

Report to Council - November 2011 – Decision required

File No: 21 20 62
Date: 10 November 2011
To: Chief Executive Officer
From: Group Manager, Policy and Transport
Subject: Council Decision on Hamilton to Auckland Passenger Rail Proposal

Purpose

To seek Council's decision on Long Term Plan consultation on the Hamilton to Auckland passenger rail proposal, as recommended by the Hamilton to Auckland Rail Working Party in its Final Recommendations Report.

Recommendations:

1. That the report *Council Decision on Hamilton to Auckland Passenger Rail Proposal* (Doc # 2081010 dated 10 November 2011) be received; and
2. That Council decline public consultation through the 2012-22 Long Term Plan on the Hamilton to Auckland passenger rail proposal for the reasons set out in Section 5 of this report; and
3. That the reasons for declining stated in Section 5 of this report be used as a monitoring guideline for, Council to reassess the potential for a Hamilton to Auckland Passenger Rail service during the development of its next LTP (2015). Also, WRC keep in contact with Auckland Council and Auckland Transport to ensure that Council is well briefed on Auckland rail projects and how they may support a future Hamilton to Auckland passenger rail service. WRC also keep a watching brief on the possible extension of the MAXX train service to Tuakau; and
4. That the Rail Working Party's partner organisations and other territorial authorities in the Waikato region be advised of Council's decision; and
5. That Council communicate its decision and the reasons for it, to the public through the draft 2012-22 Long Term Plan.

1 Background

As a result of considerable public interest and submissions on establishing a Hamilton to Auckland passenger rail service, Waikato Regional Council resolved as part of its 2010/11 Annual Plan deliberations that the chair of the Regional Passenger Transport Committee (RPTC) would convene a special working group of key stakeholders to consider possible options for a future rail service and determine the willingness of the parties to contribute funding to such a service.

The Hamilton to Auckland Passenger Rail Working Party (RWP) was formed in September 2010, as resolved by Council consisting of representatives from Waikato Regional Council, Hamilton City Council, Waikato District Council, Waipa District Council, the Auckland Council, Auckland Transport, KiwiRail, the NZ Transport Agency and Campaign for Better Transport (CBT).

The agreed purpose of the RWP is to:

- Identify options for a future passenger rail service between Hamilton and Auckland including timings and costings
- Determine the willingness of parties to contribute to funding such a service
- Provide a recommendation to Waikato Regional Council and all member organisations for establishing a passenger rail service between Hamilton and Auckland. The recommendation will be based on appropriate technical considerations and approvals from the ARTA /AT Board
- Discuss any matters of relevance to the project.

For the past 12 months the RWP has been working through the technical feasibility of establishing a rail service between Hamilton and Auckland. The broad level investigations have been completed and along with the recommendations are presented in the Final Recommendations Report of the RWP (the Final Report). A summary of the Final Report and the eleven recommendations therein are included in Appendix 1 of this report.

2 Process Followed

The Final Recommendations Report of the RWP has been sent, along with a letter, to the Chief Executives' of all partner Councils' by the Chair of the RWP. Partner councils have been asked to formally reply to the RWP by 31st October with their decision on the recommendations in the final report. The final report has also been sent to all other partner organisations (Auckland Council, Auckland Transport, NZTA, KiwiRail, CBT) as well as all territorial authorities within the Waikato region, for their information.

3 Decisions of Other Organisations

Information has been filtering in on the decisions made by partner and other organisations on the Hamilton to Auckland Passenger Rail proposal. Below is the information received to date on this matter.

- 3.1 **Auckland Council** resolved the following at their Transport Committee meeting on 4 October 2011:

- *That the Hamilton to Auckland Passenger Rail Service report be received.*
- *That the Transport Committee endorses the preferred option of the Final Recommendation Report of the Hamilton to Auckland Passenger Rail Working Party for a two-year trial of a single weekday return peak Hamilton to Auckland rail commuter service, together with a single return interpeak service from Hamilton to Auckland to be funded by the Waikato Councils.*
- *That the Transport Committee recommends the Waikato Regional Council works with KiwiRail on investigating ways of reducing the journey time and to explore the possibility of the Hamilton Service using the Overlander's present morning peak-time slot at Britomart.*
- *That officers work with Waikato Regional Council and Auckland Transport to explore options for the service to be structured in such a way as to provide greater benefit to Auckland as a potential modification of the preferred option, noting that the Strategy and Finance Committee would need to consider and decide on any Council funding towards the operation of the Hamilton to Auckland passenger train service subject to the service being structured in such a way as to provide greater benefit to Auckland.*
- *That this report be referred to the Papakura, Franklin and Waitemata local boards for their information.*

3.2 Waipa District Council resolved the following at their Council meeting on 25 October 2011:

That the proposed rail passenger service between Hamilton to Auckland as outlined in the Final Recommendation Report of the Rail Working Party dated August 2011 not be supported by the Waipa District Council at this time and that all Councils that are members of the working parties be advised.

