

Performance, Audit and Risk Committee (PARC)

General Information

Agenda item number	9	Subject	Greater Christchurch Metro
Portfolio /Programme	Public Transport Programme	Report	Performance, Audit and Risk Committee
Programme Manager	Stewart Gibbon Senior Manager Public Transport	Councillor	David Caygill; Steven Lowndes; Peter Scott
Author	Stewart Gibbon Senior Manager Public Transport	Endorsed by	Nadeine Demisse Chief Operating Officer

Greater Christchurch Metro Financial Update

Purpose

To provide a financial update on the Greater Christchurch Metro programme.

Recommendation

That the financial update on the Greater Christchurch Metro Programme be received.

Background

The following analysis is based on financial results for the twelve-month period from 1 July 2016 to 30 June 2017. Monthly activity and risks are outlined at the end of the report.

Financial Results

The year ended with an overall deficit of \$950k. As outlined below, the key contributor to the reduced deficit was the delayed implementation of changes to the Blue Line in Waimakiriri and a slightly better than forecast NZTA index figure.

Total Mobility contributed approximately one third of the year end deficit finishing \$302k over budget. The FY 16/17 budget for Total Mobility did not anticipate the level of usage of this service, with a 5.8% increase in registered customers.

Greater Christchurch Metro

The table below provides details of expenditure levels for the twelve months 1 July 2016 to 30 June 2017 and also the various funding sources. The financial result is also compared to the 2016/17 Annual Plan budget.

\$000	Actual	Budget	Variance
Total Expenditure	62,145	63,759	(1,614)
Funded by:			
General rates	10	10	-
Targeted rates	19,042	18,721	321
Grants	23,434	25,610	(2,176)
User Pays & other	19,011	19,605	(594)
Total Revenue	61,497	63,946	(2,449)
Reserve Increase / (Use)	(648)	187	(835)

The main variance of revenue and expenditure comes from bus contracts:

\$000	Category	Actual	Budget	Variance
Gross Bus Contracts	Expenditure	53,379	54,957	(1,578)
Less:				
Fare Revenue	User Pays	18,421	19,217	(796)
Super Gold Revenue	Grants	2,956	2,856	100
Interest income	Other Revenue	137	94	43
Net Bus Contracts		31,865	32,790	(925)
NZTA Grants (51%)	Grants	16,223	16,723	(500)
Targeted Rates (49%)	Targeted Rates	15,709	15,388	321
Reserve Increase / (Use)		67	(679)	746

Rates commission and valuation fee are not included in this table.

Gross contract costs are under budget due to the delay in provisioning of the Waimakariri service enhancements.

Fare revenue is down on projected levels due to less patronage than anticipated.

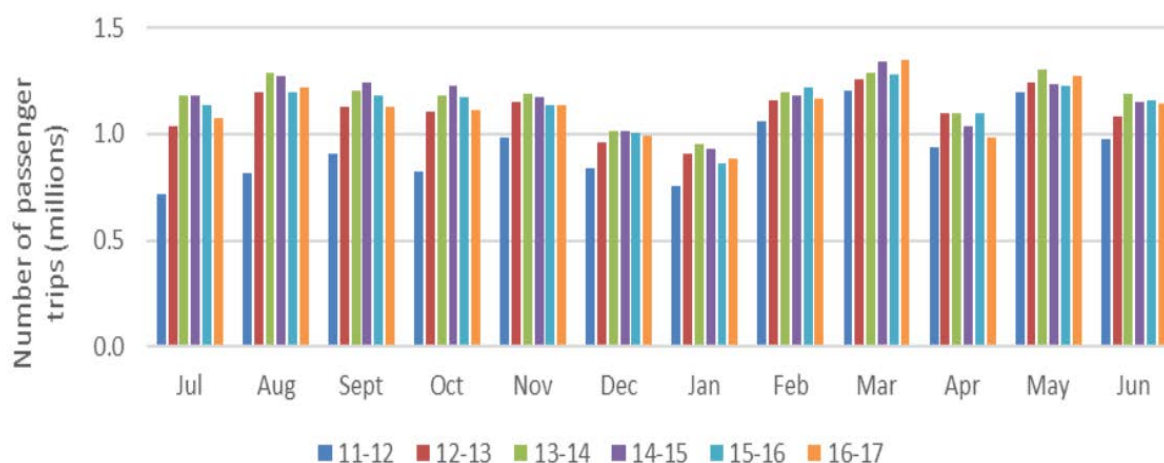
A number of IT investment projects were deferred resulted in lower than budgeted capital grants. Some of these projects are planned for delivery in 2017/18.

