

In confidence

National Ticketing Solution (NTS) Business Case

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Whāinga | Purpose: For decision

This paper seeks Board endorsement of the National Ticketing Solution (NTS) Detailed Business Case, conditional approval of funding and delegation to the Chief Executive to approve and enter NTS commercial documentation.

He kupu whakatau | Recommendations

Management recommends the Board:

- **Endorse** the National Ticketing Solution Detailed Business Case (DBC).
- **Subject to** Waka Kotahi, Auckland Transport, Greater Wellington Regional Council, Environment Canterbury and the Regional Consortium agreeing to the agreed Participation (P2) Agreement:
 - **Approve** additional funding to Waka Kotahi for capex implementation of the NTS with total shared project costs of \$165.2m at a FAR of 100% from the Public Transport infrastructure activity class.
 - **Approve** funding to Waka Kotahi for opex implementation of NTS of up to \$65.9m at a FAR of 100% from the PT Services activity class.
 - **Noting** that there is an annual ongoing cost associated with the NTS of \$57m per annum at 100% FAR, which will be assessed as committed expenditure in the development of subsequent NLTPs.
 - **Noting** that PTAs' ticketing operational costs are expected to decrease after they transition onto the NTS and are no longer using their current PT ticketing system.
- **Note** that with the previously approved funding of \$27.5m total funding to Waka Kotahi for capex implementation of the NTS with total shared project costs of \$192.7m at a FAR of 100% from the Public Transport infrastructure activity class.
- **Delegate** authority to approve and sign the P2 Agreement, the Ticketing Solution Master Service Agreement (TMSA) and contracts for financial service arrangements to support the operation of the NTS¹, to the Chief Executive.

Take matua | Key points

- Waka Kotahi approval of the DBC will signal positive intent to the PTAs and ensure continued project momentum which will facilitate PTA approvals for signing of the P2 Agreement.
- The DBC has been subject to an internal and external independent quality assurance review process and has also recently been considered and approved by the Delegations Committee

¹ Financial service arrangements are expected to comprise contracts for merchant acquiring services, transit card program manager services and transit card retailer network manager services.

(on 16 June 2022). Based on the current roadmap assumptions in the DBC, the NTS will provide a positive BCR position of 1.7, providing benefits and value to all PTAs and the wider public.

- PTA relationships have continued to improve, and they are close to obtaining approvals to sign the P2 Agreement.
- Appropriate delegations to management will provide a swift channel for completing contractual negotiations and signing of key commercial documentation, reducing the potential for additional delays and further signalling to key stakeholders Waka Kotahi's commitment to the NTS project.

He kōrero mō tēnei kaupapa | Background

In April 2022, management asked the Board to note their intention to request an endorsement of the overarching DBC for the NTS in early July 2022. This was to be done ahead of other NTS partners to give other NTS partners certainty and confidence to proceed.

Kia mōhio mai koe | What you need to know

Project momentum will be assisted by affirming position of leadership of Waka Kotahi

Progress on the NTS project towards final commercial agreement remains contingent on several critical dependencies, including successful completion of contract negotiations, partner commitment and confirmation of implementation sequence.

Waka Kotahi can ensure continued project momentum by agreeing to the recommendations outlined in this paper, giving a clear signal to the PTA's that Waka Kotahi is committed to the NTS project and the proposed funding model. We believe this will facilitate PTA approvals for signing of the P2 Agreement.

Update on DBC, request for endorsement and approval of funding

The DBC has been subject to an internal and external independent quality assurance review process and has also recently been considered and approved by the Delegations Committee (on 16 June 2022). The Delegations Committee also approved the recommendations sought in this paper.

Based on the current roadmap assumptions in the DBC, the NTS will provide a positive BCR position of 1.7, providing benefits and value to all PTAs and the wider public.

A summary of the key findings and key benefits of the NTS has been included in the Resource Centre with the IQA Report on the DBC.

Relationships and the status of PTAs

As noted in previous discussions with the Board, PTA participation is a key risk. In order to mitigate that risk, and to ensure ongoing PTA support of the NTS programme, the project team have continued to recognise PTA views and concerns in the commercial NTS negotiations and in the preferred NTS solution.

GWRC, ECan and the Regional Consortium are ready to implement the NTS as soon as possible and we understand they will be seeking the relevant approvals in August and September 2022, prior to local government elections.