3.3 Waikato District Council (WDC) decided against the proposal at their meeting on 1 November 2011 and decided not to go out to public consultation through their 2012 Long Term Plan (LTP). Resolutions passed were:

- *THAT the report of the General Manager Roading & Projects – Hamilton to Auckland Passenger Rail Recommendations – dated 18 October 2011 be received;*
- *AND THAT the committee resolves to inform the Waikato Regional Council that it does not support a regional rate and that it will not include the rail proposal in the Waikato district 2012-2022 Long Term Plan development process;*
- *AND FURTHER THAT Waikato District Council supports the investigation of the extension of the Maxx Train to Tuakau that Waikato District Council includes this in its Long Term Plan consultation.*

3.4 Hamilton City Council (HCC) at their meeting on 2 November 2011 passed the following resolutions:

That:

- *the report as circulated be received,*

- *in principle we support the Hamilton to Auckland passenger rail service, however during the challenging financial times that the project is moved to unfunded,*
- *the project remains in the LTP in unfunded, and*
- *funds that have already been allocated to rail infrastructure are ring fenced for future rail projects.*

Note also that Hamilton City Council issued a media release on the rail proposal following its meeting on 2 November 2011. This media release provides some context to the resolutions and is included as Appendix 2 of this report.

3.5 **Hauraki District Council** resolved at their meeting on 26th October 2011:

- *THAT the report be received, and*
- *THAT Council does not support regional funding towards a Hamilton to Auckland Passenger Rail Service under any circumstances as it sees no benefit.*

4 Discussion

Waikato Regional Council (WRC) considered the Final Report of the RWP at its meeting on 27 October 2011 and resolved that the issue be left to lie on the table until the Council meeting on 23 November. The discussion was that the position of the RWP partner Councils' would be clear by then and this would contribute to Council's decision making.

The key points arising out of the decisions of other Councils' as stated in the previous section are:

- a) The upgrades of stations within the Waikato district boundary will not go ahead given the decision of WDC not to support or consult on the rail proposal (that is recommended by the RWP). This will have a negative impact on the attractiveness and therefore use of the proposed rail service. The Final Report of the RWP recognises this as well and states in the patronage assessment section that "...the success of the venture depends critically on the extent to which the package provided by the rail services (including the stations themselves as well as the on-train experience) is able to capture the enthusiasm and meet the aspirations of the travelling public...".
- b) HCC have moved the project to "unfunded" stating "challenging financial times" as the reason and this means they will not actively consult on it through their 2012 LTP. Given this, the building of the station at The Base by HCC is uncertain at this time. Not having a station at the Base will have a crucial impact on the viability of the service considering that over 35% of the patronage for the service is projected to be from The Base station (in the Final Report). HCC have advised WRC staff that the infrastructure funding for stations will be removed from the Draft Regional Land Transport Programme (RLTP).
- c) Auckland Council will not confirm the level of Auckland funding (if any) until the benefits accruing to Auckland are fully quantified.

- d) The rationale for the rail service proposal is recognised but the timing of implementing it now is not considered prudent.
- e) There is little support for the rating option proposed in the Final Report.

5 Staff Recommendations

1. Given the discussion above it is recommended that Council decline public consultation on the rail service proposal through the 2012 Long Term Plan for the following reasons –
 - a) The service proposal is not supported by all partner organisations (of the RWP) which will mean that the required infrastructure investment for the service will not be made which in turn will adversely affect the success and viability of the service.
 - b) Indications from Central Government are that there is no support for such a service and NZ Transport Agency (NZTA) has consistently stated that government subsidy is unlikely to be made available in the short term (2012-2015) for such a service.
 - c) While the rail service proposal has merit, the rating implication per rateable property is substantial especially in the absence of NZTA subsidy.
 - d) In the current constrained economic climate, ratepayers contribution could be better utilised in other areas (maybe for improving or new bus services) that are more critical in nature and demonstrate a better value for money proposition.
 - e) Providing train services from Tuakau to Auckland is a logical first step towards passenger rail service provision from the Waikato region.
2. It is recommended that the reasons above be used as a monitoring guideline by Council and if any game changers take place, Council reassess the potential for such a service during the development of its next LTP (2015). It would also be advisable that WRC keep in contact with Auckland Council and Auckland Transport to ensure that Council is well briefed on Auckland rail projects and how they may support a future Hamilton to Auckland passenger rail service. WRC should also keep a watching brief on the possible extension of the MAXX train service to Tuakau.
3. It is recommended that Council communicate its decision to the partner organisations of the RWP and other local authorities in the region.
4. It is also recommended that Council communicate its decision to the public, and the reasons for it through its 2012 LTP.

