

**MINUTES OF THE NEW ZEALAND TRANSPORT AGENCY  
SPECIAL BOARD MEETING**

**HELD ON THURSDAY, 15 OCTOBER 2009**

**IN THE NEW ZEALAND TRANSPORT AGENCY BOARD ROOM, NATIONAL OFFICE  
CHEWS LANE, LEVEL 2, VICTORIA ARCADE, 44 VICTORIA STREET, WELLINGTON**

Approved by the Chair	_____
Date	____/____/____

**PRESENT:** Brian Roche Garry Moore  
Christine Caughey Bryan Jackson  
Alick Shaw

**IN ATTENDANCE:** Geoff Dangerfield Julia Shackleton  
Dave Brash Steve Budd  
Dave Whiteridge Lyndon Hammond  
Karl Fergusson

**i. Apologies**

Apologies were received from Grahame Hall and Paul Fitzharris.

**ii. Declarations of Interest**

No declarations or conflicts of interest were declared.

## Minutes

### 1c Auckland Regional Transport Authority (ARTA<sup>1</sup>) Auckland Integrated Fare System and National Integrated Ticketing Update

Board paper 09/10/0269

#### Resolved:

That the New Zealand Transport Agency Board:

#### *Strategy*

- a. **agrees** that the introduction of a national integrated ticketing system is a key value driver with respect to both the interests of consumers and the transport system, and will assist in the development of a more informed purchasing strategy by NZ Transport Agency (NZTA) with respect to the ongoing operation and funding of public transport in New Zealand;
- b. **agrees** that a future national ticketing system should allow NZTA to be the full and unencumbered owner of the data from the Central System (so as to inform its future purchase decisions),
- c. **agrees** that the NZTA should have the responsibility to set the technical standards to operate and be complied with by all equipment suppliers, transport operators and regional councils;
- d. **agrees** that the system needs to have the capability to allow inter-operability and the option for multiple equipment suppliers and operators to participate in the system;
- e. **agrees** that ownership by NZTA of the Central System was required in the first instance but the Board remains open to some form of alternative ownership approach in the future
- f. **agrees** that operation of the national integrated ticketing system should support the maximum level of competition and contestability consistent with value for money and technical feasibility
- g. **notes** that in July 2007 the Land Transport NZ Board adopted the following five guiding principles for the development of smartcard ticketing systems in New Zealand:
  - i. Regional Councils to specify smartcard system requirements, including requirements for ensuring confidentiality in relation to access to, and use of commercial data;
  - ii. Smartcard system operation not to be run by a public transport operator;
  - iii. Regional Councils to use open procurement procedures to select smartcard system contractors;

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<sup>1</sup> References to ARTA includes all its successor organisations.

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- iv. Regional Councils to be encouraged to seek economies of scale by sharing clearing houses and other elements of smartcard systems; and
- v. Regional Councils and their smartcard system contractors to work towards inter-operability;
- h. **notes** that these principles have guided the NZTA Board's (the Board's) decision making throughout the development of the AIFS proposal;
- i. **agrees** to bring forward the implementation of inter-operability (d(v) above), and provide leadership in the development of a national solution with regional inter-operability and compliance with the NZTA's standards;
- j. **agrees** to two additional principles:
  - i. the NZTA should be the owner of the national transport ticketing central system capability and all national ticketing data, to enable greater efficiency and transparency in the transport system
  - ii. the NZTA should set transport ticketing system open standards to enhance inter-operability and contestability
- k. **notes** that whilst ARTA have undertaken a ticketing system procurement for an Auckland regional integrated ticketing and fares solution, the intention to extend use of key components of this system nationally was open and transparent in this tender, including reference in tender briefings to the NZTA ticketing principles, as well as tender inter-operability and re-use requirements;
- l. **notes** that the NZTA intentions for national use of the AIFS Central System solution has been assured by ongoing NZTA staff involvement in tender evaluations and preliminary negotiations, and that staff have affirmed the preferred solution as the best value for money solution (involving extensive evaluation assessments consistent with the NZTA approved procurement procedure) for Auckland, and for use as a national system at no extra cost.
- m. **agrees** that the national ticketing programme under development will ensure rational co-ordination and delivery of NZTA national public transport ticketing objectives and principles covering the areas of:
  - i. Strategy and Policy,
  - ii. Standards and Compliance,
  - iii. National Data Warehouse, and
  - iv. National Central System Development.
- n. **notes** that in the longer term the national ticketing programme should work towards a nationally usable transit card.

