

National Ticketing Solution (NTS)

In confidence/commercially sensitive

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| Meeting Date | 21 April 2022 |
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Purpose

This paper provides an update on National Ticketing Solution (NTS) progress and seeks approval for an interim Snapper-on-rail solution for Greater Wellington Regional Council (GWRC).

Recommendations

It is recommended the Board:

NTS

- **Notes** the update on NTS progress.
- **Notes** management intends to request that the Board consider and endorse in principle the overarching Detailed Business Case (DBC) for the NTS in early July 2022, ahead of other NTS partners to give other NTS partners certainty and confidence.
- **Notes** the intention to report to the Risk and Assurance Committee on progress on the governance review of the NTS in May 2022.

Greater Wellington Regional Council Interim Solution

- **Approves** the GWRC proposal to roll out an interim Snapper-on-rail solution across the Wellington rail network as an interim solution ahead of NTS implementation.
- **Delegates**, subject to the above approval, authority to the Chief Executive to enter into a letter agreement between Waka Kotahi and GWRC, including provisions to ensure disengagement and demobilisation of Snapper, a transition to NTS on a best-for-NTS basis and to affirm that GWRC will undertake reasonable steps to become a participant in the NTS.
- **Approves** funding of \$15m, representing a 51% funding assistance rate from the Public Transport Infrastructure activity class to cover costs already incurred by GWRC for the Johnsonville line and expected costs for the interim Snapper-on-rail solution that will be incurred prior to approval of the DBC.

Environment Canterbury

- **Notes** that at the December meeting the Board approved funding of \$27.5m to accelerate delivery of the NTS to ECan (subject to new governance arrangements being in place by April 2022) and delegated authority to the Chief Executive to enter interim early works arrangements.
- **Confirms** the previous funding of \$27.5m at a 100% funding assistance rate from the Public Transport Infrastructure activity class and **approves** that funding being available to:
 - pursue implementation of the NTS for ECan;
 - give effect to an interim solution for ECan, should NTS not be available by the currently envisaged implementation date; and
 - cover ongoing and expected NTS costs that will be incurred by Waka Kotahi and public transport authorities (PTAs) prior to approval of the DBC.
- **Confirms** the delegation to the CEO to approve an interim solution required for ECan granted at the December Board meeting.

Update On NTS

Strategic context

The Government Policy Statement (GPS) on Land Transport requires Waka Kotahi to support better travel options and climate change, including mode shift from private vehicles to public transport and active/shared modes and demand management to accommodate that shift.

The draft Emissions Reduction Plan (ERP) specifically identifies “deliver national integrated ticketing for public transport” as an action that will be taken in the first budget period. This requires Waka Kotahi to fund a national integrated ticketing solution because:

- Under the current GPS, Waka Kotahi investment decisions must be consistent with the transport component of the ERP; and
- Consistent with the statutory framework and draft ERP, the National Land Transport Plan (NLTP) anticipates delivery of an integrated national ticketing system.

The NTS forms a necessary piece of digital infrastructure to support the ERP. A focus on integrated digital options including ticketing will help support people to change the way they travel in a low emission society, by addressing barriers such as affordability, accessibility, safety, and convenience, and by providing useful and timely information and incentives to help them make cheaper transport choices which are better for the environment.

The Minister of Transport is supportive of the NTS and has been actively engaged with, and briefed on, progress on the NTS to date. The Minister has shown a desire for the ability to implement central policy quickly and consistently e.g., the recent 50% reduction in public transport fares.

Current NTS status

The overriding objective is to formally agree and establish the NTS under the P2 Agreement in 2022. In order to meet this timeframe, Waka Kotahi and each PTA will need line of sight, and the ability to agree, on the following key artefacts:

- P2 Agreement (defined below)
- Ticketing Solution Master Services Agreement (TSMSA)
- DBC for the NTS
- the NTS operating model (including the funding model)

Other key documents e.g., the Standardisation Scope & Approach and Communications Protocol, will be approved later in the project as they are developed. Management will update the Board or Risk & Assurance Committee as required.

PTAs have been, and continue to be, involved in the formulation and oversight of key documents at various levels around the NTS. There has been heightened involvement (at a senior level) recently with Auckland Transport (AT) around how the NTS operating model can respond to their ticketing environment and how key learnings from AT's ticketing experience can be incorporated into the NTS.

Waka Kotahi and PTAs have been working collaboratively on key documents, with PTA representatives also present as observers during TSMSA and negotiations and providing useful feedback.

We acknowledge the need to be clear about the process and timing for circulation of substantially agreed documents to support the decision to enter into the NTS and are working on a note to the National Ticketing Solution Steering Group to confirm revised timing and process.