It needs to be noted that if Council decides to go ahead with Long Term Plan consultation on the rail service proposal (even if unfunded) it should/would need to carry out the following actions:

- a) Include the project in the Regional Land Transport Programme (RLTP). The draft RLTP will be adopted by the Regional Transport Committee on 28 November 2011.

- b) Prepare a funding application which would need to include the business case for the rail service proposal.
- c) Engage in further high level engagement with Auckland Transport, Auckland Council and KiwiRail with a view to improving journey time for the service (less than 2 hours, if possible). This would increase the attractiveness of the service.
- d) Quantify benefits for Auckland and seek funding contribution for these.
- e) Review the rating option for the service. Some alternatives (which exclude all TA's except HCC and Waikato DC) are included in Appendix 3 of this report as a starting point.

6 Conclusion

Waikato Regional Council needs to consider the Hamilton to Auckland rail service proposal in light of the discussions above and decide whether to test the proposal with the public through the 2012 Long Term Plan (LTP) consultation process or to decline the proposal and recommendations of the Rail Working Party

7 Assessment of Significance

Having had regard to the decision making provisions in the Local Government Act 2002 and Council's Policy on Significance, a decision in accordance with the recommendations is not considered to have a high degree of significance.



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Appendices:

Appendix 1: Summary of preferred option and recommendations in the Final Report of the RWP

Appendix 2: Hamilton City Council Media Release

Appendix 3: Alternative Passenger Rail Rating Options

Appendix 1: Summary of the preferred option and recommendations in the Final Report of the RWP

The Final Recommendations Report of the Rail Working Party states the preferred service option for the to be a Silver Fern service from Hamilton to Auckland via the Waterfront route (through Sylvia Park/Glen Innes) onto The Strand station in Auckland and carrying on to Newmarket as the termination point for the service.

The proposal includes two peak (or one return) and two off peak services every weekday excluding public holidays.

The indicative timetable for the service is

Depart Hamilton	6.00am	2.30pm	Depart Auckland	9.30am	5.30pm
Arrive Strand	8.20am	4.45pm	Arrive Hamilton	11.45am	7.45pm
Arrive Newmarket	8.27am				

The proposed service includes stops at – Frankton and The Base in Hamilton; Huntly, Te Kauwhata and Tuakau in the Waikato District and Papatoetoe, The Strand and Newmarket in Auckland.

The infrastructure assessment included in the Final Report states -

- No work will be required at Frankton and Huntly stations for the start up
- Te Kauwhata and Tuakau require tidying up and amenity work and
- The Base will require more extensive work in terms of development of a platform/s, pedestrian crossing and the like.

Daily peak patronage flows in one direction contained in the Final Report are in a range between 65 – 142 per trip. The central forecast is 109 passengers per trip. The final report notes that the forecasts produced are subject to wide margins of error. Demand for any service is dependent on a variety of factors like attractiveness of the service, final timetable and reliability of the service amongst others.

The operating cost of the proposed service is estimated at \$1.97 million per annum. The infrastructure upgrade costs (to be funded separately by the relevant local authority) have been estimated at \$0.97 million for the start up service.

Revenue has been estimated at \$0.74 million for the first year (a middle point between the low and central patronage forecast).

The proposed base fare for this service is estimated at \$24 on way and the average fare is estimated at \$19.95. For comparison the base fare on the Capital Connection from Palmerston North to Wellington is \$24.50 and \$29-\$49 for the Overlander (between Hamilton and Auckland).

A preliminary economic analysis, using the methodology prescribed by NZTA, has been included in the Final Report and estimates a Benefit Cost Ratio (BCR) of 1.4 indicating that the total benefits of the service outweigh the cost of the service. The Final Report notes that the economic analysis is not a detailed assessment and that further work will need to be done if a funding application to NZTA is to be made.

The Final Report recommends the following rating option –

- All properties in Hamilton City area rated at 100%.
- Waikato District properties within 10km of service rated at 100%.
- Waikato District properties outside of 10km buffer pay a 30% differential rate.
- All Waipa District properties pay a 30% differential rate.
- All remaining properties within the Waikato region pay a 10% differential rate.

