

# Report to Council

**Date:** 18 February 2019

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**Authoriser:** Vaughan Payne, Chief Executive

**Subject:** **Hamilton to Auckland Start-Up Passenger Rail Project – Progress Update**

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## Purpose

1. To provide the Waikato Regional Council (WRC) with a progress update on the Hamilton to Auckland Start-Up Passenger Rail Project and to summarise the key issues that staff are currently addressing with the funding partners for this project.
2. For council to approve the proposed project governance structure for this project and to ratify the Terms of Reference for the Project Governance Working Group (PGWG).

## Executive Summary

3. The Single Stage Business Case (SSBC) for the Hamilton to Auckland Start-Up Passenger Rail Service has been endorsed by WRC, Hamilton City Council (HCC), and Waikato District Council (WDC). The NZ Transport Agency (NZTA) approved the SSBC subject to a number of conditions that need to be met. All the project co-investors set out funding conditions through their resolutions that staff have been working through in a collaborative manner.
4. It is important to highlight that NZTA's Board focused the scope of their approvals and conditions on the pre-implementation phase of the project, which covers most of the preparatory works of all the project co-investors prior to the construction of infrastructure and project implementation. Further Board approval may be required before proceeding to the implementation phase as funding has only been approved for pre implementation works.
5. WRC's funding conditions confirmed at the 21 November 2018 council meeting have been partially addressed and staff are continuing to resolve them as the project moves through the gateway review and approval process that NZTA will lead. The work underway to address NZTA and council's conditions is outlined throughout this report.
6. Following the endorsement of the SSBC, KiwiRail, WRC and NZTA signed an Interim Capital Funding Agreement (ICFA) prior to Christmas which enabled KiwiRail to purchase the rolling stock from Auckland Transport and carry out preparatory works at their Upper Hutt Workshop. WRC is awaiting NZTA internal sign-off for the release of funding equivalent to \$2.04 million (GST excl.).
7. KiwiRail has paid for the ICFA costs and are expecting to be reimbursed through WRC as the approved organisation. WRC will not be in a position to do this until NZTA approves the funding through Transport Investment Online (TIO).
8. The SSBC and council's November 2018 report made assumptions regarding financial assistance rates (FAR) that would be received for the transport activities that sit within this project. Such assumptions are built into council's LTP and were consulted on, including with NZTA. The FAR for light maintenance costs for carriages (\$981,000 pa estimated cost) has been questioned by the NZTA staff and we are

awaiting confirmation as to whether it will be at 75.5%, as council's endorsement of the SSBC was subject to this confirmation.

9. Following a procurement process the programme management contract has been awarded to Alan Gregory from Tonkin+Taylor, who commenced on Monday 18 February. This will enable a number of the key NZTA pre implementation conditions to be met.
10. A proposed governance structure has been developed for the project and is submitted for council approval. The Terms of Reference for the PGWG and the project governance structure have been endorsed by the Transport Connections Working Party who oversaw the development of the SSBC, at a meeting on 18 February.

#### **Staff Recommendations:**

1. The report "Hamilton to Auckland Start Up Passenger Rail Project – Progress Update" (Doc # 13805047 dated 18 February 2018) be received.
2. Council notes the conditions resolved at the 21 November 2018 council meeting relating to the funding for the Hamilton to Auckland Start Up Passenger Rail Project have been partially resolved.
3. Council approves the proposed project governance structure (Appendix 3 – Doc #13772868) for this project and the Terms of Reference (Appendix 2 – Doc #13670118) of the Project Governance Working Group.
4. Council confirms the appointment of Councillor Vercoe and Councillor Rimmington as council representatives on the Project Governance Working Group.
5. Council notes that staff will work in partnership with NZTA staff to resolve the funding conditions for the project and will report back to subsequent council meetings on progress.

#### **Background**

11. Council met on 21 November 2018 to consider the endorsement of the SSBC for the Hamilton to Auckland Start-Up Passenger Rail service. The SSBC was a collaborative piece of work led by WRC and supported by staff from the project co-investors, the NZTA, HCC and WDC.

The council resolved as follows:

1. *That the report "Hamilton to Auckland Start-Up Passenger Rail Service Single Stage Business Case" (Doc # 13380708 dated 14 November 2018) be received.*
2. *That Council note that the conditions made at the Long Terms Plan deliberations relating to the start-up passenger rail service have been substantively resolved.*
3. *That Council receive and endorse the Single Stage Business Case for the Hamilton to Auckland Start-Up Passenger Rail Service (included as Attachment 1) for submission to NZTA.*
4. *That Council confirm funding allocated in the 2018-2028 Long Term Plan (LTP) for the Hamilton to Auckland start-up passenger rail service operations that will likely commence in March 2020 subject to:*
  - a. *Hamilton City Council and Waikato District Council endorsing the SSBC and confirming capital funding for the railway stations.*
  - b. *NZTA's Board approving the SSBC and confirming the release of funding for the start-up rail service at their meeting on 14 December 2018.*
  - c. *NZTA providing an enhanced Financial Assistance Rate of 75.5% for public transport operations and infrastructure and of 100% for transitional rail activities for the period of the current (2018-2021) National Land Transport Programme.*