P2 Agreement

Waka Kotahi, AT, GWRC, ECan, plus 10¹ members of the Regional Consortium (RC) of mid-sized and smaller councils who offer public transport in NZ today are working collaboratively on the NTS under a Participation Agreement (P1 Agreement) dated December 2020.

The formal commitment by PTAs to join the NTS will occur when they endorse the overarching DBC and other key documents and sign up to the next Participation Agreement (P2 Agreement).

TSMSA

Contract negotiations commenced with the preferred ticketing supplier on 17 January 2022. Negotiations targeted a 20-day plan with best efforts to produce a TSMSA and statement of work to enabling the preferred ticketing supplier to develop an early works package for ECan.

There has been good engagement with the preferred ticketing supplier and the list of commercial issues has been narrowed considerably by the negotiation team. However, issues arose with the ability of the preferred ticketing supplier to meet ECan's timeframes and it also became difficult to separate the necessary commercial protections for an early works package from the wider deal.

It was agreed that a reset of the engagement with the preferred ticketing supplier was required, with the intent to revert to full negotiation of the TSMSA. The process, scope and indicative timetable was discussed with the preferred ticketing supplier at a workshop on the 1 April 2022 with the preferred ticketing supplier's senior management. Waka Kotahi has also proposed a change in the mode of engagement, with senior Waka Kotahi project members and senior management of the preferred ticketing supplier involved to resolve key outstanding commercial issues as efficiently as possible.

It is now expected that contract negotiations are to be completed in June/July, with a two-month approval process to follow. The new timeline for implementation will likely be pushed out to reflect the delay in approval and negotiation of the contract. A more detailed timeline is currently being worked through and will be confirmed in due course.

We note the timing imperatives for ECan that were the original driver for an accelerated programme for the TSMSA. Under any revised timetable, funding is still required to pursue implementation of the NTS for ECan and to cover ongoing and expected NTS costs that will be incurred by PTAs prior to approval of the DBC.

The Board is requested to confirm that the previous funding of \$27.5m at a 100% funding assistance rate from the Public Transport Infrastructure activity class remain available to:

- pursue implementation of the NTS for ECan;

¹ Marlborough is not yet an RC member; Gisborne has joined recently and goes live 2 May 2022; Marlborough is considering joining but has not signalled this in its NLTP to date.

- give effect to an interim solution for ECan, should NTS not be available by the currently envisaged implementation date; and
- cover ongoing and expected NTS costs that will be incurred by PTAs prior to approval of the DBC.

We also believe it is prudent to maintain the delegation to the CEO to approve an interim solution required for ECan.

Update On PTA Relationships and Imperatives

As previously noted to the Board, the consensus-driven, collective decision-making, approach to the NTS presents a challenge for the NTS Project. PTA participation continues to be a key risk, with the main mitigant being to recognise the differing PTA priorities and concerns for their ongoing support of the NTS programme.

Waka Kotahi and the PTAs continue to commit significant time and resource to NTS, with approximately 26 FTE currently dedicated to the project.

We have outlined in Attachment One “Summary of PTA Status” a summary of the status, progress and proposed approach for each of the individual PTAs and the RC.

Approval Of Interim Snapper-On-Rail Solution for GWRC

GWRC has advised that it remains fully committed to implementing NTS and being a key participant in the development of the NTS. However, GWRC has a strong desire to deploy an interim electronic ticketing solution on its rail routes, as soon as reasonably practicable and in advance of implementation of NTS for the Wellington region.

GWRC initiated a Snapper-on-rail trial on the Johnsonville rail route to learn from operational and customer experiences prior to a transition to the NTS. That trial has been a success, with high uptake of the solution, increased revenue collection, reduced fare evasion and a high degree of customer satisfaction with the service.

GWRC has proposed that Snapper be rolled out across the entire Wellington rail network prior to the implementation of NTS (‘interim Snapper-on-rail solution’) and Waka Kotahi and GWRC have been working together to understanding the key benefits and risks associated with an interim Snapper-on-rail solution.

We recommend supporting the interim Snapper-on-rail solution given the following key benefits:

- The Snapper-on-rail Johnsonville line trial has been successful, better integrating electronic ticketing across the Wellington public transport network, facilitating commuter acceptance of electronic ticketing and driving increased revenue collection/decreasing revenue leakage on the network.
- The project is progressing at pace, with Snapper and GWRC having proven ability to deliver.
- The working relationship between GWRC, Waka Kotahi and Snapper has been constructive and collaborative.
- This presents an opportunity for Waka Kotahi to de-risk NTS to a degree, as the success of the NTS program is contingent on all three large PTAs, including GWRC, buying into the model.
- If NTS does not end up being implemented, the Snapper-on-rail solution will continue to be able to provide an electronic ticketing solution to the Wellington region.

