



**MINISTERIAL BRIEFING NOTE**

<b>Subject</b>	Lower North Island Rail Integrated Mobility (LNIRIM) project
<b>Date</b>	7 June 2024
<b>Briefing number</b>	BRI-3054

Contact(s) for telephone discussion (if required)				
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Deborah Hume	National Manager Multimodal Integration	section 9(2)(a)		✓
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**Action taken by Office of the Minister**

- Noted
- Seen by Minister
- Agreed
- Feedback provided
- Forwarded to
- Needs change [please specify]
- Withdrawn
- Overtaken by events

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7 June 2024

**Hon Simeon Brown – Minister of Transport**

## LOWER NORTH ISLAND RAIL INTEGRATED MOBILITY PROJECT

### Purpose

1. This briefing provides you with an update on the role of NZ Transport Agency Waka Kotahi (NZTA) in the Lower North Island Rail Integrated Mobility (LNIRIM) project and provides assurance that NZTA is satisfied that value for money will be achieved.
2. This briefing follows written briefings on LNIRIM you have received from the Ministry of Transport and a meeting you held with Greater Wellington Regional Council (GWRC) on 9 May 2024.

### Background and context section

3. The LNIRIM project involves the purchase of new trains and necessary track upgrades to support the provision of passenger rail services on the Manawatu and Wairarapa Lines.
4. The National Land Transport Fund (NLTF) is making a significant contribution to the project and its share of the LNIRIM project has been approved by the NZTA Board. A multi-part funding agreement is now with you for signing, consisting of the following:
  - Crown funding of \$450 million.
  - NLTF funding of \$350 million.
  - GWRC funding of \$71 million.
5. Once the funding agreement is signed, NZTA will begin to release the NLTF share to GWRC to enable the next stage of procurement, issuing the Request for Proposal (RFP). This will ensure the current aging rolling stock is replaced in time for services to Wairarapa and the Manawatu to continue.
6. NZTA is aware that you are looking for increased confidence that the proposed approach will deliver the best value for money with respect to the proposed service increases and the types of technology that are ultimately procured.

### NZTA role in the project

7. GWRC is the project owner, both delivering the project and running the procurement process. GWRC is experienced in this area, having successfully procured and introduced the Matangi fleet into service in 2010. Further, GWRC has engaged WSP and its international rolling stock team to support the process.

8. The project has progressed through the National Land Transport Programme (NLTP) process and the role of NZTA in the project is as a co-investor (at a standard 51 percent Funding Assistance Rate) with local government. To date we have:
  - assessed and recommended GWRC's Indicative Business Case and Detailed Business Case to the NZTA Board
  - approved funding for implementation of the NLTF share of the project under section 20 of the Land Transport Management Act 2003
  - supported the Ministry of Transport in the rescoping of the project following an unsuccessful outcome in Budget 2022
  - approved the procurement procedure to allow GWRC to procure new rolling stock, under section 25 of the Land Transport Management Act.
9. This is the standard investment assurance role undertaken by NZTA for all local government projects funded through the NLTP. Our role from this point in the project is outlined further below.

### Options considered to deliver best value for money

#### *Business case process*

10. The process used for LNIRIM is fully compliant with the NZ Treasury 'Better Business Case' and NZTA business case approach and resulted in a robust option assessment. This approach included a long list assessment and subsequent short list assessment of options. Through this process, the options assessed included Battery-Diesel Multiple Units, new Diesel Multiple Units (DMUs), second-hand DMUs, and diesel locomotive and carriages as well as electric multiple units (such as the Matangi fleet), Bi/Tri-Mode Units and other options.
11. Through the indicative business case process a long list of 25 options was evaluated using a qualitative assessment against the following unweighted criteria:
  - costing
  - timescales
  - infrastructure
  - environment
  - technology
  - future considerations.
12. Through the detailed business case process, the resulting short list of eight options was assessed through more detailed multi-criteria analysis against the investment objectives and against critical success factors. All objectives were given equal weighting in the assessment process. The objectives included the following:
  - Improve network productivity and efficiency.
  - Improve connectivity and access to opportunities (reliability).
  - Improve connectivity and access to opportunities (safety).
  - Improve corridor capacity.
  - Improve the attractiveness of public transport.
  - Reduce carbon emissions.

