

TO Nigel Corry, Chief Executive
COPIED TO Nicki Lau Young, NTS Project Director
FROM Scott Gallacher, General Manager, Metlink
DATE 14 April 2022

FOR YOUR ACTION: APPROVAL MEMO AND PROCUREMENT MEMO FOR INTERIM SNAPPER ON RAIL SOLUTION

Implementation of the Interim Snapper on Rail Solution in support of Metlink's resilience and preparedness: Preparing for National Ticketing Solution (NTS)

1. The purpose of this approval memorandum is to request your approval to:
 - a) the implementation of an interim roll out of Snapper electronic ticketing across the remainder of the rail network (the Interim Solution) - noting the Johnsonville line pilot commenced in November 2021 - with the expectation that the full network (rail, bus, ferry, and cable car) will transition to the NTS in approximately 2.5-4 years, with the most recent insights from Waka Kotahi indicating it is more likely closer to 4 years;
 - b) Out of Scope [REDACTED]
 - c) Out of Scope [REDACTED]
2. Out of Scope [REDACTED]
3. We are therefore requesting that you agree to the above approvals **subject to** Waka Kotahi approval to FAR funding of the Interim Solution.
4. The memo also notes the arrangements that will need to be put in place for revenue protection under the Interim Solution and the upcoming approvals in this regard.

Background

5. Since mid-2018 electronic ticketing has been provided on all buses in the Wellington Region under the IBTS (Interim Bus Ticketing System) Agreement with Snapper Services Ltd. Rail has continued to use paper tickets pending the introduction of the NTS which has had a number of implementation dates, but at the time of the IBTS agreement was scheduled for implementation in 2021/2022.
6. On 14 November 2021, GWRC initiated a pilot of Snapper on the Johnsonville Rail Line (Johnsonville line pilot) as part of its transition to NTS to learn from operational and customer

experience. This trial has already been very successful, providing many learnings and generating a positive customer response.

7. GWRC received advice from Waka Kotahi in December 2021 that a state of readiness of NTS for implementation on the Wellington network will not be before mid-2024 at the very earliest.
8. As a result of this advice, a proposal to implement the Interim Solution on the remainder of the rail network (Kapiti, Hutt, Melling and Wairarapa lines) has been explored to enable us to meet community needs that come from electronic ticketing, and in support of ongoing resilience and preparedness objectives. This would be implemented by extending Snapper to the remainder of GWRC's rail network in November 2022.

Scope

9. The functionality of the Interim Solution will be limited to that needed to introduce electronic ticketing on an interim basis onto the rail network. This means that, for the large part, the functionality (including validator form) would be the same as the Johnsonville line pilot, with minor additions to reflect the fare requirements for multiple rail lines moving to Snapper.

Benefits of Interim Snapper Solution

10. There are a number of benefits in implementing the Interim Solution ahead of a transition to the NTS. These are:
 - Contactless payment option for rail in a Covid environment. While the option to pay by cash on board the train is proposed to be retained during this Interim Solution, the ability to pay by Snapper will significantly reduce Council's financial exposure in the event that we need to move to only contactless payment to reduce health and safety risks for customers and workers.
 - Increased fare revenue through reduction in revenue leakage on rail (see cost/benefit analysis below).
 - Availability of data (which is non-existent or poor for aspects of the paper ticketing system) regarding rail usage in support of increased network planning and efficiency; and
 - Meeting community expectations of having electronic ticketing across our bus and rail network.
11. An extension of the Snapper on Rail trial will also provide invaluable lessons for the implementation of the NTS and its integration into Metlink operations and business activities. It will also continue the important step of culturally transitioning all rail customers to electronic ticketing to support a smoother NTS transition. Other key learnings will include revenue protection, passenger behaviour and flow management and optimal location of physical electronic ticketing devices and its retail network.