- d. *An open book price audit of KiwiRail costs being carried out by a suitably qualified and experienced person to the satisfaction of the Chief Executive.*
  - e. *Finalisation of Client Contract Management arrangements with Auckland Transport to the satisfaction of the Chief Executive.*
  - f. *Final resolution of the preferred ticketing option and its costs.*
  - g. *A review of the project implementation phasing is undertaken and reported back to Council by March 2019.*
  - h. *A purchase sales agreement being signed between WRC, NZTA and KiwiRail to protect the rolling stock investment for future Public Transport usage.*
5. *That Council approve the immediate appointment of a programme manager to oversee the implementation of this project subject to:*
    - a. *Approval of the SSBC by NZTA,*
    - b. **And** *that NZTA funds 75.5% of the total project management costs*
    - c. **And** *the WRC share has to be included in the 2019/20 Annual Plan budget*
  6. *Staff report back on the appropriate political and technical governance structure to support the implementation of the start-up service, including their terms of reference and delegations.*
  7. *That Waikato Regional Council, Hamilton City Council, Waikato District Council and NZTA will jointly undertake a review of the service prior to the 2021 Long Term Plan and 2021 NLTP to reconfirm their ongoing funding requirements for the service and that the Waikato Regional Council service contract agreement with Kiwirail has the appropriate contractual terms to allow for this review.'*
12. Subsequently the SSBC was endorsed by WDC on 28 November 2018 and HCC on 6 December 2018. Both councils' resolution were aligned with WRC's resolution, specifically regarding the provision of targeted enhanced financial assistance rate (TEFAR) by NZTA of 75.5% for public transport operations and infrastructure, and 100% financial assistance rate for transitional rail activities.
  13. The SSBC was submitted to the NZTA on 9 November 2018. The SSBC and funding for the pre-implementation phase of the service were considered by the NZTA Board at their 14 December 2018 meeting.
  14. NZTA Board resolutions that specifically relate to council's transport activities are as follows (refer Appendix 1 for the full Board resolution):

**'Endorses** *the Hamilton to Auckland Passenger Rail start up service Single Stage Business Case, subject to a condition subsequent that independent Stage Gate Reviews are undertaken during Pre-implementation to consider and approve: revised and updated costs (capital and operating), improved demand forecasts, robust Customer Service & Marketing Plan, updated Project Delivery & Assurance Plans, and full operational safety sign off.*

**Approves** *funding to Waikato Regional Council (fully funded Transitional Rail activity class) for purchase of rolling stock; subject to a condition precedent where the costs are agreed and signed off by the NZ Transport Agency Chief Executive.*

**Approves** *funding to Waikato Regional Council (fully funded Transitional Rail activity class) for Pre-implementation work associated with refurbishment of the rolling stock, subject to:*

- a condition precedent where the NZ Transport Agency Chief Executive reviews and approves the proposed level of funding; and*
- i. *a condition subsequent that the right of Transport Agency to re-use the asset should the start up service not proceed, or be withdrawn during or at the end of the five year period.*

**Approves** funding to Waikato Regional Council (funded from Public Transport infrastructure at a targeted funding assistance rate of 75.5%) for Pre-implementation work associated with the operation of the service, including integrated ticketing, subject to a condition precedent where the NZ Transport Agency Chief Executive reviews and approves the proposed level of funding.'

15. WRC has been working closely with the NZTA staff to seek clarity regarding the process and scope behind each funding condition imposed on WRC. An update on how they are being addressed is provided in later sections of the report.
16. Following the NZTA's Board decision, WRC completed a Closed Request for Proposal (RFP) two-stage-envelope process to identify a capable and suitable programme manager (PM) to oversee the pre-implementation and implementation phases of this programme. This is in compliance with council's resolution number 5.
17. The funding for the programme management costs and WRC's other pre-implementation activities will come from the current year start-up passenger rail pre-implementation budget allocated in the Long Term Plan 2018/28 year 1 and partly from the \$1,085,000 provided in the draft 2019/20 Annual Plan budget.
18. WRC staff can confirm that *conditions 4.a, 4.b, 4.h, 5.a and 5.c* have been achieved. Conditions *4.c, 4.d, 4.e, 4.f and 4.g* will be satisfied as we progress through the pre-implementation phase outlined later in the report.
19. Condition *5.b* is being worked through with NZTA and it is our understanding from NZTA staff that TEFAR (75.5%) confirmation for project management costs will be received in the upcoming weeks.
20. In the interim, the PM will enable WRC to start progressing the NZTA conditions by delivering:
  - A detailed project delivery plan;
  - A risk management plan; and
  - An overall programme management plan (with cost, risk and quality assurance plans).
21. Similarly, HCC and WDC have appointed project managers each to oversee and manage the pre-implementation and implementation phases for the railway stations at The Base and Huntly, respectively.

