

11 April 2023

File Ref: OIAPR-1274023063-963

[REDACTED]
[REDACTED]

Tēnā koe [REDACTED]

Request for information 2023-047

I refer to your request for information dated 10 March 2023, which was received by Greater Wellington Regional Council (Greater Wellington) on 10 March 2023. You have requested the following:

“Please send me a copy of the ORIGINAL business case for introducing snapper on the regional train network”

Greater Wellington’s response follows:

There was no original business case for introducing snapper on the regional train network. Therefore, we are refusing this part of your request under section 17(e) of the Local Government Official Information and Meetings Act 1987 (the Act) on the basis that the document alleged to contain the information requested does not exist or, despite reasonable efforts to locate it, cannot be found.

When refusing a request under section 17(e) of the Act, we are required to consider consulting with you. In this instance, we do not believe consulting you would change the outcome of our decision.

Following the successful pilot of Snapper on Rail on the Johnsonville rail line, Waka Kotahi supported Greater Wellington to implement Snapper across the whole Wellington rail network from November 2022. Electronic ticketing provides invaluable data regarding how our rail services are being used which will help us improve future rail service planning.

In February 2022, a report was presented to Council to advise it of an interim solution for an electronic ticketing solution prior to the implementation of the National Ticketing Solution. This report contains information relating to rationale for the introduction of Snapper on the rail network and is attached as **Attachment 1** to this letter.

In April 2022, an approval and procurement memorandum was prepared for the Chief Executive to enable the implementation of the interim Snapper on rail ticketing solution. A copy of this memorandum is attached as **Attachment 2** to this letter.

- On page 4 you will see that some information has been redacted from the memorandum. We have redacted information as it falls outside the scope of your request and is marked accordingly.
- Appendix A sets out the Cost/Benefit Breakdown when implementing Snapper on Rail. Some financial information has been redacted. This has been withheld under section 7(2)(b)(ii) of the Act on the basis that releasing this information would likely prejudice the commercial position of the person who supplied the information or who is the subject of the information and has been redacted and marked accordingly.
- Appendix B sets out the breakdown of implementation costs. The detail of the financial breakdown has been redacted. This has been withheld under section 7(2)(b)(ii) of the Act on the basis that releasing this information would likely prejudice the commercial position of the person who supplied the information or who is the subject of the information and has been redacted and marked accordingly.

We have considered whether the public interest in the requested information outweighs Greater Wellington's need to withhold certain aspects of the requested information. As a result, we do not consider that the public interest outweighs Greater Wellington's reason for withholding parts of the document under the grounds identified above.

If you have any concerns with the decision(s) referred to in this letter, you have the right to request an investigation and review by the Ombudsman under section 27(3) of the Act.

Please note that it is our policy to proactively release our responses to official information requests where possible. Our response to your request will be published shortly on Greater Wellington's website with your personal information removed.

Nāku iti noa, nā



Samantha Gain

Kaiwhakahaere Matua Waka-ā-atea | General Manager Metlink

For Information

NATIONAL TICKETING SOLUTION – INTERIM SOLUTION

Te take mō te pūrongo

Purpose

1. To advise Council of an interim solution for an electronic ticketing solution prior to the implementation of the National Ticketing Solution (NTS).

Te aukati atu i te marea

Exclusion of the public

2. Certain information contained in this report relates to interim ticketing procurement and contracting in the Wellington Region. Release of this information would be likely to prejudice or disadvantage the ability of Greater Wellington to carry on negotiations with its ticketing provider for the Metlink public transport network (section 7(2)(i)). Greater Wellington has not been able to identify a public interest favouring disclosure of this information in public proceedings of the meeting that would override the need to withhold the information.

Te tāhū kōrero

Background

3. Electronic ticketing has been provided on buses in the Wellington Region since mid-2018. Ticketing is provided by Snapper under the Interim Bus Ticketing System Agreement (the IBTS Agreement).
4. Rail has continued to use paper tickets pending the introduction of the NTS which was scheduled for implementation in 2021/2022.
5. On 14 November 2021, Greater Wellington initiated a Snapper on Rail trial on the Johnsonville Line to learn from operational and customer experience as part of its transition to NTS. This trial has been very successful – with a Snapper uptake of between 70% - 80% of customers in the first four months.
6. Following advice from Waka Kotahi NZ Transport Agency (Waka Kotahi) in December 2021, we are now aware that the NTS will not be available to implement on the Wellington network until mid-2024 at the earliest.

