

# BOARD PAPER

<b>Paper no:</b>	2018/12/1325
<b>Meeting date:</b>	14 December 2018
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<b>Recommended by:</b>	Brett Gliddon, General Manager System Design and Delivery
<b>Board function:</b>	Significant planning, investment and operational matters
<b>Subject:</b>	<b>Hamilton to Auckland Passenger Rail Start Up Service – Business Case Approval and Funding of Transitional Rail and Public Transport Activity</b>

# It is recommended that the NZ Transport Agency Board resolves to ...

- **Endorse** the Hamilton to Auckland Passenger Rail start up service Single Stage Business Case, subject to 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.
- **Approve** 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.
- **Approve** 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 subject to 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subsequent that the right of Transport Agency to re-use the asset should the start up service not proceed, or be withdrawn during or at the end of the five year period.
- **Approve** 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.

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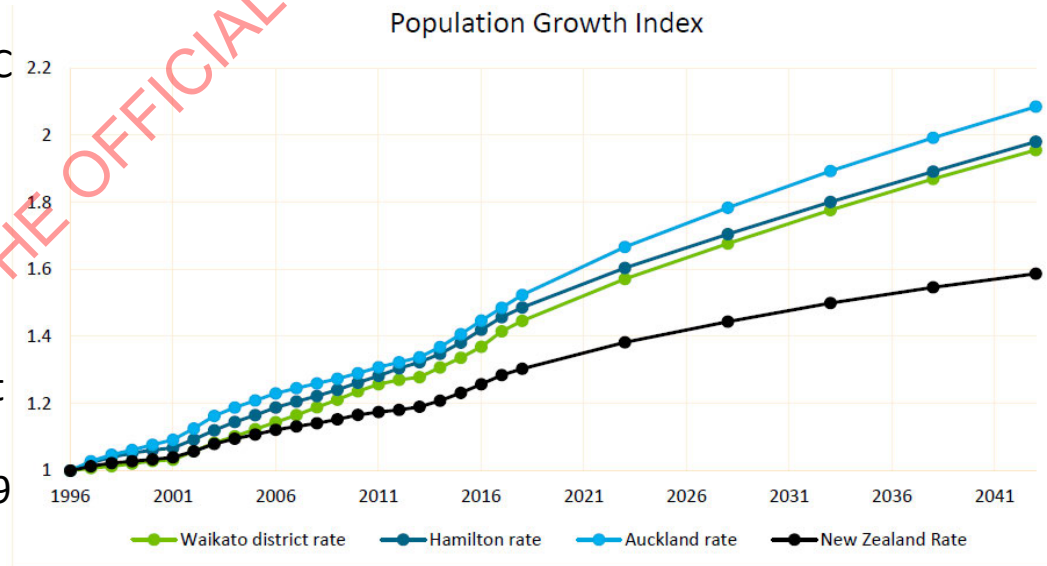
# It is recommended that the NZ Transport Agency Board resolves to ...

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- **Approve** 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.
- **Note** 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.
- **Note** 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.
- **Note** 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.
- **Note** 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.

# Responding to significant growth and lack of transport choice between Hamilton and Auckland

- There has been significant population and business growth within Hamilton and the Waikato District, with high levels of projected demand for housing along the corridor
- Waikato Regional Council (WRC) has been investigating a passenger rail service from Hamilton to Auckland since late 2017
- In order to access NLTF funds, WRC commenced the development of a Single Stage Business Case for the Hamilton to Auckland (H2A) Start-Up Passenger Rail Service (SSBC) in August 2018
- The SSBC has been prepared under significant time constraints - with WRC and its local and central government partners strongly committed to a March 2020 start date for the new service
- In order to meet the March 2020 start-time, rolling stock refurbishment and preliminary implementation is desired to commence by January 2019