## Funding Issues

### Funding at 75.5% for rolling stock maintenance

22. NZTA staff have advised that the operational cost of light maintenance for the carriages (which sits under the activity class of Public Transport and under Work Category 515), is not eligible for Targeted Enhanced Financial Assistance Rate (TEFAR) of 75.5% but the normal FAR rate of 51%. The reason being due to the NZTA Board resolution on 5 October 2018:

**Endorses** the Transitional Rail funding policy that a normal funding assistance rate should apply to the day-to-day operation of inter-regional passenger services, whether funded through the Transitional Rail Activity class or Public Transport Activity class'.

23. In approving the SSBC in November, council's approval was subject to NZTA providing an enhanced Financial Assistance Rate of 75.5% for public transport operations as per resolution 4(c).
24. The "light maintenance of carriages" accounts for \$981,000 pa of the annual operating budget for the start up service.

25. This issue was only raised with WRC staff after the NZTA December Board meeting. WRC staff have sent a letter to NZTA addressed to the Manager of Design Practice and Solutions with a clear rationale of why this activity is eligible for TEFAR.
26. The latest information received from NZTA was that this activity could be eligible for 75.5% FAR under Public Transport through a variation to the policy outlined above by the NZTA Board. The main argument is that all operational costs should be bundled as one for eligibility and the project as whole meets the following TEFAR criteria:
  - High results alignment with the Investment Assessment Framework (IAF).
  - The H2A start-up service aligns with 1 of the 5 national priority programmes of NZTA.
  - Extract from NZTA's TEFAR website says: *'Eligible activities can be service or infrastructure improvements, and could include trials for service improvements, such as public transport'*.
  - This service is a new PT service, which has been defined as a trial and start-up.
27. NZTA staff are aware that WRC's support for the project is subject to funding at 75.5% TEFAR for operating costs. At the time of writing this report we have not had a response back from NZTA. Staff will verbally update council regarding this matter.

#### Interim Capital Funding Agreement

28. The Interim Capital Funding Agreement (ICFA) was signed by the NZTA, WRC and KiwiRail prior to Christmas to enable KiwiRail to purchase the carriages from Auckland Transport, finalise the detailed carriage design, buy material and supplies and commence the refurbishment work on the carriages.
29. The ICFA gives KiwiRail access to \$2.04 million (exclusive of GST), which will be funded under Transitional Rail and at 100% FAR i.e no WRC contribution. This money will pass through WRC as an approved organisation and then transferred to KiwiRail for them to carry out the works.
30. WRC has submitted the activities in Transport Investment Online so they can claim funding up to the value outlined above. However, NZTA has not yet approved these activities. It is important to note that KiwiRail has funded these costs and are expecting to be reimbursed for it. Hence the rolling stock works are well underway.
31. The latest update provided by NZTA staff is that they have completed an interim capital funding memorandum that uplifted the funding to \$3.5 million and they are awaiting for NZTA General Managers to sign-off first and then the Interim Chief Executive. Until this is done, council won't be in a position to reimburse KiwiRail the agreed amount.

#### Confirmation of TEFAR for SSBC and associated work

32. Costs to complete the SSBC and associated work to this point, have amounted to \$576,904. This includes:
  - \$114,405 costs incurred in the prior year on demand forecasts/market research and the BERL business case work (net costs shared between WRC, HCC and WDC).
  - \$251,310 costs to complete the SSBC (HCC and WRC sharing the net cost equally).
  - \$107,125 costs incurred by HCC and WDC relating to pre-implementation station design and level crossing safety impact assessments to be claimed from NZTA by WRC as the approved organisation.
  - -\$104,064 of WRC staff labour costs (including overhead burden)

Of this total cost, the WRC share is \$55,716 (assuming a 75.5% FAR from NZTA), which is within current approved budget.

33. The original budget approved for this by NZTA was \$500,000, hence council staff have submitted a cost scope adjustment so we can claim the balance. The costs are greater than the original budget due to NZTA requesting more work done than originally envisaged. It is important to note that as the approved organisation and lead agency for the SSBC, we will claim HCC's and WDC's SSBC costs from NZTA (no WRC share required).
34. NZTA has yet to approve the cost scope adjustment so we can claim the costs accordingly. It has been notified that this is underway and we should receive approval confirmation shortly.
35. WRC staff worked with NZTA staff prior to the Board meeting in December to ensure the SSBC was proposed as an eligible activity for TEFAR under the same criteria as the overall project. It had been signalled that it will be funded at 75.5% FAR, however we have not yet received written confirmation that this is the case.
36. This is a material issue for WRC as getting access to TEFAR will free up the necessary budget to fund the pre-implementation phase of this project, including the project management costs.

