



Report PE05.302
Date 16 June 2005
File T/11/01/02

Committee Passenger Transport
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Trolley Bus Services Contract Negotiation

1. Purpose

To update the Committee on progress toward a new trolley bus service contract and seek authority to conclude a contract subject to a number of conditions.

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:

That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which gives reason for withholding would exist, (ie because of the need to preserve commercial confidentiality and to enable Council to carry on negotiations) including commercial negotiations, without prejudice).

3. 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.

4. Background

The report (**attachment 1**) to the 9 June 2005 Policy, Finance and Strategy meeting on the trolley bus contract provides the background to this report.

5. Contract negotiations update

Officers informed Stagecoach Wellington of the possible change in ownership of the overhead wires. Stagecoach was asked to cost the option whereby they maintained the overhead for the provision of their trolley bus services under contract to the Council.

Several meetings have been held with Stagecoach over the last three weeks. Like the rail contract there is a formal contract document and a price that needs negotiation.

Details of the contract document are being dealt with on a clause by clause basis.

The price has focussed on three elements:

- the cost of operating the bus services
- the cost of providing the overhead
- the cost of replacing the current fleet.

The initial Stagecoach prices, for ten years, for these three elements are:

Operating	\$28m	(last year \$2.89m)
Overhead	\$14m	(agreed with WCCC Ltd \$1.53m for first five years)
Vehicles	<u>\$21m</u>	
Total	<u>\$63m</u>	

The prices are the upper limit not necessarily the final negotiated amounts. For example the \$14m for the overhead is a first through by Stagecoach based on the WCCC Ltd asset management plan.

The officers of the Council have suggested to Stagecoach that they consider the following proposal.

- That the replacement of current trolley buses with accessible trolleys as per the current prototypes, except with three axles to provide enhanced capacity be funded \$10m from GW (using the Crown funding for retain mode share) and the rest, whatever that is, from increased revenues.
- That the remaining cost should be similar to the cost of providing the service by conventional buses, that is \$4.2m a year and hence would be funded \$2.1m a year by GW and \$2.1m a year by LTNZ. This level of GW contribution is less than that budgeted for in the current LTCCP.

Ross Martin has been over to the Stagecoach head office in Scotland to discuss the above proposal, among other things, with the CFO of Stagecoach International. He is due to return on 21 June. The Committee will be updated if his visit has any consequences for the contract negotiations.

6. Matters to be resolved

At this point the matters that need to be resolved to allow a contract to be agreed between the parties are:

- agreement on the size and timing of a fare increase necessary to achieve the revenue requirements to fund the new trolley bus net costs
- agreement with LTNZ on the availability of Crown funding and the cost of the diesel bus alternative
- agreement on the operational costs of trolley buses and the maintenance of the overhead
- finalisation of the contract document.

7. Communication

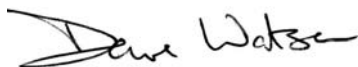
A media event will be undertaken in conjunction with Stagecoach Wellington once a contract for trolley bus services is agreed.

8. Recommendations

That the Committee:

- (1) *Receives the report.*
- (2) *Notes the progress being made towards a 10 year trolley bus contract.*
- (3) *Agrees with the principles of the proposal promoted by the officers to Stagecoach.*
- (4) *Instructs the officers to conclude a ten year contract with Stagecoach for trolley bus services subject to the matters set out in paragraph 6 being resolved and the level of rate funding required being within the current LTCCP budget.*

Report prepared by:



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Attachment 1 – Report PE05.267 to Policy, Finance and Strategy Committee