SUMMARY

Early in 2012 the Council indicated an interest in investigating the transfer of powers for planning and operating public transport in Dunedin to the Dunedin City Council (DCC). A study was completed late in 2013 by MRCagney and NZ Institute of Economic Research (NZIER) which recommended that the DCC should pursue the transfer of powers because it offers significant benefits in terms of co-ordination, responsiveness and public interest.

At the Otago Regional Council’s (ORC) Finance and Corporate Committee meeting on 15 April 2014, it was agreed that there would be merit in the transfer of powers for Dunedin public transport to the DCC. The ORC approached the DCC with an offer to transfer the function effective from 1 July 2015.

At the Dunedin City Council meeting on 15 May 2014, a decision was made ‘in principle’ to pursue the delegated responsibility for public transport in Dunedin, subject to completion of further work. This report explains that while the proposed changes to the public transport system outlined in the draft Otago Regional Public Transport Plan 2014 (RPTP) are very positive, the potential impact of the draft RPTP on public transport funding may be significant and limited information is available about how it will affect the cost of operating the system. This has led to concerns around the risks of the original proposed timeframe. An option to delay the work is therefore presented, which would see the target date for transfer move from 1 July 2015 to 1 July 2017. This would allow time for the RPTP changes to bed in and funding implications to be confirmed. In light of these recent findings it is recommended that the Committee approach the ORC regarding a deferred timeframe with a target date for possible transfer of powers of 1 July 2017.

IMPLICATIONS FOR:

(i) Policy:
If the transfer of powers proceeds then public transport policy will be a new area of responsibility.

(ii) Approved Annual Budget:
If the Committee chooses to delay the timeframes, the funding allocated in 2014/15 will need to be altered to reflect the delayed timeframes. The impact of this will be reported back to the Committee should this be the preferred option.

(iii) LTP/Funding Policy:
If delegation goes ahead budget for public transport would be included in the appropriate years of the LTP.
(iv) **Activity Management Plans:** No

(v) **Community Boards:** No

(vi) **Sustainability:** Enhanced co-ordination of public transport services with other areas managed by DCC (roading, land use, parking, road safety, etc) would increase potential for more efficient public transport and increased patronage.

**RECOMMENDATIONS**

That the Committee:

1. Approach the ORC regarding a deferred timeframe with a target date for possible transfer of powers of 1 July 2017.

2. Should the Committee choose the deferred timeframe, continue the collaborative work to progress the proposed changes in the RPTP and ensure alignment with DCC Central City work.

**INTRODUCTION**

This report provides an update on progress regarding the possible transfer of responsibility for public transport planning and operations in Dunedin from the ORC to the DCC.

It describes the uncertainties and the associated risks of transferring the responsibility for governing public transport within the current timeframes of 1 July 2015 for consideration by the Committee.

An alternative option for the transfer of powers is presented which would see a target date of 1 July 2017, rather than the original target date of 1 July 2015. If this option is preferred by the Committee, it is recommended that the DCC and ORC work collaboratively to progress the proposed changes in the RPTP and ensure alignment with relevant DCC work areas.

**BACKGROUND**

**Justification for Transfer of Powers**

Currently the ORC have responsibility for network planning, including routes, fares and fare products, frequencies, ticketing, liaison with bus operators, timetables, advertising, securing NZTA subsidy, procurement of services and development of the Regional Public Transport Plan (RPTP).

There is a Memorandum of Understanding between the DCC and the ORC by which the DCC install bus shelters, signs and seating on behalf of the ORC, and provide customer services. The DCC are responsible for wider transport and land use planning and operations, such as network planning, transport strategy, safety improvements, accessibility, traffic control and calming, parking policy and management, land use planning, road markings, signage, urban design, maintenance, events management and the visitor experience.

The original reasons for pursuing the delegated responsibility for public transport in Dunedin (provided for in the MR Cagney Report) were re-visited. The consultant's recommendation, in view of this assessment, was that DCC should consider taking over responsibility for governing public transport in Dunedin for the following key reasons:
1. **Public Interest** (consideration to local preferences) - Clear cut case that since the existing public transport network is principally in Dunedin, DCC would be more qualified to understand the overall wants and needs, and willingness to pay, of Dunedin citizens for Dunedin's public transport network.

