

Tolling Back Office Systems Replacement

Commercially sensitive

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| Meeting Date | 1 March 2022 |
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Purpose

This paper requests the Board to approve the implementation and ongoing managed services, for a 10-year period, of a new user interface and back office processing system for the Waka Kotahi Tolling service. This is necessary to ensure that Waka Kotahi has a supported system, and to provide functionality for upcoming toll roads as well as to support new capability that may be required, e.g. congestion charging.

Recommendations

It is recommended the Committee recommends the Board:

- **Approves** the overall cost of section 9(2)(b)(ii) for the implementation and ongoing managed service of the proposed tolling solution over a 10-year period.
- **Approves** the commercial arrangements in principle with delegated authority being given to the Chief Technology Officer to execute the Master Services Agreement (MSA) and specific Statements of Work under the MSA for the on-going support, maintenance and upgrades (subject to accompanying risk assessment, legal, and financial reviews).
- **Notes** that the current back office system and platform used for tolling are at end-of-life and extended support for the current system has a finite timeline.
- **Notes** that we have undertaken a full RFP (Request for Proposal) process, facilitated by PWC, including an independent probity auditor. The evaluation considered offerings from multiple providers and included a robust requirements and value for money assessment.
- **Notes** that the complete upgrade will be delivered in a single phase by June 2023.
- **Notes** that the preferred vendor, SICE, will be subject to Waka Kotahi Master Services Agreement (MSA). Ongoing operational support and maintenance will be via a managed service arrangement. The arrangement is for a total period of 10 years, with breaks at five and eight years; providing Waka Kotahi the opportunity to extend the functionality to other services or to change the contract construct if required.

- **Notes** that the whole of life costs, over a 10-year period, **section 9(2)(b)(ii)**, including implementation, and ongoing managed services, and **section 9(2)(b)(ii)** contingency).
- **Notes** that the new tolling platform can be extended and used for other modules and capabilities **section 9(2)(f)(iv)**

Strategic relevance

The ability to set tolls is provided under the Land Transport Management Act (LTMA) and it is Waka Kotahi practice to consider all new infrastructure investments for tolling. The back-office system for tolling is the mechanism for processing trips and collecting tolls.

Not having the ability to toll would be inconsistent with current policy and business plans and would remove the ability to use tolling for the purposes provided for in the legislation e.g. to bring forward road construction, to pay for maintenance and operation costs. Furthermore, we would need to identify how to manage any revenue shortfall that will be left for the existing three roads that are being tolled.

This initiative is one of the transformational initiatives identified in Our Plan and is part of Te Hau Ora (Digital Portfolio). This initiative will facilitate delivery of a secure and resilient service to enable functionality to meet policy.

Background

Road tolling is a regulatory function and is a service provided by Waka Kotahi. Waka Kotahi has an aging back office system (BOS) that is used to process trips, payments and infringements for toll roads. The current system (website and back office) was implemented in 2009 with the website being separated out in 2016. The current tolled roads are:

- NGW – Northern Gateway from Orewa to Puhoi
- TEL – Tauranga Eastern Link
- TKTD – Takitimu Drive, Tauranga

The current BOS:

- is end of life of due to the underlying solution and platform being unsupported;
- has a user interface to the BOS (website) does not meet **section 9(2)(c)** accessibility requirements;
- has a support contract with Kapsch with an end date of November 2022 and any extension for maintaining the supported components of the BOS, if possible, will have significantly increased costs.

In addition, the current BOS does not have functionality required for future toll roads, including:

- **section 9(2)(f)(iv)** to allow for the use of multiple gantries;
- increased or flexible pricing options, including differential charging for peak and off-peak and discounting.

In early 2021, after consideration of several options, including out-sourcing, the procurement of a new end-to-end back-office system to support tolling in 2021 was approved. To ensure that Waka Kotahi received the best solution to meet its needs, an open Request for Proposal (RFP) was released to the market for an end-to-end back-office system.

The RFP process identified a preferred solution provided by SICE (Sociedad Ibérica de Construcciones Eléctricas, S.A.). SICE will supply and support a commercial off the shelf (COTS) product as a managed service solution].

Costs

The whole of life cost of the solution is estimated at circa section 9(2)(b)(ii). This includes vendor costs, Waka Kotahi costs, ongoing support and licencing costs. The cost of the current solution, which is fully depreciated, section 9(2)(b)(ii).

section 9(2)(b)(ii)

At the end of detailed design phase (currently planned for July 2022), the Tolling Projects Steering Committee will review whether the delivery of the project within cost, quality, scope and time remains feasible. This will also determine whether the allocated contingency is sufficient to successfully deliver the project. There will also be further negotiations with the vendor to reduce the overall cost envelope.

Benefits

Some of the benefits of the proposed tolling solution include:

- The proposed solution is a fully managed service whereby the selected vendor owns, manages and refreshes the solution and the underlying platform providing Waka Kotahi with an ever-green solution.
- Internal staff time to respond to toll-related queries is expected to decrease (across all levels that deal with these calls). The tolling website and backend functionality are integrated, and user-friendly; it is expected that customers will be able to manage their tolling account with fewer issues than today. Over time, we will also be able to offer a mobile solution to our customers.
- There is enhanced functionality for business users (large fleet management) and customers allowing them to manage their accounts on their own, rather than rely on Waka Kotahi staff to do this.
- Waka Kotahi will have a fully supported, modern, fit for purpose solution for processing toll trips and collecting payments.
- There is the potential for wider use of the new system as other services offered by Waka Kotahi; section 9(2)(f)(iv), and it is possible to provide functionality for other infringement processing.
- section 9(2)(b)(ii)

section 9(2)(f)(iv)

High Level Delivery timeframe

The new system is anticipated to be fully functional by June 2023. The implementation timeframe has been determined at 13-14 months; design work is forecast to start in March 2022.

section 9(2)(f)(iv)

Key issues

The key issue is the timeframe for delivery; it is expected that the current system will be required for a longer period before the new system is implemented. Costs have been factored in for the extension of the support contract, section 9(2)(c)
section 9(2)(f)(iv)

Health & safety, customer/stakeholder & environmental impact

The impact of this decision is considered by Waka Kotahi to be positive in terms of health and safety, the public and other stakeholders, and the environment.

Toll roads bring user benefits including reduced journey time, more reliable journey times and reduced vehicle operating costs. If the system is not replaced, there will come a time when it will not be possible to collect tolls; this will lead to significant disbenefits in terms of increased journey times, increased vehicle operating costs, increased safety costs, increased emissions etc.

Resource Centre

Document 1 [Implementation Business Case – Tolling System Replacement](#)

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