### **Summary of Work Underway**

#### Appointment of Programme Manager (PM)

37. One of the funding conditions outlined by the NZTA Board is for WRC to deliver a detailed programme plan and a risk management plan to ensure the successful delivery of the capital projects.
38. The capital projects within the wider programme are the rolling stock refurbishment, upgrade of the Te Rapa maintenance facility, construction of railway stations and a ticketing system.
39. To engage a PM to deliver the projects outlined above, WRC ran a two-stage-two-envelope Request for Proposal. Part of the process involved carrying out a collective tender evaluation and an interview of the shortlisted candidates. The collective evaluation and interview panel was made up of representatives from HCC (Chris Allen), WDC (Vishal Ramduny), NZTA (Barry Dowset) and WRC (Mike Garrett).
40. The panel decided to recommended to council's Tenders Board that the contract is awarded to Alan Gregory from Tonkin+Taylor. A report (Doc #13747228) was submitted to the Tenders Board and the appointment was approved.
41. However, there are two conditions that WRC staff have to work through with NZTA prior to signing off the Secondment Agreement:
  - a. The NZ Transport Agency confirming targeted enhanced financial assistance rate (TEFAR) for the completed Single Stage Business Case for the Hamilton to Auckland Start-Up Passenger Rail Service.
  - b. The NZ Transport Agency commits to subsidise the project management costs at 75.5% for the complete term of the agreement.
42. As explained in the funding issues section, these two conditions are being resolved at the time of writing this report. In the interim, the Tenders Board agreed:
 

*"to engaging Alan Gregory on an hourly rate until NZTA makes a decision regarding TEFAR for the SSBC and Programme Management costs or until the NZTA Board meeting of the 18 March 2019, whichever happens first".*
43. This engagement will ensure that the deliverables required to meet the NZTA Board approval conditions noted in paragraph 14 can be progressed.

### Pre-implementation Memorandum

44. WRC staff have prepared a financial Memorandum to provide NZTA staff with detailed financial information regarding the pre-implementation activities that will be carried out by WRC and to enable their Interim Chief Executive to review and approve the level of funding at 75.5% FAR.
45. The pre-implementation costs that WRC is seeking funding for include the following:
  - Programme management costs (external consultant)
  - Staff programme oversight
  - Staff programme management support
  - External and WIFI ticketing scoping and design work
  - External work to address NZTA conditions (further demand work)
  - Legal costs to negotiate an AT agency support agreement, operational agreement with KiwiRail and the detailed capital funding agreement.
46. The total costs estimated for the pre-implementation phase is **\$228,143**, and it includes the activities summarised above. NZTA is expected to contribute 75.5% of the total pre-implementation costs, of **\$172,248**. WRC will fund the difference (24.5%) of **\$55,895**.
47. WRC's funding for the programme management costs and the other pre-implementation items will come from the current year start-up passenger rail pre-implementation budget allocated in the Long Term Plan 2018/28 year 1 and from the \$1,085,000 provided in the draft 2019/20 Annual Plan budget (noting \$25,000 of 2019/20 budget will be brought forward for the ticketing and WIFI pre-implementation work).
48. Council's resolution of 21 November 2018, clearly stated that any local share funding is subject to NZTA confirming funding at 75.5% for all pre-implementation work required to prepare for the operation of the service.
49. The memorandum prepared provided a detailed overview of the budget required to complete the pre-implementation phase of the programme and is requesting that NZTA confirms, via a written letter, the enhanced FAR (75.5%) granted for all the activities outlined.

### Corridor Plan Update

50. The organisations involved in the corridor plan have been working collaboratively to develop a clear governance structure to advance the array of programmes initiatives identified in the plan.
51. The political representatives of the member organisations, including Mayors and Chairs of councils, met with Minister Phil Twyford on 15 February 2019 to achieve the following objectives:
  - To consider the outline of a proposed new ongoing growth management partnership for the corridor that would progress and/or support the proposed programme of initiatives and update the summary statement of shared spatial intent as and when required.
  - To receive a proposed summary statement of shared spatial intent for the corridor as a 'high level' form of spatial planning.
  - To consider a draft programme of initiatives that would support, enable and/or give effect to the shared spatial intent for the corridor, and be 'owned' by the proposed new partnership.
  - To consider the Terms of Reference for the proposed Hamilton-Waikato Metro Spatial Plan as one of the first key initiatives in the proposed work programme.
52. It is important to note that the Terms of Reference for the PGWG is to keep a watching brief on the corridor plan and progress being made on the start-up service will be reported to the governance structure of the corridor plan at the appropriate time.

## Delivery Timeline for Pre-implementation

53. WRC staff have developed a high level timeline (below) so NZTA can see clear tasks, milestones and deadlines throughout the pre-implementation phase.