Interim Solution

7. In recognition of the strong expectation of our communities to have electronic ticketing available across the Metlink network, particularly as we continue to navigate COVID-19, there is an opportunity for Greater Wellington to extend Snapper across the whole Wellington rail network on an interim basis prior to transitioning to the NTS (the Interim Solution). The proposal is that Snapper would be rolled out across the Kāpiti Line by August 2022 and then the entire rail network by December 2022.
8. The Interim Solution would enable the following:
 - a Contactless payment option in a COVID-19 environment. Greater Wellington's only current mechanism to significantly reduce risk during a COVID-19 environment is to remove the requirement to pay on rail therefore increasing revenue leakage
 - b Increased fare revenue through reduction in revenue leakage on rail
 - c Greater and significantly improved data and insights regarding rail usage to increased network planning and efficiency
 - d Meeting community expectations on having electronic ticketing across our bus and rail networks.
9. The Interim Solution would also provide invaluable lessons for the implementation of the NTS, including commencing the important step of culturally transitioning rail customers to electronic ticketing. Other key learnings for a smoother NTS transition include ensuring appropriate location of physical electronic ticketing devices and its retail network, as well as embedding revenue protection strategies.
10. Waka Kotahi senior management has indicated it is supportive of the Interim Solution as a transitional activity to the NTS provided the terms and conditions of any contract with Snapper enable a transition to NTS when it is available. This would result in the costs of the Interim Solution being FAR funded. Waka Kotahi Board approval is expected to be sought at its March 2022 Board meeting.
11. The contractual basis for the Interim Solution would be through a variation to the IBTS Agreement.

Timelines and actions required

12. In order to implement the Interim Solution by August 2022 and December 2022 respectively, Snapper has indicated that it would need a signed variation to the IBTS Agreement by mid to late February 2022 (given the lead times for equipment orders).
13. Given we will not have formal Waka Kotahi Board support for the Interim Solution to be FAR funded by this time, the Greater Wellington Chief Executive will execute the variation to the IBTS Agreement on condition that it will be terminated in the event that this support is not received (or Council does not subsequently approve in absence of Waka Kotahi support).

Implications for implementation of National Ticketing Solution

14. As set out above, the Interim Solution will enable early access to electronic ticketing for the remainder of the Greater Wellington's rail network customers given the delay in the NTS.
15. We are able to use this delay to reduce risks in transitioning to NTS when it is available by starting the cultural shift of rail customers to electronic ticketing. We will also have better passenger flow data to enable us to set up validators and ticketing machines under NTS to better meet our customer and network requirements.
16. The contract with Snapper for the Interim Solution will be set up to ensure Greater Wellington can transition to NTS when it is available.

Ngā hua ahumoni

Financial implications

17. There is currently a provision in the 2021-31 Long Term Plan (LTP) of \$86 million (\$49 million Capex, \$36 million Opex) for the introduction of integrated fares and electronic ticketing over the four year NTS implementation period.

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 reincurred for NTS.

18. The estimated cost for implementing NTS is \$51 million and the estimated incremental cost of implementing the Interim Solution is \$18 million. This means that we will remain within the current LTP provision for implementing both the Interim Solution and NTS.

19. It is noted that:
 - a while total spending is within the LTP provision, the phasing and nature of spend (capex/opex split) has been revised with updated information without any additional funding impact
 - b there is an expected financial benefit from the Interim Solution over the four financial years from increased revenue protection.

Te whakatūtakitaki

Engagement

20. Officers have engaged extensively with Waka Kotahi on this Interim Solution.

Ngā tūāoma e whai ake nei

Next steps

21. The Greater Wellington Chief Executive will execute the variation to the IBTS Agreement on condition that it will be terminated in the event that this support is not received (or Council does not subsequently approve in absence of Waka Kotahi support).

