all the options above approximately 1/3 of the cost is made up of operating costs (hours and kilometres). This cost is an estimate based on average figures. The actual cost cannot be determined until a timetable has been developed and the operators have assessed the operation of that timetable.
5. The full electric option requires more buses because there is no EV version for a large 100 passenger DD bus.
6. The unit contracts vary in length from 9 to 12 years and as such the total contract costs above will vary.

The Long-term Plan 2018/28 budgets for an increase in fare revenue resulting from a growth in patronage. The additional fleet recommended in this report is required to support this.

4.4 Proposed process to arrange for fleet to be ordered to meet demand

Officers intend to use the variation provisions of the contracts to propose to the operators a future fleet requirement that GWRC will commit to pay for.

Payments will commence as the additional vehicles come into service (in 2021).

In order to do the variations, a funding commitment is required from Council now in order to start the contract variation process and to secure funding via the NZTA National Land Transport Fund.

7(2)(i)



5. Considerations

5.1 Bus Network Review

The implications of projected growth on fleet requirements is based on the current network. The outcome of the Bus Network Review is not yet known at this stage.

In the event that the Bus Network Review recommendations require additional buses (additional to those set out in this report), approval to acquire will be sought from Council as part that review process.

5.2 Growth lower or higher than projected

Growth projections may not eventuate as predicted. If growth is lower than predicted, fleet acquisition plans for future years will be adjusted accordingly.

In the event that growth is greater than projected, approval to acquire further fleet will be sought from Council.

5.3 Let's Get Wellington Moving

It is unlikely that this project will have an appreciable impact on patronage growth through to near 2029.

5.4 Bus priority

Successful bus priority measures can be expected to increase customer demand therefore potentially cancelling out any efficiency savings from faster travel times and may in fact lead to greater levels of peak capacity being required than currently projected.

5.5 Operator inability to fund the purchase of additional fleet

There is the possibility that an operator could be unable to raise the capital to purchase the buses. In the event that this happens, officers will present Council with a report outlining options.

5.6 There is insufficient drivers for the additional fleet

Projecting ahead for fleet will also inform driver recruitment plans.

6. Options

Officers have identified and assessed the reasonable practicable options in relation to the decision to acquire additional fleet as follows:

	Option 1- Do nothing	Option 2- Approve the acquisition of buses	Option 3 – Delay acquisition of buses until the 20/21 Annual Plan
Advantages	No increase cost.	Sufficient fleet to meet projected demand	Decision making on the matter would be in accordance with Annual Plan processes.
Disadvantages	Peak buses on high demand services will run out of capacity resulting in passengers being left at the stop. The result will be to constrain patronage growth with poor customer experience and growing levels of customer complaint.	Increased cost	Would delay the acquisition of new buses by 8 months. Utilises old fleet that the operators currently have. Some of which have undesirable attributes.
Promotion of community outcomes	There is likely to be a negative impact on the following community outcomes: <ul style="list-style-type: none"> • Strong economy • Connected community • Healthy environment 	This promotes community outcomes in the following way: <ul style="list-style-type: none"> • A successful public transport network supports business growth and employment. • People will be able to move around the network efficiently. • Increased use of public 	Delayed promotion of community outcomes in the following way: <ul style="list-style-type: none"> • A successful public transport network supports business growth and employment. • People will be able to move around the network efficiently. • Increased use of public

		transport promotes a healthy environment.	transport promotes a healthy environment In addition this process would allow for community engagement.
Impact on capacity to meet present and future needs	Doing nothing will hinder our capacity to meet future needs.	Acquiring the additional fleet will enable GWRC to provide a public transport network which meets projected patronage growth for 2021	Requires the use of the surplus LV buses, which necessitates more peak buses and drivers to achieve the required increase in capacity.

Preferred option

Officers recommend that Option 2 be considered the preferred option. This option meets the purpose of local government as set out in section 10(1)(b) of the LGA 2002 by:

- Meeting the future needs of communities for good quality local infrastructure within the scope of our current contracting arrangements.
- Maintaining the cost effectiveness of the public transport network to communities by keeping up with demand.

7. Communication

Subject to Council approval, officers will present NZTA with a business case to seek FAR funding.

8. Consideration of climate change

The matters requiring decision in this report have been considered by officers in accordance with the process set out in the GWRC Climate Change Consideration Guide. Officers note that this report proposes to increase public transport capacity which will contribute to an overall reduction in gross regional greenhouse gas emissions.

9. The decision-making process and significance

The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act).

9.1 Significance of the decision

Officers have considered the significance of the matter, taking into account the Council's significance and engagement policy and decision-making guidelines. Officers recommend that the matter be considered to have medium significance.

9.2 The decision-making process

Officers have taken into account the principles set out in section 14 of the Act and the need to manage the Council's resources prudently.

Officers advise that there is no process for making this decision explicitly set out in the Local Government Act 2002 or any other enactment.

9.3 Engagement

Officers do not consider that engagement on this matter is necessary as we are aware of public sentiment relating to bus capacity. Bus capacity is a high profile issue in the Wellington region, and in particular in Wellington City.

The proposed fleet acquisition is based on projected patronage growth.

10. Options

In light of this assessment of significance and the other factors relevant to the process for making this decision, officers have identified and assessed the reasonable practicable options as set out in section 6 of this report.

11. Community views and preferences

Officers have also considered the need to take account of the community's views and preferences in relation to this matter.

Officers are aware of community views and preferences in relation to matters of network capacity. The views are that there needs to be capacity to meet demand.

12. Recommendations

That the Council:

- 1. Receives the report.*
- 2. Notes the content of the report.*
- 3. Agrees that the matters for decision in the report have a medium degree of significance.*
- 4. Having regard to both the significance of the matters for decision in this report and the matters in section 79(2) of the Local Government Act 2002:
 - a. Agrees that the extent to which different options have been identified and assessed is appropriate**

- b. *Agrees that the degree to which advantages and disadvantages have been quantified is appropriate*
 - c. *Agrees that the extent and detail of the information before the Council is appropriate.*
5. *Agrees that the Council has sufficient knowledge of the views and preferences of persons likely to be affected by, or have an interest in, the matters for decision in this report.*
 6. *Commits to increasing fleet requirements in order to meet projected patronage growth in 2021, subject to receiving NZTA funding.*
 7. *Notes that this commitment would be realised by the purchase of either 24 diesel or diesel/electric buses, or 28 electric buses.*
 8. *Agrees that the Council's preferred motive power option is for operators to acquire: [either]*
 - a. *Diesel, with an estimated rates impact of 0.7%; [or]*
 - b. *Diesel/Electric, with an estimated rates impact of 1%; [or]*
 - c. *Electric, with an estimated rates impact of 1.4%.*
 9. *Requests that officers negotiate with operators to ensure that Council's preferred motive power option is included in the variation to the operator contracts.*
 10. [REDACTED]
 11. *Notes that the funding requirements that this commitment generates will need to be addressed in Annual Plan 2020/21 (and beyond) and via the NZTA National Land Transport Fund processes.*

7(2)(i)

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