Monthly Activity

Patronage

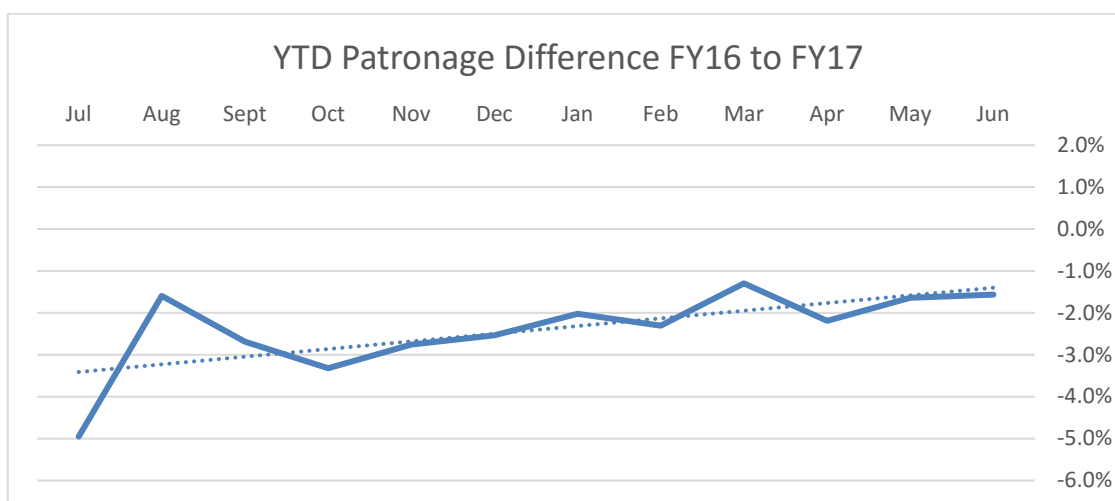
The fiscal year ending June 2017

Greater Christchurch Monthly Patronage



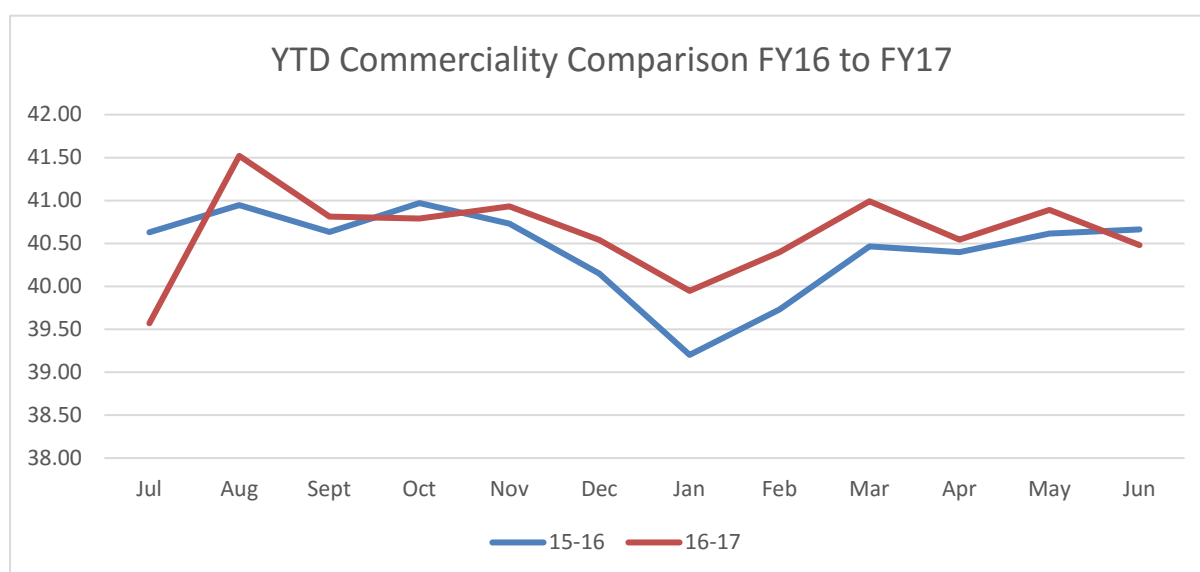
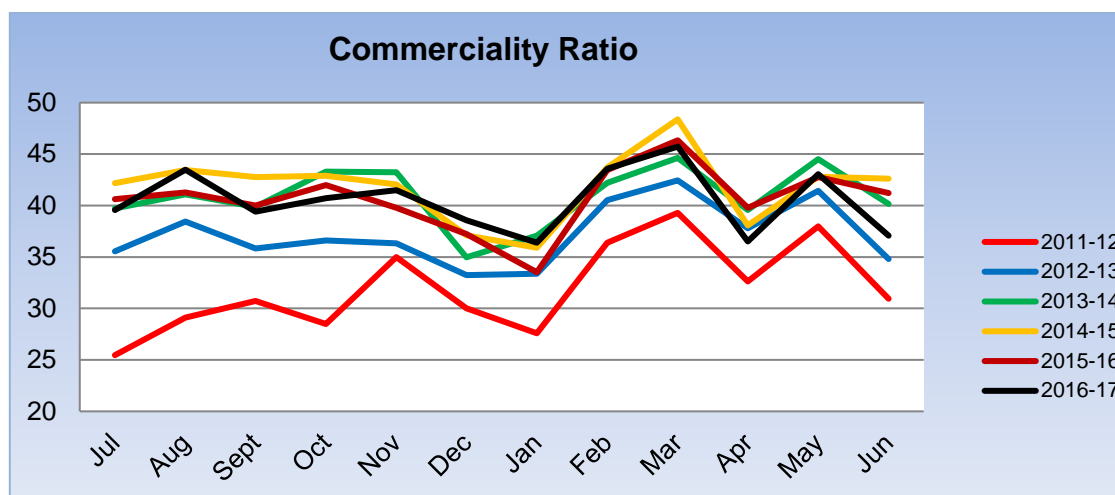
GREATER CHRISTCHURCH	Month	Prev Yr Comparison	Y-T-D	Prev Yr Comparison
Patronage	1,147,095	↓ 0.76%	13,467,570	↓ 1.57%
Commerciality	37.07	↓ 4.13	40.48	↓ 0.16