Dates	18.02.19 - 03.03.19		04.03.19 - 17.03.19		18.03.19 - 31.03.19		01.04.19 - 14.04.19		15.04.19 - 28.04.19		29.05.19 - 12.05.19	
Week	1	2	1	2	1	2	1	2	1	2	1	2
<b>Programme Management Office</b>												
Detailed Programme Delivery Plan												
Risk Management Plan												
Programme Management Plan												
Address NZTA funding conditions												
<b>WiFi/Pre-implementation</b>												
Selected potential providers												
Receive proposals for Service												
Governance Group and Council sign-off												
Preliminary Design												
<b>Ticketing/Pre-implementation</b>												
Preliminary Design												
Finalise scope and cost with INIT												
Governance Group and Council sign-off												
Detailed Design of solution												
<b>Branding, Marketing and Customer Service</b>												
Shortlist exterior design options												
Finalise brand and design												
KiwiRail final schematic for decals and brand												
Governance Group Council sign-off sign off												
<b>Contingency Work (Demand)</b>												
Agree on Demand Work - Scope with NZTA												
Work Brief for External Consultant												
Further Demand Work carried out												
Results presented to NZTA and Governance Group												
<b>Contingency Work (Legal)</b>												
Draft detail capital funding agreement												
Review by NZTA, KiwiRail and WRC												
Re-draft of capital funding agreement												
Technical and Governance Group sign-off												
Legal Sign-off by signatory parties												

54. The successful completion of the workflows identified above will be key to tracking well on the detailed delivery plan's critical path. The workflows covered in this timeline are in alignment with the pre-implementation funding request submitted via a memorandum to NZTA (paragraph 45). Additionally, the governance sign off tasks have been aligned with the tentative meeting dates of the PGWG to ensure we get approval to move to the next phase.

55. It is also important to note that all deliverables sitting under each workflow have been scheduled so they are completed by 13 May (pre-implementation and phase 1 of PM Secondment Agreement ends).

56. Capital works (ticketing and WiFi) are expected to progress from preliminary design to detail design and the programme management office will have developed appropriate plans and reporting structures to proceed to implementation.

57. It is expected that the appointed PM (Alan Gregory) will work towards the completion of these deliverables with the support of WRC staff involved in the programme management office.

## Proposed Governance Structure

58. The Transport Connections Working Party (TCWP) oversaw the delivery of the Transport Connections Strategic Business Case and the Single Stage Business Case (SSBC) for the Hamilton to Auckland Start-Up Passenger Rail Service. WRC was represented on the TCWP by Councillor Vercoe in his role as Chair of the Regional Transport Committee and Councillor Rimmington as the Chair of Public Transport Joint Committee.

59. The TCWP included representatives from:
- Hamilton City Council
  - Waikato District Council
  - Auckland City Council
  - Auckland Transport (AT)
  - Ministry of Transport
  - NZTA
  - Kiwirail
60. As all of the organisations still have involvement with the project, it is recommended that a similar structure be set up for governance oversight of start-up service project via a Project Governance Working Group. The exception to this is Auckland Council who have advised that they do not see a need to be represented as any matters relevant to them will communicated via AT.
61. The purpose of the Project Governance Working Group (PGWG) is to:
- Make recommendations to the NZ Transport Agency and local councils (as the project investors) regarding matters that could change the level of service outlined in the SSBC.
  - Sign off an assurance plan, within which the working group can make recommendations and decisions within agreed tolerances.
  - Provide direction and guidance to staff when additional work will be required as part of the pre-implementation and implementation phases of the project.
  - Undertake overall project budget monitoring.
  - Ensure a robust risk reporting framework is in place and key project risks are being satisfactory managed.
  - Propose recommendations to the respective council authorities and NZTA when escalation is required.
  - Provide direction to the Rail Technical Control Group and the Programme Management Office to successfully deliver the required infrastructure and pre-service capital/operational activities.
  - Delegate decisions to the Rail Technical Control Group when required.
  - Provide direction to progress funding and Board approval condition matters with the NZ Transport Agency.
  - Approve and monitor a Community Engagement Strategy.
  - Approve media and stakeholder communication protocols.
62. To achieve the purpose stated above, the Working Group will also keep a watching brief on:
- Inter-dependencies with central government, councils, and partner organizations' regional plans and in particular the Hamilton to Auckland Corridor Plan development.
  - The development of the Treasury Business Case for the rapid rail connection between Hamilton and Auckland led by the Ministry of Transport.
  - The technical and professional advice provided by the respective project managers and the overarching programme manager.
  - Technical advice from KiwiRail and Auckland Transport.
  - Consultation with mana whenua, whether Iwi or Hapu Authorities, when relevant to the project.
63. The proposed membership of the Project Governance Working Group is set out in the table below (subject to confirmation from each participating organisation).