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- o. **agrees** that the Board is satisfied on the basis of advice received that the Central System components of the Auckland Integrated Fare System (AIFS) from preferred tenderer Thales, provide a sound basis for the national ticketing programme and that the system is as good as, if not better than, that which could have been achieved through a separate procurement process;
- p. **agrees** that the NZTA should control the development and roll out of the Central System in order to realise the national procurement, information, planning and public transport effectiveness benefits, and that the Central System is designed in an open way such that additional transit and other applications can be added on in the future as appropriate;
- q. **agrees** that the AIFS funding investigation team has now concluded its options analysis as approved at the June Board Meeting; the team included external contractors with commercial and technical skill sets, worked closely with ARTA staff, and the results have been subject to external review by an international ticketing system specialist, such that the Board is satisfied it provides a value for money solution for Auckland and for development of a national integrated ticketing system
- r. **notes** that the offering from the AIFS preferred tenderer (Thales) is built on internationally recognised transit ticketing standards, proven equipment and 'back office' technology and an open architecture (which ensures contestability), and that they are an internationally experienced ticketing provider that stands behind its fixed price offer;
- s. **notes** that the proposed ticketing solution is well designed to meet customer and operator needs, and that there are comprehensive plans to work with customers, operators, ticketing industry, Councils and other stakeholders to meet their needs in both Auckland and nationally;
- t. **agrees** that the AIFS preferred tender provides the maximum inter-operability requirements available internationally, however, some of these requirements will need further development and consultation with councils, operators and the industry;
- u. **notes** that the Central System is scheduled for completion by December 2010 and that the integrated ticketing and fares system for Auckland will be substantially completed by October 2011

*Funding*

- v. **approves** funding for ARTA's AIFS system as follows;
  - i. \$20.00 million for the Central System at a funding assistance rate of 100% from C funds, (on the basis that the NZTA receives all rights to the entire Central System, all ticketing open standards, all related system Intellectual property and operational control, from ARTA on request);

- ii. implementation of the AIFS Rail System and Project Delivery, at an estimated cost of \$38.25 million and a funding assistance rate of 60% (NZTA share \$22.95 million) from C funds; and
- iii. operational costs for AIFS estimated at \$12.85 million from the current NLTP (2009 to 2012, NZTA Share \$7.71 million), thereafter annual AIFS operational costs averaging \$8 million per annum until the 2021 year at a 2012-2021 year cost of 68.00 million (NZTA total 2009-2021 funding share \$48.51 million) all at a funding assistance rate of 60% from N funds.

*subject to:*

- iv. as a condition precedent, ARTA demonstrating evidence of its ability and commitment to obtain and service capital funding for the on-bus and operator depot equipment (estimated cost of \$20 million), confirm capital and operational funding for the full balance of the AIFS (ie: share of items ii and iii above) and obtain Auckland Transitional Authority (ATA) approval, prior to any funding being made available under this approval;
- v. ARTA agreeing to establish and place all of the Central System functions (including all relevant assets, intellectual property, operations, and contracts) into a specific legal entity that will be transferred to the NZTA (unencumbered and at the sole discretion of the NZTA) for a consideration of \$1.00;
- vi. as a condition precedent to funding, ARTA and the NZTA completing a legal agreement stipulating that ownership of this legal entity will transfer in total to the NZTA, when decided by the NZTA, but no later than payment of the final capital payment to the system contractor, being based upon satisfactory delivery and operational performance of all Central System functions, including all supporting services and procedures;
- vii. notes that on the date of the transfer of the ownership of this entity from ARTA to the NZTA, an appropriate portion of the opex provided in the National Land Transport Programme (NLTP) for the AIFS project would also transfer to the NZTA. Accordingly, neither the NZTA nor ARTA will require additional funding as a result of the transfer;
- viii. ARTA's agreement that, prior to any funding being made available beyond detailed design and to be in place by 31 March 2010, the AIFS Programme will adopt the governance and programme management models recommended later in this paper, including:
  - use of the SSC recommended project management methodology (Prince2);
  - agreed programme gateways and gateway value reviews;
  - establishment of a programme assurance role, and
  - establishment of a Project Change Control board with the NZTA and the Auckland Regional Council (ARC) (or successor funding organisation) representation;

- ix. ARTA's commitment to ensure the following steps occur to the satisfaction of the NZTA's Chief Executive, prior to any funding being made available beyond detailed design (an estimated \$9-10m to this point), and to be completed by 31 March 2010:
- completion of the detailed requirements and design phase of the AIFS programme, including re-assurance of full AIFS costs as the next appropriate gateway;
  - confirmation of adequate ARTA operational funding to meet all elements of the AIFS project, including required business, stakeholder and customer change activities, without increases in the levels of National Land Transport Programme (NLTP) funding agreed in this paper;
  - the timely preparation, maintenance and execution of comprehensive stakeholder management and communications plans;
  - comprehensive customer evaluation and testing of all front end devices with relevant groups (including card holders, drivers, and re-load agencies);
  - the development, agreement and implementation of revised fares structures, prior to system implementation;
  - the review and costing of required changes to fully support the changes to the Public Transport Management Act that impact on financial settlement processes and the system capabilities required to support these functions;
  - the NZTA requirement to review and approve AIFS specifications and standards related to the Central System functions, interface specifications and card standards, to ensure they support both AIFS and national objectives;
  - ARTA to develop and maintain programme contingency plans for staged, prioritised ticketing roll-out in the event of cost over-runs and/or constrained funding;
  - ARTA to provide support for NZTA funded resources in the AIFS programme to ensure national perspectives are represented;
  - ARTA to support an NZTA case management approach to allow ongoing specification, monitoring, and support of the NZTA interest in the AIFS solution;
- w. **notes** that until the conditions precedent in v(iv) and v(vi) above have been achieved to the satisfaction of the Board Chair and Chief Executive, this funding approval is provisional and does not bind the NZTA;
- x. **agrees** that the AIFS tender process will be completed by ARTA when condition precedents are satisfied and contract signed with the chosen tenderer and unsuccessful tenderers informed of the outcome;
- y. **notes** the reasons for recommendations set out in paragraphs 116-118 and in the Addendum Assessment tabled at the Board meeting;