In respect of AT, there has been an ongoing focus on involving AT in the commercial discussions. This is to ensure key personnel within AT have greater clarity and assurance that the final NTS solution will meet their commercial and operational requirements and to ensure that transition risks are known and able to be mitigated. Options are also being considered to bring implementation and

transition of NTS for AT forward in the programme. AT is increasingly supportive, and management are optimistic that they will proceed to agree the P2 Agreement following the endorsements and delegation sought in this paper. We understand that AT will be seeking their approvals in September 2022.

Delegation

Current NTS commercial status

NTS contract negotiations had paused with a reset of the negotiation plan at the time of the April 2022 Board Paper. Since then, the relationship with the preferred ticketing solution supplier has matured. Contract negotiations have recommenced based on the principles agreed in the reset phase and the negotiation team are aiming to reach final agreement with the preferred ticketing solution supplier by the end of August 2022.

Delegation to senior management to agree key NTS documentation

Delegation to the Waka Kotahi Chief Executive to agree key NTS documentation will provide a swift channel for completing contractual negotiations and signing of key commercial documentation. This will reduce the potential for additional delays and further signalling to key stakeholder's Waka Kotahi's commitment to the NTS project.

In the unlikely event the contract negotiations aren't completed, and/or a contract is not signed in accordance with the current project timetable, then we will revert to the Board with potential options outlining a way forward for the PTAs.

Ability for management to agree certain changes within delegation

Following signing of the P2 Agreement, the roadmap to implementation of the NTS will continue to be developed in conjunction with PTAs and other stakeholders over time through the detailed design of the NTS. There are two areas where there could be a difference between that articulated in the current DBC and the finally agreed NTS:

- sequencing and phasing of the transition of PTAs onto the NTS may evolve as further detail is worked through; and
- project costs could change as the negotiation on the commercial arrangements for the NTS progress and further details of the NTS implementation are concluded.

Any changes will be managed within the funding parameters of the DBC, in accordance with the delegations requested. If this is not able to be achieved, and changes are required to the funding assumptions outlined in the DBC, then further information will be provided to the Board for a decision at that point.

Continuation of interim funding prior to execution of P2 Agreement

In April 2022, the Board confirmed that previous funding of \$27.5m at a 100% FAR from the Public Transport Infrastructure activity class was to continue to be available to cover ongoing and expected NTS costs that will be incurred by Waka Kotahi and PTAs prior to approval of the DBC. Given that funding as outlined in the DBC is subject to the condition precedent that Waka Kotahi and the PTAs sign the P2 Agreement, this funding may still be required in respect of procurement activities and costs incurred prior to entry into the P2 Agreement.

Update on Governance Review

Following a review, a revised governance structure for NTS has been proposed and endorsed by the Mobility Payments Governance Group, addressing key blockers in completing the P2 Agreement.

The Governance Review is included in the Resource Centre.

The revised governance structure for NTS will be implemented following execution of the P2 Agreement.

He whakaaro anō | Other key considerations

Tiro rangi me te tai | Environmental & climate change considerations

The Government Policy Statement 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 specifically identifies “deliver national integrated ticketing for public transport” as an action that will be taken in the first budget period.

The DBC covers environmental and climate change implications of the NTS, including that increased access and convenience will encourage more people to use public transport more often, and ultimately contribute to reducing New Zealand’s carbon emissions and improving safety and congestion on our roads.

Involvement of Risk & Assurance Committees

The Risk and Assurance Committee has been kept regularly apprised of the project and have been integrated into the procurement team and governance of the NTS.

In May 2022, the Risk and Assurance Committee considered a paper that provided more detail on the risks being managed through the programme, the criticality of the Waka Kotahi approvals process within the wider programme context and proposed changes to the project governance structure.

As noted above, delegations to management in respect of the NTS will be subject to ongoing and regular updates to Risk and Assurance Committee in relation to progress and risks associated with the programme.

Ā muri ake nei | Next steps

- Senior management to agree and execute the P2 Agreement with PTAs and establish the NTS in accordance with delegations.
- Following execution of the P2 Agreement, the sequence of activities contemplated by the funding outlined in the DBC are as follows:
 - signing contracts with the preferred ticketing solution provider and financial service; providers to support the operation of the NTS;
 - standing up the Shared Services Organisation as part of Waka Kotahi;
 - design and build the NTS;
 - phased transition of PTAs onto the NTS; and
 - ongoing operations of the NTS.

Senior management intends to provide an update paper to the Risk and Assurance Committee in September 2022 to confirm:

- contract negotiations are complete and signed;
- all Partners have or are committing to signing the P2; and
- the signing milestone is on track.

Resource Centre (Diligent)

Document 1	Summary of DBC
Document 2	IQA Report on the DBC
Document 3	Governance Review

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