2. **Responsiveness** (alterations to make service more effective for users) - Since the public transport network is principally in Dunedin, DCC would be the more suitable party to be held to account for the planning and performance of Dunedin's public transport network.

3. **Co-ordination** (with infrastructure networks and policy areas) - Synergies from having same organisation responsible for public transport being the same organisation that plans and operates the local transport network and plans for broader urban development, operationally and in terms of policy development.

**Investigation into Transfer of Powers**

Work to complete investigations into the transfer of public transport governance from the ORC to the DCC commenced in mid-late June 2014.

The goal is to complete the work required to allow the DCC to make an informed decision about the transfer of powers, with a view to any transfer occurring on 1 July 2015, which is the date the ORC offered in their approach to the DCC. Work to be completed includes:

1. Understanding how the ORC currently undertakes and delivers public transport.

2. Understanding how the ORC are intending to improve public transport in Dunedin as set out in the Draft Otago Regional Public Transport Plan (RPTP) 2014, and the implications of those improvements on budget and service delivery.

3. Taking (1) and (2) into account, to form a view as to whether DCC should pursue the transfer of PT governance from 1 July 2015.

4. If a decision is made to pursue the transfer of PT governance to DCC, developing a joint ‘proposal to transfer’ with the ORC for public consultation.

5. Following consultation, if the final decision is to pursue the transfer, an implementation plan would be developed to prepare for the transfer.

6. Collaboration between the ORC and the DCC to jointly develop public transport improvements.

**DISCUSSION**

The work that has been completed to date focuses on Objective (2) and (3) above. Progress is described below.

**Objective 2: Understanding how the ORC are intending to improve public transport in Dunedin as set out in the Draft RPTP**

The ORC are required, under the Land Transport Management Act (LTMA) to adopt a RPTP on or before 1 July 2015. The legislation is prescriptive regarding what must be included in the RPTP. The RPTP will be out for public consultation on 21 July – 15 August 2015. The ORC have a target date of November 2014 for a final plan. A draft DCC submission has been prepared; this is the subject of a separate report.

The purpose of the RPTP is to provide a means for councils and public transport operators to work together in:

- Developing public transport services and infrastructure;
- Engaging with the public on the design and operation of the public transport network;
- Developing a statement of the public transport services that are integral to the network,
- Developing the policies and procedures that apply to those integral services, and
- Developing the information and infrastructure that support those integral services.
The draft RPTP proposes the following key changes to Dunedin’s bus system:

1. A new network of bus routes and frequencies for Dunedin;
2. Incorporation of new route compositions into ‘Public Transport Operating Model’ (PTOM) units. This is a legislative model that is designed to increase the commercial viability of services and reduce reliance on government subsidies through the letting of bus contracts based on units;
3. Bus standards that are consistent with the national standard set by the New Zealand Transport Agency (NZTA);
4. Withdrawal from providing contracted school bus services (8 services currently provided);
5. That ‘Northern services’ (Palmerston, Waikouaiti, Karitane and Waitati) will become part of the Dunedin network;
6. A change from the current seven zone fare structure to a three zone fare structure.

The financial implications of the preferred programme for improvements are currently being worked through by the ORC and the results of this exercise will not be available until late September 2014. Uncertainty exists around the financial implications of implementing the proposed new bus system.

The ORC are currently finalising the business case and achieving endorsement from the NZTA to seek funds from the National Land Transport Fund for the preferred programme for improvements in Dunedin’s public transport network. The key elements of the preferred programme for improvements of Dunedin public transport that are subject to further financial analysis are:

- The central city bus hub
- Integrated ticketing, concession options and free transfers
- Simplification of bus routes and timetables
- Simplification of the fare structure and zone system
- Ticketing and other technology advancements
- Improved customer information displays
- Infrastructure and levels of service for bus stops

A number of changes to wider central government legislation and national initiatives currently underway also create a degree of uncertainty for the public transport system in Dunedin. These include:

- NZTA Farebox Recovery Policy expectations are that there is less reliance on public subsidy and growth in patronage. ORC policy aligns with this, however there may be more flexibility that could be explored for Dunedin’s farebox recovery target.