- z. **notes** that ARTA is responsible for funding the full balance of AIFS funding for bus equipment (estimated at \$20 million) and for any ongoing cost of servicing that funding;
- aa. **notes** that the total required NZTA capex funding in support of AIFS is \$42.95million, which is within the maximum capex funding envelope of \$44m agreed by the Board in June, and has been provided for in the NLTP;

*Risk Management*

- bb. **notes** that there are transition and implementation risks in the national ticketing approach, including:
  - i. ensuring appropriate fares policies are implemented and working in advance of the ticketing system to optimise customer and system transition,
  - ii. Auckland governance changes affecting ARTA's capability to deliver the AIFS programme
  - iii. unsuccessful AIFS tenderers taking pre-emptive installation actions in conjunction with Auckland Operators, to compromise the AIFS solution and Auckland regional benefits
  - iv. incumbent regional ticketing system suppliers publically resisting and /or taking actions to delay change and the resulting efficiency benefits
  - v. legal challenge(s)
  - vi. technology risks associated with implementation
- cc. **requests** the Chief Executive to develop a risk management plan to ensure these risks are minimised and mitigated to the extent possible, including effective stakeholder communications, management systems and programme controls and gateways (v(viii) and v(ix) above);

*Approach to Inter-operability options*

- dd. **agrees** to adopt the International Standards Organisation (ISO) integrated ticketing system standards set (also known as IOPTA or CEN) as the basis for New Zealand smartcard transit ticketing system inter-operability standards, specifically ISO/IEC14443, ISO24014-1, EN15320, EN1545, and such New Zealand derivations and extensions as the NZTA Chief Executive sees fit, and that the development of such local extensions, will include engagement with the New Zealand smartcard ticketing industry;
- ee. **notes** that through adoption of a standards based approach, and standards compliance testing and certification, the Central System and its subsequent leverage nationally, will allow other suppliers to tender to provide smartcard integrated ticketing equipment in Auckland and other regions in the future, and will ensure resilience and security for ticketing systems in NZ;

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- ff. **notes** that a number of options have been investigated and considered to allow appropriate intra and inter-region ticketing equipment and system inter-operability to obtain national strategic ticketing objectives and value for money;
- gg. **notes** that the adoption of a standards-based approach is the approach now being taken in the majority of new systems internationally; it is considered to minimise long term costs and risks, will ensure over time a higher level of consumer choice, and is the investigation team's recommended approach in Auckland and New Zealand;
- hh. **notes** that the Board considered three specific national ticketing system options designed to enhance inter-operability and contestability:
- i. individual region-wide ticketing systems utilising NZ national standards compliant ticketing equipment from one or more suppliers, connecting to a single national Central System,
  - ii. individual region-wide ticketing systems utilising NZ national standards compliant ticketing equipment from one or more suppliers, connecting to a single national Central System, that also:
    - allows public transport or ticketing and card scheme operators to licence specific commercial use of a standard regional smartcard, and/or,
    - permits use of a distinct region-wide ticketing Central System that provides data updates to the National Data Warehouse,
  - iii. region-wide ticketing systems that (in addition to the above) allow NZ national standards compliant devices, but with competing regional card and central systems to operate under certain conditions;
- ii. **agrees** that the first two options will be supported under the national integrated ticketing programme approach and are supported by the current AIFS funding approvals;
- jj. **agrees** that the third option is technically feasible but that as a result of investigations and ticketing industry feedback this option will not be supported;

*Reporting back on National Programme Implementation*

- kk. **requests** that the Chief Executive report back at the 18 December 2009 Board meeting; with a paper on;
- i. options for managing Central System assets, ticketing operational activities and ultimately leveraging any cost recovery and/or commercial opportunities
  - ii. recommendations on the operational elements, along with the capability and organisational implications of the NZTA taking future ownership of the Central System,
  - iii. the National Ticketing Programme plan, including elements referred to earlier (i above),



*National leverage of AIFS components*

- II. **agrees** to the principle that regional ticketing systems will be required as a condition of funding to support the national ticketing approach as justified by an appropriate business case compared to other options, but where full integration is not justified, as a minimum regional ticketing systems must adopt national card and ticketing system open inter-operability standards as soon as practical, and actively support development of a national public transport data warehouse.

Bryan Jackson / Christine Caughey