*Procurement procedure*

13. The Expression of Interest (EOI) and future RFP process is guided by Government Procurement Rules, the NZTA Procurement Manual and a specific LNIRIM procurement procedure that NZTA has approved.

14. **section 9(2)(b)(ii)** [Redacted]

[Redacted]

[Redacted]

[Redacted]

We are also satisfied that the proposed evaluation team is appropriately staffed and that, in accordance with our procurement manual, at least one member holds a necessary qualification, such as the National Certificate in Civil Engineering – Asset Management (Competitive Pricing Procedures) or equivalent.

18. The approach described above and undertaken by GWRC is good practice and consistent with the Government Procurement Rules and the NZTA Procurement Manual.

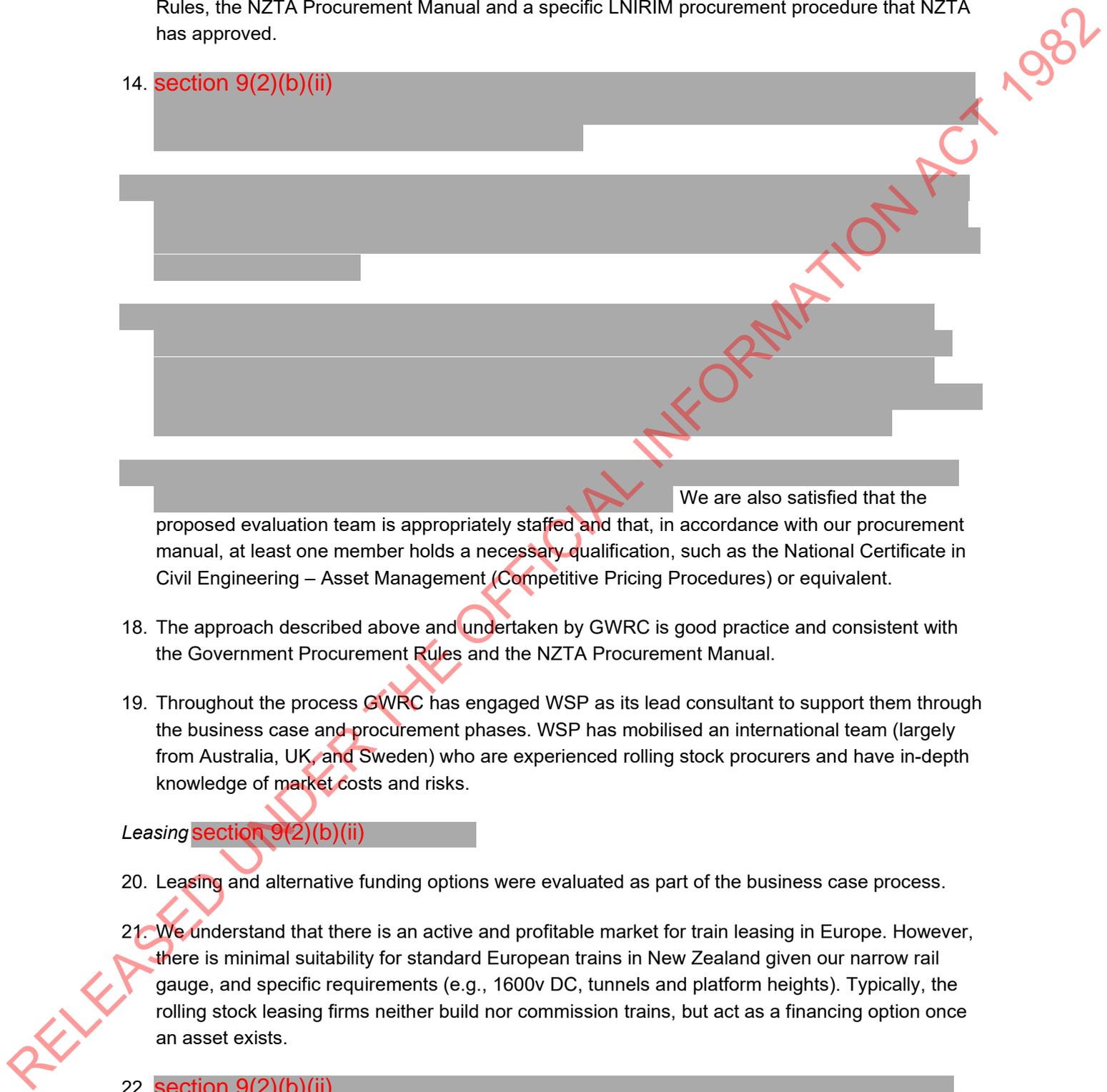
19. Throughout the process GWRC has engaged WSP as its lead consultant to support them through the business case and procurement phases. WSP has mobilised an international team (largely from Australia, UK, and Sweden) who are experienced rolling stock procurers and have in-depth knowledge of market costs and risks.