Organisation	Representative
<b>Waikato Regional Council</b>	Cr Hugh Vercoe (Chair) and Cr Russ Rimmington
<b>Hamilton City Council</b>	Cr Dave Macpherson Cr Geoff Taylor (alternate)
<b>Waikato District Council</b>	Cr Dynes Fulton Cr Eugene Patterson (alternate)
<b>KiwiRail</b>	David Shepherd

Organisation	Representative
<b>Auckland Transport</b>	Mark Lambert, EGM Integrated Networks, Alternates-Stacey Van Der Putten (Group Manager Metro Service Delivery), Craig Inger (Manager Train Services)
<b>NZ Transport Agency</b>	James Llewellyn Barry Dowsett (alternate)
<b>Ministry of Transport</b>	Erin Wynne Bryn Gandy (alternate)

64. The following member parties have been considered as those having to make recommendations regarding level of service changes, budget adjustments and the issues outlined in the scope section:

- Waikato Regional Council.
- Waikato District Council.
- Hamilton City Council.
- NZ Transport Agency.
- Auckland Transport.

65. The role of KiwiRail as the service provider is to provide technical advice on matters affecting the passenger rail service between Hamilton and Auckland.

66. The PGWG decided to invite Auckland Council to be a member of the governance group as they will be a key strategic player in developing the future of rail and the Hamilton to Auckland Corridor Plan.

67. The role of the Ministry of Transport will be to provide central government support and guidance in alignment with the Government Policy Statement on Land Transport and input regarding the fast rail connection business case between Hamilton and Auckland.

68. It is proposed that the Project Governance Working Group meets bi-monthly with subsequent reporting through to WRC Finance Committee and Audit and Risk Committee.

69. Attached in Appendix 2 is the proposed Terms of Reference and governance structure (Appendix 3). A meeting of the TCWP was held on 18 February to endorse the TOR and governance structure for recommendation back to each participating organization. However they did note a strong preference for Auckland Council to have an ongoing involvement to ensure strategic alignment of the project and this request will be followed up with Deputy Mayor Bill Cashmore who was a previous member on the TCWP.

## **Attachments**

Appendix 1 – NZTA Board Unratified Minutes meeting of the 14 December 2018

Appendix 2 – Terms of Reference for the H2A Start-Up Passenger Rail project Governance Working Group

Appendix 3 - Project Governance Structure

## Appendix 1 – NZTA Board Unratified Minutes meeting of the 14 December 2018

### Hamilton to Auckland Passenger Rail Start Up Service – Business Case Approval and Funding of Transitional Rail and Public Transport Activity

Board paper 2018/12/1325

Brett Gliddon

Brett Gliddon introduced the paper noting the business case had been prepared jointly by Waikato Regional, Hamilton City and Waikato District Councils. The Transport Agency had been involved in the business case development only as an adviser and had indicated a number of areas where more detailed investigation was necessary throughout the business case development process.

Board members discussed the merits of the business case noting the Benefit Cost Ratio of 0.5 raised concern about the strength of the economic case but that it is a strategically sound proposition for the long term resulting in a High results alignment. It was noted that start up passenger services such as these rarely have high Benefit Cost Ratios due to time required for the service to build patronage. The nature and length of the trial were discussed. It was confirmed the trial was planned to span a five year period to enable demand to be thoroughly tested and assessed.

The termination of the route at Papakura was noted and there was discussion around the investigation of continuing to Puhinui. The Business Case did look at this option but at this time the case was made for a service to Papakura. The Board noted the option of continuing the service to Puhinui in the future would provide a better transport link between Auckland and Hamilton.

The Board clarified that the funding was for rolling stock to be purchased from Auckland Transport, refurbishing of the rolling stock and below rail track infrastructure and platforms at stations along with funding for the operation of the service and integrated ticketing costs.

Board members noted the conditions included in the resolutions and asked management to ensure there were clear patronage targets set for success and that these were measured closely throughout the five year period. The Board also requested that everything possible be considered to make the service attractive to the user.

The Board determined that a fast train to Waikato is a logical transport solution and the business case for a trial is the first step towards this outcome. On that basis the Board supported the resolutions.

The NZ Transport Agency Board:

- a) **Endorses** the Hamilton to Auckland Passenger Rail start up service Single Stage Business Case, subject to a condition subsequent that independent Stage Gate Reviews are undertaken during Pre-implementation to consider and approve: revised and updated costs (capital and operating), improved demand forecasts, robust Customer Service & Marketing Plan, updated Project Delivery & Assurance Plans, and full operational safety sign off.
- b) **Approves** funding to Waikato Regional Council (fully funded Transitional Rail activity class) for purchase of rolling stock; subject to a condition precedent where the costs are agreed and signed off by the NZ Transport Agency Chief Executive.
- c) **Approves** funding to Waikato Regional Council (fully funded Transitional Rail activity class) for Pre-implementation work associated with refurbishment of the rolling stock, subject to:
  - i. a condition precedent where the NZ Transport Agency Chief Executive reviews and approves the proposed level of funding; and
  - ii. a condition subsequent that the right of Transport Agency to re-use the asset should the start up service not proceed, or be withdrawn during or at the end of the five year period.
- d) **Approves** funding to the relevant councils (fully funded Transitional Rail activity class) for Pre-implementation work associated with rail below-track infrastructure and platforms, subject to a condition precedent where the NZ Transport Agency Chief Executive reviews and approves the proposed level of funding.
- e) **Approves** funding to Waikato Regional Council (funded from Public Transport infrastructure at a targeted funding assistance rate of 75.5%) for Pre-implementation work associated with the operation of the service, including integrated ticketing, subject to a condition precedent where the NZ Transport Agency Chief Executive reviews and approves the proposed level of funding.
- f) **Notes** that the total cost for all elements of the project is currently estimated at \$78.249 million (of which \$58.641 million is within the National Land Transport Programme 2018-21), with further work required to gain greater certainty as to the final costs.
- g) **Notes** that for the National Land Transport Programme 2018-21 the project is assessed as having High results alignment with a cost-benefit appraisal of Benefit Cost Ratio of 0.5, which requires approval by exception, on the basis that it is a trial service that could be further developed to provide an impetus to the wider corridor spatial planning work in the next five years.
- h) **Notes** that approval of Implementation funding will be subject to Pre-implementation work satisfactorily addressing the risk mitigation proposals and proceeding through independent Stage Gate Review; and will require a further Board decision at the appropriate time.
- i) **Notes** that the impact of costs of the project to the National Land Transport Programme Transitional Rail activity class is lower than information supplied in the October 2018 Board meeting, due to updated costings for the proposed start-up service and a revised interpretation of costs that constitute Transitional Rail rather than Public Transport. This change lowers the risk exposure to the overall over-programming in the Transitional Rail activity class for 2018-21 by around \$12 million.

**Appendix 2** – Terms of Reference for the H2A Start-Up Passenger Rai project  
Governance Working Group

# **Terms of Reference**

For

## **The Hamilton to Auckland Start-Up Passenger Rail Project Governance Working Group**

## Purpose

The purpose of this Terms of Reference for the Hamilton to Auckland Rail Project Governance Working Group is to define:

- The purpose and role of the Project Governance Working group;
- The programme oversight responsibilities;
- The scope of work that will be agreed with the co-investors, overseen and delivered;
- The organizations that will hold membership of the Working Group; and
- Other matters such as key dates and voting rights, which are key to having effective Terms of Reference.

## Background

The Transport Connections Working Party (TCWP) oversaw the delivery of the Transport Connections Strategic Business Case and the Single Stage Business Case (SSBC) for the Hamilton to Auckland Start-Up Passenger Rail Service.

The SSBC was developed to seek funding for the construction of the railway infrastructure and operational resources to provide a two-daily return peak time train service between Hamilton and Auckland. The TCWP is to be retained and renamed the Rail Project Governance Working Group, to provide elected representative project governance oversight of the pre-implementation and implementation phases of the Start-Up Passenger Rail Service project.

At the NZ Transport Agency board meeting on 14 December 2018, the SSBC for the Hamilton to Auckland Start-Up Passenger Rail Service was endorsed and funding for the pre-implementation phases of the project was approved (subject to a number of conditions).

The SSBC identified a range of projects that sit within the overarching delivery programme of the service.

- The construction of a railway station at The Base and potential improvement works for the Frankton station (if required);
- The upgrade and re-opening of the existing railway station at Huntly;
- Track and signalling works to enable safe and efficient operation;
- Modification and overhaul of rolling stock to provide a good passenger experience;
- Upgrade of Maintenance and Depot facility at Te Rapa; and
- Service operation (station access, ticketing, fares, timetables and marketing).

Each one of these projects will have their own delivery structures and project managers. Each project manager will be in charge of reporting to a programme manager appointed by Waikato Regional Council, accountable to a technical control group with staff representatives from each participating organisation. The programme manager will then escalate matters to the Rail Project Governance Working Group if necessary.

In order to deliver a high quality programme with a range of sub-projects, the Rail Project Governance Working Group will make strategic, operational and programme delivery decisions that will be bound by the delegations provided to the Working Group and the voting rights set out in this document and provide direction to the staff technical control group.

### Purpose of the Working Group

The purpose of the Working Group is to:

- Make recommendations to the NZ Transport Agency and local councils (as the project investors) regarding matters that could change the level of service outlined in the SSBC;

- Sign off an Assurance Plan, within which the Working Group can make recommendations and decisions within agreed tolerances;
- Provide direction and guidance to staff when additional work will be required as part of the pre-implementation and implementation phases of the project;
- Undertake overall project budget monitoring;
- Ensure a robust risk reporting framework is in place and key project risks are being satisfactory managed;
- Propose recommendations to the respective Council Authorities and NZTA when escalation is required;
- Provide direction to the Rail Technical Control Group and the Programme Management Office to successfully deliver the required infrastructure and pre-service capital/operational activities;
- Delegate decisions to the Rail Technical Control Group when required;
- Provide direction to progress funding and Board approval condition matters with the NZ Transport Agency;
- Approve and monitor a Community Engagement Strategy; and
- Approve media and stakeholder communication protocols.