# Hamilton to Auckland Integrated Corridor Spatial Plan development

- The Cabinet Economic Development Committee (April 2018) endorsed a partnership proposal to develop an integrated strategic spatial plan for the Auckland – Hamilton Growth Corridor (the Corridor Plan)
- Ministry of Business, Innovation and Employment (MBIE) has lead a partnership group (including central and local govt and iwi) that has facilitated the development of the Corridor Plan
- Objectives for the spatial plan are:
  - To better support growth and increase connectivity in a way that realises the corridor’s social, economic, cultural and environmental potential by:*
    - *improving housing affordability and choices*
    - *enhancing the quality of the natural and built environments and the vitality of communities*
    - *improving access to employment, public services and amenities*
    - *creating employment opportunities.*
- The high level development pattern is to concentrate growth at either end of the corridor – Drury – Pokeno and the greater Hamilton City area
- Progress made to date includes development of a draft Spatial strategy that discusses corridor development strategy, specific areas of focus and draft transformational initiatives
- A staged approach to developing an intercity rail link is one of the identified draft transformational initiatives
- Next steps:
  - 14 December 2018: Working draft Corridor Plan discussed with Leadership Group (Minister Twyford and Local Govt political leaders)
  - January – July 2019: Complete Corridor Plan, broader consultation, agree forward partnership and implementation

# The Proposed Start Up Service fits within the wider Corridor Plan

## ONE THE PAKAKURA-POKENO CORRIDOR

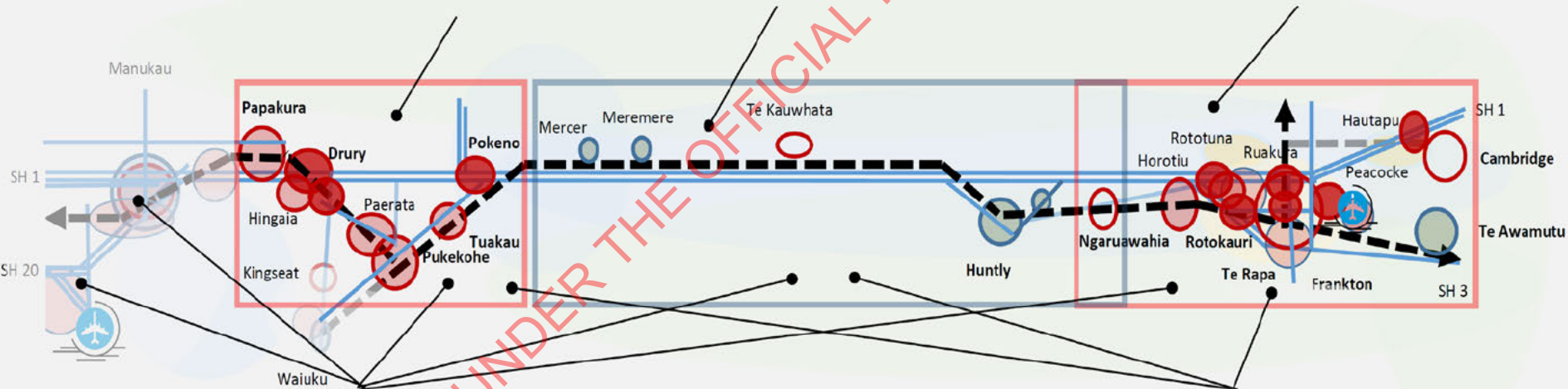
Support and unlock the significant residential and employment development potential of this string of well-defined, rail-linked settlements through integrated growth management and key transformational projects.

## TWO THE RIVER COMMUNITIES

Support community and mana whenua-led revitalisation and targeted growth that will realise the full value of the natural, transport, marine and recreational networks that braid the area together as an asset for its people and many others who can visit and travel through.

## THREE THE HAMILTON-WAIKATO METRO AREA

Support and unlock the residential and employment development potential of this fast-developing metropolitan area through joint planning, integrated growth management and key transformational projects.