The key risk to be managed is ensuring that the interim Snapper-on-rail solution is able to be terminated when the NTS is implemented for the Wellington region without adversely impacting the implementation of the NTS.

Waka Kotahi and GWRC have agreed a letter agreement that includes provisions to ensure disengagement and demobilisation of Snapper, a transition to NTS on a best-for-NTS basis and to affirm that GWRC will undertake reasonable steps to become a participant in the NTS.

Other risks associated with the delivery of the interim Snapper-on-rail solution are considered manageable and termination of interim Snapper services and transition to the NTS can be managed through appropriate transition planning.

We note that several alternative solutions to the interim Snapper-on-rail solution were considered but ultimately rejected by Waka Kotahi and GWRC. The preferred ticketing supplier had proposed an NTS pilot concept for Wellington but the scope was not well-developed or costed and would have distracted the preferred ticketing supplier from its broader NTS deliverables. A 'do-nothing' option was also not palatable. Given GWRC's desire to implement electronic ticketing on the rail network to remedy the status quo issues as fast as possible, a do-nothing option had the potential to prejudice the PTA relationship between the parties to deliver the full NTS

Having considered various funding options, senior management support including the Snapper costs within the full NTS DBC.

The adoption of the interim Snapper-on-rail solution was not specifically included in the 21-24 NLTP but can be considered part of the NTS implementation – with total costs increased by \$29.5m (NLTF 51% share of the increase is \$15m). These costs assume NTS is fully transitioned to the Greater Wellington by the beginning of 2025. The DBC for NTS is progressing well and is likely to be tabled at the early July Board meeting.

The 2021-24 NLTP allows for total costs of \$189m in relation to the NTS at a 100% funding assistance rate from the Public Transport Infrastructure activity class. The \$15m NLTF share being sought for approval is an increase to the implementation costs and to the cost of planned activities in the 2021-24 NLTP. The additional costs for NTS may, depending on progress of other activities, displace funding for other planned public transport infrastructure later in the NLTP.

The current estimated BCR for NTS is within a range of 0.6 – 0.9. Further work on the DBC is underway, including testing the sensitivity of the BCR to key assumptions and articulating other non-monetised benefits. We support the approval of the interim Snapper-on-rail solution given the key benefits outlined above. The key driver for Waka Kotahi approval of the interim Snapper-on-rail solution is to address the participation risk associated with GWRC, while still ensuring there will be an electronic ticketing solution for the Wellington region if NTS does not end up being implemented.

Communications approach

The proposed communications and stakeholder engagement approach will need to be well articulated and respective roles and responsibilities clarified.

Whilst GWRC and Waka Kotahi will engage jointly on communications, it is important for communications to remain Waka Kotahi-led and that control of messaging around the NTS implementation is retained. Communications provided by GWRC must remain in-line with Waka Kotahi's approach.

Governance Update

The 16 December Board paper noted that an NTS project reset was planned for 2022 to respond to the differing requirements for the forthcoming phase of the project. The reset anticipated:

- Formal communication of a reset to be given to the PTAs at a Chief Executive level alongside regular CE to CE and Board to Board/council updates and dialogue
- Rapid escalation of issues through the NTS governance structure
- Final version of P2 Agreement aligned to the reset before any potential change to/rest of governance
- Review of approaches to communicate with partners and with wider NZ stakeholders
- Considering how to better utilise PTA experience and expertise.

Constructive communications between PTAs at a senior level has occurred and issues arising at a project level are being escalated and approaches varied where required, as evidenced through the revised stance on key documents such as the TMSA and the P2 Agreement.

The review of the preferred NTS governance structure is ongoing. An update was provided to the Waka Kotahi Risk and Assurance Committee in March, with more than 20 interviews undertaken with key stakeholders, and a governance review update will be the subject of a further paper to the May 2022 Risk and Assurance Committee.

Next Steps And Future Decisions

- The Board should plan to consider and endorse in principle the overarching DBC for the NTS in early July 2022, ahead of other NTS partners to give other NTS partners certainty and confidence.
- Process and timing for circulation of substantially agreed documents to support the decision to enter into the NTS to be circulated the Risk and Assurance committee.

Attachments

Attachment 1 Summary of PTA Status

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Attachment 1 - Summary of PTA Status

| | AT | GWRC | ECan | RC |
|----------------------------|---------------------|------|------|----|
| Position on NTS | section 9(2)(ba)(i) | | | |
| Participation risk factors | | | | |
| Proposed approach | | | | |

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Commentary

section 9(2)(ba)(i)

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