Cost and Financial Benefits of the Interim Solution

12. There is currently an LTP provision of \$68m (\$49m Capex, \$18m Opex) for the introduction of integrated fares and electronic ticketing this triennium.
13. The total incremental cost (above the expected GWRC's NTS implementation costs) of the Interim Solution and assuming a transition to NTS in February 2025 is \$18m of project opex. SoR is intended to be a short-term interim arrangement only in place for 2-3 years and

providing key learnings for the wider roll-out of NTS. It is therefore proposed that any spending on Snapper on Rail this triennium be treated as non-capital project cost (project opex). As such, this can be funded via a combination of loan and rate funding.

Note that the \$18 million estimated cost of implementing Snapper on Rail relates to both one off implementation costs of \$8 million plus estimated ongoing ticketing operation costs of \$10 million. These ongoing ticketing operation costs would have needed to be incurred if NTS was introduced earlier.

Of the \$8million one off implementation costs, it is estimated that approximately half relates to infrastructure costs that will not be re-incurred for NTS.

14. The expected financial benefit from the Interim Solution over the same timeframe from increased revenue protection is \$14.6m (opex).
15. This results in a net cost of the Interim Solution of \$3.4m given it is expected that up front capital expenditure will be mostly offset by operational savings. Out of Scope

Procurement of Snapper Ticketing Services

16. Out of Scope
17. Out of Scope

18. Out of Scope [Redacted]

Agreement with Waka Kotahi

19. Out of Scope [Redacted]

Revenue Protection Arrangements

20. The move to electronic ticketing is expected to significantly reduce the amount of fare evasion on our rail network provided GWRC ensures that revenue protection measures are in place to check customers have tagged on Snapper cards.

21. Out of Scope [Redacted]

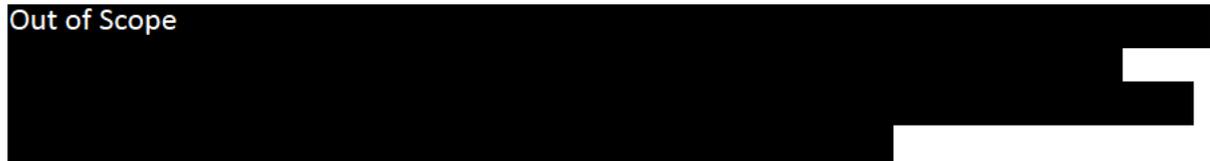
Recommendations:

22. Out of Scope [Redacted]

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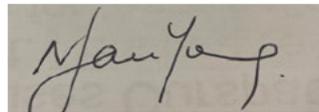
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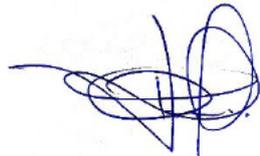
Approval

The following people have reviewed, support or endorse this document, before it is provided to the Authorised Delegated Financial Authority (DFA):

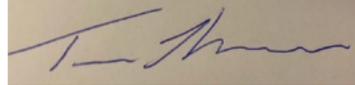
Prepared by:

Name	Title/Team	Date	Signature
Nicki Lau Young	Project Director – NTS	12/04/2022	

Reviewed by:

Name	Title/Team	Date	Signature
Luke Baron	Strategic Finance Business Partner	12/04/2022	
Deborah Kessell-Haak	Manager Legal & Procurement	13/04/2022	
Alard Russell	NTS Commercial Lead	13/04/2022	
David Lewry	NTS Technical and Business Lead	13/04/2022	

Supported by:

Name	Title/Team	Date	Signature
Tim Shackleton Governance Group	Metlink Manager Commercial, Strategy & Investment	13/04/2022	
Bonnie Parfitt Governance Group	Metlink Manager Network & Customer	13/04/2022	
Scott Gallacher Governance Group	General Manager Metlink	19/4/2022	

Approval and sign off

Contract and Procurement approach as set out above approved by (Authorised DFA):



Signature

Nigel Corry
Chief Executive

Date: 19/4/2022

Out of Scope

[REDACTED]

¹ While the expected NTS implementation date is February 2025, the contract termination date includes a 22 month window in the event that the NTS is delayed. Note \$1.2 M has already been approved for JVL line through to June 2023, in the IBTS Pilot Procurement memo dated May 6th, 2021.