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Report to the Passenger Transport Committee
By Dr D J Watson, Divisional Manager Transport

Bay Express - Tranz Scenic Service

1. Purpose

To advise the committee of the current status of the Wellington to Napier, Bay Express rail service and to propose what action, if any, the Council needs to consider.

2. Background

Tranz Rail has announced that West Coast Rail (WCR) is their preferred purchaser of the Tranz Scenic long distance passenger rail business. WCR have only bought some of the Tranz Scenic services. In the Wellington Region they have acquired the day and night services between Wellington and Auckland as well as the Capital Connection from Palmerston North, they will not be running the Bay Express. This later service will continue to be operated by Tranz Rail for the next two to three months. WCR would then take over the service if it was paid about \$300,000 a year. WCR suggest that after about three years the service should again be commercial.

WCR attended a meeting here in Wellington organised by Sue Kedgley, MP, on Thursday 28 June 2001. (**Attachment 1** is a note taken of the meeting).

A meeting was held in Napier, convened by the Mayor of Napier, on 9 July 2001. Councillor Macaskill was invited to it but could not attend.

At this meeting WCR agreed to provide, within two weeks, a business plan for the Bay Express so that further discussions could be held.

3. **Comment**

Conversations with a number of people at the recent Bus and Coach conference suggest that:

1. the complete network of Tranz Scenic services were previously contributing to the bottom line of Tranz Rail and were sustainable over the long term;
2. West Coast Rail are to pay over the going rate to purchase some of the Tranz Scenic services.

This is exactly the outcome that the Council is keen to ensure does *not* occur with the Tranz Metro Wellington sale process. If it did what is currently being proposed to preserve some elements of Tranz Scenic, an additional annual cash injection of about \$2 million, would be multiplied several times for Tranz Metro. Tranz Rail Limited would be the winner and the community would be left funding the sale for the second time in ten years.

The benefits of the Bay Express to the Wellington Regional Community are very limited. It has no urban commuter role. Newmans operate a comparable bus service between the two areas. The service may have some tourist value though this appears limited based on the apparent numbers travelling.

The government has pointed local Councils to the funding for passenger transport available through Transfund New Zealand. It is difficult to envisage how Transfund could provide funding for this service as currently Transfund needs every case to be related to road user benefits.

Perhaps some of the issues raised above will be clarified by the promised business plan and any analysis resulting from it.

The Committee may wish to await that process before coming to a final conclusion.

4. **Communication**

The Tranz Scenic services not purchased by WCR are receiving significant publicity and there appears to be growing support for their retention. The concerns expressed above about the community again funding the sale of part of Tranz Rail need to be voiced.

5. **Recommendation**

1. *That the Committee note:*
 - (a) *that the Bay Express Transz Scenic service may cease operation in two to three months time; and*
 - (b) *that West Coast Rail is preparing a business case to quantify the annual funding support it would need to continue the Bay Express Service.*
2. *That the Committee consider whether to contribute any funding support to the Bay Express, along with the other Regional Councils affected, once the promised business case is available.*

Report prepared by:

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Attachment 1: Notes from meeting with West Coast Rail

Notes from Meeting with West Coast Rail held on Thursday 28 June 2001 at 6:30pm

Present – Gary McDonald
Don Gibson } West Coast Rail

Sue Kedgley MP
Roland Sapsford
Mayor Jill White (Palmerston North)

Cr Macaskill
Cr Gibson
Cr McQueen } WRC
Cr McDavitt
Mr Stone
Dr Watson

Mr McDonald explained what WCR has bought and what the situation was with other Tranz Scenic services. Main points were:

- TranzRail has retained an interest in the Tranz Scenic business.
- There is a three month transfer process.
- The Capital Connection will continue to operate as is, with the current upgraded rolling stock. The service is expected to be further improved.
- The following Tranz Scenic services will continue to be operated by Tranz Rail for three months but need to attract annual funding from another service for the coming three years if they are to be taken over by WCR.
 - The Southerner (annual funding required \$4-600,000)
 - Bay Express (annual funding required \$2-300,000)
 - Gyslerland Express (annual funding required \$6-700,000)
- WCR has bought all Tranz Scenic carriages, 25 BR cars for refurbishment and the Silver Fern cars, plus some locomotives which need overhaul (only ten locomotives are in working order).
- They would need to buy two locomotives for the Bay Express, second-hand at \$1.5 million.
- WCR head office will be in the Wellington Station.
- Suburban stations stay with Tranz Rail but many others now owned by WCR. (List of stations to be sent to us shortly).

- WCR purchased contract business.
- Currently WCR operate a 267 km rail service between Melbourne and Warrnambool as a franchise operator. Features are:
- Three trains a day.
- Patronage risen from 276,000 to 460,000.
- Started in 1993.
- Franchised to 2004 then new franchise to 2009 on the market.
- Operate steam engines at tourist periods.
- WCR not connected with CONNEX.
- Have access agreement with Tranz Rail to the track (not prepared to disclose price of access).
- Tranz Rail will maintain track to 100km per hour standard.

A discussion took place between those present about the Bay Express.

Sue Kedgley stated that she understood funding could be obtained through Transfund (as an ATR) or from the Regional Development Fund.

If any action was going to be taken it needed to be done within the next month to provide some certainty to WCR.

All Councils along the route would need to support action being taken and make a joint request for funding.

Stuart Macaskill pointed out that this was not an urban service and may therefore be outside the legal mandate of Regional Councils.

WCR were asked if they could supply more details on the current cost of the service and revenue, so that a reasoned case could be established.

West Coast Rail concluded by stating:

- they needed a 'yes or no' answer to the funding question;
- that they were interested in being involved in the urban services but not on their own;
- that they were here for the long haul as they had bought services, not a franchise like in Australia;
- they would visit the Regional Council next week.