The RWP recommends that the rates be levied by the Waikato Regional Council, for operating costs only. Infrastructure upgrades and maintenance costs are to be met by the relevant local authorities.

The Final Report makes eleven recommendations –

1. That the proposal of a “2 year pilot trial Hamilton to Auckland passenger rail service” (proposed service) proceed to public consultation through the 2012-22 Long Term Plans of Hamilton City Council, Waikato District Council, Waipa District Council and Waikato Regional Council.
2. That a funding application supported by a robust business case be prepared (containing details outlined in the letter provided by NZTA to the RWP in December 2010) to apply for NZTA subsidy.
3. That the partner organizations work together in preparing the funding application and supporting business case and ensure the preparation is aligned with the timeline of the 2012-2015 Regional Land Transport Programme so that it can be considered for funding through the 2012-2015 National Land Transport Programme.
4. That Auckland Council be approached to contribute funding to the proposed service, in line with demonstrated quantified benefits for Auckland, as assessed through the Business Case and the proposal be included in the 2012-22 Auckland Council Long Term Plan.
5. That an application also be made through the Auckland Regional Land Transport Programme, for funding the proposed service.
6. That the Rail Working Party conduct high level engagement (including political) with KiwiRail to ensure that the best operating and most cost effective proposal is obtained from KiwiRail.
7. That a targeted differential regional rate be levied, as per details in the funding section of this report by the Waikato Regional Council for the proposed service.
8. That all partner local authorities of the Rail Working Party (Hamilton City Council, Waikato District Council, Waipa District Council and Waikato Regional Council) formally endorse the rail service proposal and regional rating for it and that the proposal proceed to public consultation through partner councils 2012 Long Term Plans.
9. That all partner local authorities formally reply to the Rail Working Party by 31 October 2011 confirming their support for the service and acceptance of the recommendations in the Rail Working Party final recommendations report.

10. That Hamilton City Council and Waikato District Council are responsible for the infrastructure upgrades required for the proposed service prior to the startup of the service.

11. That the Rail Working Party continue its role through the next stages of the process of investigating a Hamilton to Auckland passenger rail service.

A copy of the complete Final Report can be viewed at

<http://www.waikatoregion.govt.nz/Regional-services/Transportation-planning/Hamilton-to-Auckland-rail-working-group/>

Appendix 2: Hamilton City Council Media Release

Time not right for rail service funding

Posted On: Wednesday, 2 November 2011

Hamilton City Council remains supportive of a commuter rail service between the city and Auckland, but believes the time is not right to fund it.

Council today voted 7-4 in principle to support the proposed service, but will not commit finances to it.

The project to provide supporting rail infrastructure will be identified as an unfunded project in the draft 10-Year Plan. The public will then be able to give feedback on the proposed service as part of the consultation process.

Funds previously collected, totalling \$256,000, have been retained in a specific reserve for passenger rail infrastructure if the project is pursued.

Chris Allen, General Manager City Infrastructure, said there had been considerable dialogue among stakeholders – including representatives from several other Waikato Councils who are part of the Rail Working Party – about the proposed service, which if advanced at a later date could also be subject to New Zealand Transport Authority subsidy.

Mr Allen said: “With its decision today Council has indicated to staff that with its current fiscal challenges, allocating substantial funding to this project would not be appropriate.”

ENDS

Appendix 3: Alternative Passenger Rail Rating Options

Following Council's consideration of the Rail Working Party recommendations, a number of alternative funding models have been developed for council to consider. These are set out below.

None of these options assume a general regional contribution to the cost of the service. All are based on rating for the service across Hamilton City and Waikato District only (i.e. no contribution from Waipa District is assumed).

Rating impacts are based on:

Service operating costs	\$1,970,000
Fare recoveries	\$ (735,000)
Funding required	\$1,235,000

	Options	Rate per property (no NZTA subsidy)	Rate per property (assume 50% NZTA subsidy)
1.	- Per property rate across all of Hamilton City and - Per property rate across all of Waikato District	\$17.75	\$8.88
2.	- Per property rate across all of Hamilton City and - Per property rate for properties in Waikato District within 10km of the railway track.	\$21.20	\$10.60
3.	- Per property rate across all of Hamilton City and - Properties in Waikato District within 10km of the service (direct benefit area) and - 50% differential applied to all other properties in Waikato District (indirect benefit area)	\$19.32 direct benefit area \$9.66 indirect benefit area	\$9.66 direct benefit area \$4.83 indirect benefit area