To achieve the purpose stated above, the Working Group will also keep a watching brief on:

- Inter-dependencies with central government, councils, and partner organizations' regional plans and in particular the Hamilton to Auckland Corridor Plan development.
- The development of the Treasury Business Case for the rapid rail connection between Hamilton and Auckland led by the Ministry of Transport;
- The technical and professional advice provided by the respective project managers and the overarching programme manager;
- Technical advice from KiwiRail and Auckland Transport; and
- Consultation with mana whenua, whether Iwi or Hapu Authorities, when relevant to the project.

## Assurance Plan

An Assurance Plan will be produced and approved by the Governance Working group that sets out:

- Release of funding, cost control and meeting conditions;
- Programme, risk and benefits management;
- Key accountabilities for delivery of the projects and overall programme;
- Granting and execution of any delegations;
- Governance and transparent decision making;
- Standards of propriety in relation to procurement and general conduct;
- Technical standards that will be employed to deliver a high quality programme;
- Scrutiny and audit arrangements;
- Reporting standards; and
- Plans for customer / community engagement.

## Scope of Work

The scope is to firstly endorse a governance structure and confirm its establishment for recommendation back to participating organisations. This will be done in the first meeting of the Project Governance Working Group in February 2019. Subsequently the projects outlined in the background section of this document will be overseen by the Project Governance Working Group. The delivery matters that will be escalated to the Project Governance Working Group will have to meet one of the following criteria:

- Issues that cannot be decided and solved by the project managers and the programme management office;

- Matters that require political sign-off and oversight such as proposed changes to the level of service;
- Issues that can jeopardize the March 2020 start date;
- Any changes to scope, delays and unforeseen events that may result in an increase in forecast costs;
- Cost Scope Adjustment recommendations that need to be submitted to NZTA in Transport Investment Online; and
- Issues that require direct input from the NZ Transport Agency lead staff.

The main scope is the delivery of the service level as proposed in the SSBC in full by March 2020 and the benefits to customers via the provision of an alternative mode of transport for interregional commuting. This will be done with the support of all project investors and partners. Additionally, the Project Governance Working Group will be in charge of briefing central government officials and the Corridor Plan Governance Group with progress of the start-up service project.

## Membership

The proposed membership of the Project Governance Working Group is set out in the table below (subject to confirmation from each participating organisation).

Organization	Representative
Waikato Regional Council	Cr Hugh Vercoe (Chair) and Cr Russ Rimmington
Hamilton City Council	Cr Dave Macpherson Cr Geoff Taylor (alternate)
Waikato District Council	Cr Dynes Fulton Cr Eugene Patterson (alternate)
KiwiRail	David Shepherd
Auckland Transport	Mark Lambert, EGM Integrated Networks, Alternates-Stacey Van Der Putten (Group Manager Metro Service Delivery), Craig Inger (Manager Train Services)
NZ Transport Agency	James Llewellyn Barry Dowsett (alternate)
Ministry of Transport	Erin Wynne Bryn Gandy (alternate)

The attendance will be limited to members, staff of the Project Governance Working Group partner organisations and other participants approved through the Chair.

**Note:** The representatives of each organisation might change after the Local Government elections scheduled for October 2019.

## Voting Rights

The following member parties have been considered as those having to make recommendations regarding level of service changes, budget adjustments and the issues outlined in the scope section:

- Waikato Regional Council;
- Waikato District Council;
- Hamilton City Council;
- NZ Transport Agency; and
- Auckland Transport.

The role of KiwiRail as the service provider is to provide technical advice on matters affecting the passenger rail service between Hamilton and Auckland.

The role of the Ministry of Transport will be to provide central government support and guidance in alignment with the Government Policy Statement on Land Transport and input regarding the fast rail connection business case between Hamilton and Auckland.

The intent of the parties is to develop a collaborative decision making framework and reach decisions by consensus to ensure success of the project.

## Chair

The chair of the Project Governance Working Group will be the Chair of the Waikato Regional Transport Committee.

## Meetings

The Project Governance Working Group is envisioned to meet bi monthly. Due to the tight delivery timeline for this programme the Chair can call an extraordinary meeting where required. Agenda papers will be distributed in advance of every meeting.

## Support

Waikato Regional Council, as the client for the service, will take responsibility for hosting meetings and supporting the Project Governance Working Group.

## Programme

Key meeting dates for the Project Governance Working Group in 2019 and first quarter of 2020 by phase type are outlined below:

Phase	Date	Tentative Agenda Items
<b>Pre - Implementation</b>	18 February 2019	Governance Structure Terms of Reference Review Timeline Gateway review process
	March 2019 (date TBC)	Rolling Stock - moving to implementation phase
	May 2019 (date TBC)	Meeting pre-implementation conditions
<b>Implementation</b>	July 2019 (date TBC)	TBC
	September 2019 (date TBC)	TBC
	November 2019 (date TBC)	TBC
	January 2020 (date TBC)	TBC
	March 2020 (date TBC)	TBC

### Appendix 3 – Project Governance Structure

