

Wellington Regional Council
04 MAR 2002

Friday, 01 March 2002

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**Item 3(4) - Report of Chief
Financial Officer refers,
particularly:**

**Para 4 on page 4
Para 3.1 on pages 1 & 2 of
Attachment 3**

FILE REF:	
7	11/2/1
NAME	Int/D:
T. McGuire	
D. Watson	
TO ACTION:	

PUBLIC EXCLUDED

Dear Dave

Item 4(a)

TRANZ METRO WELLINGTON: PASSENGER ROLLING STOCK

In previous letters I have outlined the serious situation facing the Tranz Metro passenger fleet. While the refurbishment of the Ganz Mavag electric unit fleet will be completed this year, there remains a significant backlog of refurbishment and replacement of carriages and electric units.

It was therefore with concern that I read in the Evening Post (1 9th February 2002) that the Council has decided to cut its carriage upgrade programme for 2002/03 to keep the rates increase under 4%. While it is the Council's right to make such cuts it should be clear on the implications of that decision.

English Electric Units

Situation

For many years Council has been aware of the state of the English Electric units. These units are 50 years old and have run 15 to 20 years since their last refurbishment.

Tranz Metro refurbished a two-car set at its own expense to demonstrate to Council what could be done with the existing units to extend their useful life. This would have allowed Council the time to develop a longer-term replacement option while maintaining service continuity with improved rolling stock. Unfortunately this solution has not been pursued.

Tranz Metro has been concerned for some time at the requirement for ongoing operation of the English Electric fleet. The affects of corrosion were becoming apparent in most of the fleet. In normal circumstances an upgrading or replacement programme would already be in place. In response to their continued operation without refurbishment engineering staff last year instituted a structural inspection programme to identify vehicles suffering from unacceptable corrosion damage in critical structural areas.

Where vehicles were found to have corrosion they were either withdrawn, or received "patch" repairs to extend their life. However, it should be noted that this inspection programme only addresses areas that are visible or easily accessible.

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Experience with the pilot refurbishment of DM147 showed that significant corrosion was present in other areas and could only be seen or adequately repaired after the vehicle's skin was completely removed. For this reason the current structural inspection and repair process can only be considered as a precursor to a full refurbishment programme. Tranz Metro engineers had expected this programme to immediately follow on from the current Ganz Mavag programme.

If the proposal to defer the refurbishment programme is implemented the validity of the rationale behind this interim structural programme has been significantly weakened. We now have considerable concern about the continued operation of this rolling stock with no realistic refurbishment or replacement programme in place.

The situation is now serious in that it will be difficult and expensive to maintain operations. We will be faced with failures that cannot be covered with spare rolling stock. We will eventually be unable to provide sufficient sets for Johnsonville, Melling and Taita services

Options

The Council can choose to purchase new units, withdraw existing units or refurbish the existing units.

Purchase new units

The purchase of new units will take at least three years. By that time all existing English Electric units will be withdrawn, apart from the refurbished prototype. The current timetable cannot be sustained without these units. A decision to purchase new units requires an interim refurbishment of the existing units if services are to be maintained. We have investigated the purchase of second hand units and nothing suitable is available. We have also sought new units but no supplier can deliver within three years.

Withdraw units

Withdrawal of existing units will avoid any investment requirement and allow rates to be held. There are however issues that Council may wish to consider.

Firstly, staff currently employed at Hutt Workshop to carry out passenger refurbishment work will no longer be required after July 2002. Secondly, if the decision is simply a deferral substantial start up costs will be incurred when the programme recommences. (Last time this cost was around \$0.5m). Thirdly, the Hutt Shops have been sold and will be seeking work to replace the passenger rolling refurbishment programme. Fourthly, the professional engineering expertise in passenger rolling stock will be lost. This is already happening due to the uncertainty surrounding the rail passenger business and will accelerate when these programmes cease.

If the Council will does not proceed with the refurbishment of these units we will experience significant difficulties in maintaining services. This will occur regardless of the sale and ownership process.

The impact of removing the English Electric units is easily assessed. All services on the Johnsonville Line will cease. Peak services will be removed from the Melling line and to a lesser extent Taita. Approximately 20%-30% of Tranz Metro capacity will be lost and an around 1.8m passenger journeys per year will move to road. The

Johnsonville Line and possibly the Melling Line will be mothballed. It will not be possible to provide off-peak services on the Johnsonville Line, as only one refurbished English Electric set will be available. Ganz Mavag sets cannot be used on the line due to clearance issues.

Store units

If the Council wishes to store the units pending a future refurbishment programme this is possible. However units out of regular use tend to deteriorate quickly and are vandalised if stored in the open. Undercover rail storage is not available for all English Electric units although we will assist where possible.

Refurbish units

If the Council wishes to implement a refurbishment programme the cost is estimated to be \$600,000 - \$750,000 per two-car set. This would provide a vehicle similar to the refurbished prototype DM 147.

For the Johnsonville Line fleet of nine two car sets this would require a total investment of around \$4.8m; about 80% of the cost of one new two car set. On an annual payment basis the cost would be around \$0.7 pa. For the Taita and Melling lines the cost of refurbishing the required seven sets is around \$4.2m or \$0.6 pa. A third party would carry out the refurbishment programme. Kick-start funding from Transfund may be available for such a project.

Refurbishment of the existing units would allow time to implement the long-term replacement proposal.

Recommendation

It is recommended that Council provide -funding from 2002/03 to commence a refurbishment programme for the English Electric fleet to secure short-term patronage and maintain long term replacement options.

Ownership

This is likely to be academic with the sale of Metro. Any investment by Council in refurbishment programmes would be transparent given the work will be carried out by a third party.

Sale

The sale of Tranz Metro will not alter the issues outlined above. The new owner will have the same options in terms of maintaining operations, refurbishment and replacement of rolling stock. Potential owners are welcome to inspect the units for themselves and independently assess the situation. We wish to see a smooth transition to the new owners. The cessation of the upgrade programme is likely to make that difficult for both Council and the new owner.

Conclusion

All options aside from abandonment of the services operated by this rolling stock requires some form of refurbishment be carried out, regardless of the operator selected for Tranz Metro Wellington. There are solutions available to deal with any concerns Council may have about ownership of the rolling stock or accounting for their improved value.

If refurbishment programmes is not commenced in the 2002103 year as had been expected there is a high probability that the facility currently equipped to carry out this work will be closed. This will greatly reduce the options available to any Tranz Metro operator in the in the future.

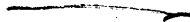

The Council decision is not easy. Neither is it for Tranz Metro customers, staff and management. We have put a major effort into improving commuter rail services over recent years and it is of great concern to us that there is the possibility that many services may cease.

I can understand the Council's concern with regard to rate increases. However a recent announcement brought the issue into perspective for me. It is planned to spend \$12m on a bridge over the rail track at MacKays Crossing. That bridge will allow motorists to save 20 seconds a trip. The capital cost of refurbishing the English Electric units is \$9m. So for 75% of the expenditure on the bridge around 1.8m public transport passengers trips pa can be maintained for 10 years. What more can I say?

From my point of view the logic of proceeding with the proposed refurbishment programmes is overwhelming.

I would ask that this letter be provided to the Passenger Transport Committee so that there is a clear understanding of the situation that we are moving towards. I am of course happy to meet with Council to discuss any of above issues and possible solutions.

Yours sincerely



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