The fiscal year ending June 2017 resulted in a patronage deficit of 1.6% compared to the previous year. The patronage story is one of two halves this year. For the period Jul-16 to Dec-16, patronage fell 2.5%, while the period Jan-17 to Jun-17 produced a patronage decline of only 0.6%. Further, three of the six months in the second half of the year delivered positive patronage growth, with Mar-17 producing the highest month's patronage figure since the earthquakes.



Commerciality

The Commerciality target in the Canterbury Regional Public Transport Plan is to reach a ratio of 50 for cost recovery by the end of the 2019/2020 financial year. This represents Canterbury's contribution to the National Farebox Recovery Policy.



The end of year commerciality figure disappointingly dropped below the previous year, finishing at a figure of 40.48, down from 40.64 the previous year. While Patronage at a macro level impacts on commerciality, the ratio between Adult, Child and Supergold customers as well as the make-up and proportion of cash fares also has an impact.

Payment Type

Payment Type	Metrocard	Cash	SuperGold Card
Jun 2017			
Greater Christchurch	75%	15%	10%

Total Mobility

For the year ending June 2017, Total Mobility had the following attributes:

• Total Registered Customers	8802	5.8%	↑
• Total Trips	276,024	3.5%	↑
• Hoist Trips	44,596	1.8%	↑

Total Mobility operated circa \$300k over budget for the financial year as a result of a greater than anticipated uptake in usage.

Network Risk Summary

RISKS	MONTHLY UPDATE
Additional costs associated with extensive road works and detours	Moderate: The incidence of detours across the network has reduced significantly in the current year. The risk remains however and there are a few large detours planned for 2017 which are likely to impact the network.
Fuel price increase	Moderate: Fuel prices have increased over recent months. The risk remains that any increase will have a significant effect on budgets should they exceed projections. Higher fuel prices also tend to increase metro patronage and revenue, counteracting increased contract costs.
Potential for operator to collapse due to contracted market	Low: Staff continue to work with operators to ensure they are able to operate sustainably.
Road User Charge increase	Low: Road User Charges continue to represent a risk in that any significant increase such as the one that occurred in 2012 will have an effect on budgets.
Risk of continuation of grant	Low: There is minimal risk of discontinuation of grant provided we remain within the NZTA LTP budget envelope. This is a 3 year budget envelope. Should diesel prices rise during the 3 year LTP there is a risk that expenditure outside of that budgeted will have to be funded by ECan.
Bus Driver retention	Moderate: Bus operators continue to find it difficult to retain drivers due to the higher wages offered by trucking firms during the rebuild. Red Bus have highlighted that they believe they will have to replace 50% of their drivers over the next 5 years, primarily due to retirement.
Ticketing System	Moderate: The ticketing system remains a risk until the Metrocard is replaced with the more secure DesFire card type. Distribution of the DesFire has

	commenced. This risk is mitigated to a large extent by daily reporting to ensure there are no anomalous transactions taking place within the system.
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Risk Updates

Interchange Technology Failure

Solution delivery is under way to address issues identified from the Interchange technology failure in June. This solution is expected to be fully commissioned and tested by end of August.

Attachments

There are no attachments.