*Leasing* **section 9(2)(b)(ii)** [Redacted]

20. Leasing and alternative funding options were evaluated as part of the business case process.

21. We understand that there is an active and profitable market for train leasing in Europe. However, there is minimal suitability for standard European trains in New Zealand given our narrow rail gauge, and specific requirements (e.g., 1600v DC, tunnels and platform heights). Typically, the rolling stock leasing firms neither build nor commission trains, but act as a financing option once an asset exists.

22. **section 9(2)(b)(ii)** [Redacted]



section 9(2)(b)(ii)

### Rescoping following Budget 2022 outcome

23. Following an unsuccessful outcome in Budget 2022, NZTA worked with the Ministry of Transport to support discussions through its Investment Panel to test the option proposed in the business case and find additional savings.
24. This process included a full interrogation of the rationale and evidence provided for the proposed service uplifts (increasing capacity and frequency) to both the Manawatū and Wairarapa lines, as well as the economies of scale of funding both together, compared to retaining the ability to fund the uplift of one service and not the other.
25. NZTA also further interrogated the future patronage forecasts given current patronage levels and the expected impact of:
- recent land use reforms on urban development in the regions served by the two services.
  - new roading projects in the catchment area north of Wellington, such as Transmission Gully and Ōtaki to North of Levin.
  - the reality of changing work patterns (i.e., more people working from home).
26. These processes resulted in a reduction in the quantity of rolling stock from 22 units to 18 units, with associated service frequency reductions.
27. section 9(2)(b)(ii)
28. The rescoping exercise has already reduced the order to 18 units and delivered a potential saving of almost \$100 million (based upon a pro-rata unit price). section 9(2)(b)(ii)

### NZTA's role going forward

29. NZTA is actively engaged on the LNIRIM project through a number of its functions:
- An ongoing role in the approval of ongoing, and more detailed procurement strategies and plans for specific elements of the project.
  - As a member of a cross-organisational governance group.

- Ongoing co-investment through the Public Transport Service activity class in the operational costs of the resulting service.

30. These roles allow us to continue to apply commercial tension through the procurement and implementation phase to ensure the process delivers value for money outcomes.

**Next steps**

31. We are satisfied that the previous and ongoing work, which is fully aligned with All-of-Government processes, will deliver a project that provides best value for money over a whole-of-life basis.

32. section 9(2)(b)(ii) [Redacted]

33. We note the importance of replacing the rolling stock, which is nearing end of life, to ensure rail services continue to Wairarapa and Manawatū. NZTA will begin to release our share of the remaining funding, upon signing of the agreement.

34. NZTA continues to be involved in the governance of the project and is satisfied that best practice business casing and procurement has been undertaken to achieve value for money.

**It is recommended that you:**

1. **Note** the contents of this briefing.



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**Brett Gliddon**  
Group General Manager Transport Services

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**Hon Simeon Brown, Minister of Transport**

Date: 2024

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