## FOUR STRONGER CORRIDOR CONNECTIONS

Support the realisation of the above three area-based strategic directions with improved transport, green open space and recreational networks along the entire corridor

## FIVE NEW TOOLS AND OPTIONS TO UNLOCK THE FULL POTENTIAL

Supporting the realisation of full development potential in the above three areas through new housing, social and network infrastructure planning, funding and financings tools and options for local authorities, iwi, central government, developers and land owners.

# The SSBC outlines the following service and operational elements

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- Two weekday morning and evening peak trips, and one weekend service, between Frankton (Hamilton) and Papakura, with intermediate stations at The Base (Rotokauri) and Huntly
- Travel further north into Auckland from Papakura would require passengers to change on to the Auckland Transport (AT) Metro network
- Total journey time from Frankton to Britomart would be around 2 hours 30 minutes
- The proposed adult return fare from Frankton to Britomart is \$32 (using two smartcards)
- Two diesel locomotives and eleven newly refurbished carriages would operate the service
- The provision of Sunday and inter-peak services would be investigated through the course of the five year period

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# Key Issues for Consideration

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- Sensitivity tests in the Business Case suggest that value for money will change depending on the eventual costs and benefits:

Metric	Low	Mid (SSBC)	High	Very High
Patronage at Start	-20% below SSBC	As per SSBC	20% above SSBC	40% above SSBC
Patronage Growth	As per SSBC	As per SSBC	3.7%	3.7%
Operating Costs	+10% above SSBC	As per SSBC	As per SSBC	As per SSBC
Capital Costs	+10% above SSBC	As per SSBC	- 20% below SSBC	- 20% below SSBC
Benefit (PV \$m)	49.92	<b>62.40</b>	84.36	98.42
Costs (PV \$m)	137.33	<b>118.81</b>	102.92	99.03
BCR	0.4	<b>0.5</b>	0.8	1.0

s 9(2)(g)(i)

- As lead infrastructure aligned to the Government Policy Statement on Land Transport (GPS) 2018 , this project is a “transformational step change” for modal shift, but requires capex investment early to achieve long run benefits

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# Key factors for Transitional Rail and Public Transport Funding Assistance Rate (FAR) Decisions

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- **These activities are key to achieving step change in mode shift from private cars to public transport sought in the GPS for inter-regional travel**
- These activities are nationally important in the context of the potential contribution of rail to achieving GPS outcomes for the environment, access and safety
- The Hamilton to Auckland passenger rail represents 'lead infrastructure' with levels of uncertainty in respect of patronage and cost, which is balanced by a significant opportunity to commence inter-regional rail services between two of New Zealand's most populous and proximate cities
- Funding is time-bound and ring-fenced in respect to the Transitional Rail activity class, pending the outcome of the Future of Rail review

# Next steps

If the Board agrees to and approves the recommendations in this paper:

- The Waikato Regional Council will be informed immediately
- A media release will be issued (prior to the relevant Minutes of the 14 December 2018 Board meeting being confirmed)
- The following information will be made available on the Transport Agency website (to meet obligations under section 20D(2) of the Land Transport Management Act 2003, after approving or declining funding for activities or combinations of activities, to place a copy of the decision, and the reasons for the decision, on its website):

*'Initiating an Hamilton to Auckland inter-regional Passenger Rail service will be a key enabler of further regional and economic growth and providing modal choice for Corridor users and residents. Providing staged funding will allow the Councils and key stakeholders to align this service with the emerging Hamilton to Auckland Corridor Plan and enable a pathway to the Government's aspirations for a long term rapid rail service between the two Cities.*

*The start up service could also be integrated with better bus services to Waikato townships in the Corridor, some of which currently have no bus service.'*

- The funds approved, if any, will be released to the Waikato Regional Council for purchase of rolling stock (prior to the relevant Minutes of the 14 December 2018 Board meeting being confirmed)