- As part of the LTMA, Government passed legislation introducing the Public Transport Operating Model (PTOM) as the new structure for the future of public transport service planning and delivery. The model drives joint planning and investment between public transport governing bodies and public transport operators and seeks to have shared risk and reward for all parties. PTOM provides for the growing commerciality of public transport services through the letting of bus contracts based on units. There are five PTOM units in Dunedin which will be implemented using a staged approach as existing contracts expire from July 2015. Four out of five of the PTOM units are anticipated to be in place by December 2016 with the last unit in place by July 2019.

- The implementation of a new national ticketing system may be a significant cost, and may also lead to higher ticketing costs although there may be opportunities to leverage off NZTA’s investments in ticketing systems in Auckland, Wellington and Christchurch.

**Risks**

The level of uncertainty around the financial implications of implementing the proposed new bus system as well as the changes to wider government legislation and the implementation of the new national ticketing system mean that the DCC would be open to substantial risks if the delegated responsibility work for public transport proceeds within the current timeframes:
Budgets or costs are not yet available for the new network, therefore the DCC do not know whether a significant increase in costs for running public transport is going to be a result of the implementation of the RPTP.

The network re-structure may result in lower patronage in Dunedin in the short term as people get used to the changes. A decline in patronage will lead to lower fare revenue.

There is a possibility that patronage will decline if the new network was implemented poorly or if it was poorly received by the public.

The costs of implementing the new network and/or a decrease in patronage levels may impact on farebox recovery rates resulting in the shortfall needing to be recovered through rates.

The implementation of PTOM may lead to higher contract costs.

Objective 3: Establishing a view as to whether DCC should pursue the transfer of PT governance from 1 July 2015.

The proposed changes to Dunedin’s public transport system presented through the RPTP, while very positive, create a degree of uncertainty and a level of complexity that was not known when the ‘in principle’ decision was made by the Council to pursue the delegated responsibility for public transport. It is envisaged that the financial implications of implementing the proposed new bus system as well as the uncertainties presented by the changes to wider government legislation and the implementation of the new national ticketing system will become clearer after a ‘bedding in’ period of the RPTP. The RPTP will become operative in November 2014 with tendering for new or replacement services commencing in July 2015. It will then be reviewed again in July 2015, following the adoption of the new Regional Land Transport Plan.

In view of the timeframes for the implementation (and subsequent review) of the RPTP, the need to provide for a ‘bedding in’ period of the RPTP, and the fact that several key pieces of work are already underway, it is recommended that the Council discuss whether to proceed with the work to enable a transfer of powers on 1 July 2015, or approach the ORC with a view to delaying the possible target date to 1 July 2017.

A delay recognises that Council’s decision ‘in principle’ to pursue the delegated responsibility for public transport, subject to completion of further work by DCC staff is still valid, but the work and the transfer will be undertaken over an amended timeframe. The implications of the delay on the DCC investigation and budget allocation, plus the need for increased collaborative working will be reviewed and reported back to the Council.

The primary risk of a delay is that the ORC offered the transfer effective 1 July 2015, and may not be amenable to a delayed timeframe for a transfer, should the DCC decide this is a desirable option.

DCC/ORC Collaboration

It is recommended that if a decision is made to defer the target transfer date to 1 July 2017, DCC and ORC officers will seek to work collaboratively to progress the proposed changes in the RPTP. Officers from each council will be responsible for reporting back to the respective Councils as required.

Collaborative working between the two councils will facilitate a greater degree of integration and coordination in the implementation of the proposed changes to the public transport system, in particular the development of the inner city bus hub which needs to be integrated the possible DCC’s Central City upgrade, the Second Generation District Plan, and any wider transport needs that would benefit from the development of a transport ‘hub’.

It is envisaged that a collaborative approach to working will commence as soon as is practicable should the Committee decide to delay the target date for transfer of powers. This will ensure ample opportunity for the DCC and ORC to work together to progress the proposed changes in the RPTP in coordination with other DCC planning activities.
CONCLUSION

The report provides an update on progress on work required to inform the decision of whether to transfer the powers for operating and planning public transport from the ORC to the DCC.

The report recommends the DCC approach the ORC to request a delayed target date for any transfer of 1 July 2017. The ORC, with inputs from the DCC, are best placed to bed in the RPTP and other changes that are underway. The benefits that were identified in the MRCagney Report of a transfer of powers are still valid.

If the Committee agrees with this approach, and the ORC are amenable to the delayed timeframe, a further report will be prepared giving consideration to the allocation of funding and how these funds will be used to support collaboration and progress investigations within the amended timeframes.

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