PROPOSITIVE EXORCISM ASE

Ngā kaiwaitohu
Signatories

Writer	Nicki Lau Young – Manager NTS, Metlink
Approver	Scott Gallacher – General Manager, Metlink

PROACTIVE EXCHANGE.ASE

**He whakarāpopoto i ngā huritaonga
Summary of considerations**

Fit with Council's roles or Committee's terms of reference

While the subject matter of this report more closely aligns with the purpose of the Transport Committee in its terms of reference (To ...set the operational direction to deliver public transport and mode-shift), the timing of the next Transport Committee meeting (24 March) means that it is appropriate that Council be informed.

Implications for Māori

There are no implications for Māori resulting from this report.

Contribution to Annual Plan / Long term Plan / Other key strategies and policies

This matter is set out in the 2021-31 Long term Plan:

National ticketing solution: We will continue our work from the previous Long Term Plan on the roll-out of a contactless ticketing system through the development and phased implementation of the National Ticketing Solution and integrated fares across the public transport network

Internal consultation

The Metlink Group has consulted Finance and Legal & Procurement.

Risks and impacts: legal / health and safety etc.

Identified risks are set out in the body of this report.

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) a variation to the Interim Bus Ticketing Solution (IBTS) contract with Snapper to reflect the Interim Solution; and
 - c) signing the attached "side note" with Waka Kotahi, which underpins Waka Kotahi's agreement to funding the Interim Solution and our commitment around NTS.
2. We have been advised by Waka Kotahi management that the Waka Kotahi Board will be considering the Interim Solution at its Board meeting on 21 April. This approval would ensure FAR funding applying to the Interim Solution costs. In the event this is not approved, we will need to request Council approval for us to proceed unilaterally, and propose this could be done as an extraordinary meeting of Council following either the Council workshop on 26th or 28th April.
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.

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. The cost and benefit breakdown is set out in Appendix A. Note that there a number of other potential benefits that have not been quantified e.g., paper ticket cost savings, improved data insights, and customer experience etc.

Procurement of Snapper Ticketing Services

16. We are proposing to direct source the Interim Solution ticketing services to the existing supplier, Snapper Services Ltd, under a rule 14 exemption from open advertising. GWRC considers that exemption 14.9(c) applies for the following reasons:
 - This is expected to be a short-term technical solution until the NTS is available, and there is no reasonable alternative to achieve the required timeline of November 2022.
 - The existing contractor for the IBTS Agreement has significant technical knowledge of the existing system and will be able to more cost effectively deliver a service for rail.
 - There would be a substantial lead time and duplication of costs to get another supplier up to speed to deliver a rail outcome, which would still not be compatible with the bus network.
 - Snapper are in a unique position to deliver the pilot to the timescales required and with minimum operational risk.
 - To run a full procurement process would duplicate work being done as part of the NTS and could create a litigation risk.
17. The key terms for the Interim Snapper Solution are:
 - A 2-phase implementation programme with the Kapiti line going live in early November 2022 followed by the Hutt/Melling/Wairarapa Lines in late November.
 - The IBTS Agreement is an evergreen contract however the Interim Solution variation states a contract end date of December 2026 with GWRC rights to early termination on 18 months' notice. The December 2026 date has been chosen to give maximum flexibility in the event NTS is delayed.
 - Equipment and establishment costs will be paid off within 12 months. This is within the minimum possible contract duration which means that there is no need for complex mechanisms for calculating residual capital sums or balloon payments in the event of early termination for NTS.
18. The total value of the contract for the Interim Solution is \$17.7m if it runs for the maximum duration – the cost breakdown is set out in Appendix B.

Outside 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. We are currently working with Transdev, our rail operator, to agree arrangements for this Snapper checking to be undertaken by its train managers and passenger operators from July on the Johnsonville line pilot and from November on the rest of the network. In the next month, we will be seeking your agreement to a letter of agreement between Transdev and GWRC for the Johnsonville line pilot which will include GWRC paying for additional Transdev phones and transition costs for the pilot. We will also provide an update for the plans for the larger transition in November.

Recommendations:

22. It is recommended that, subject to Waka Kotahi Board approving FAR funding for the Interim Solution, that you:
 - a) **Approve** the implementation of the Interim Solution in advance of the transition to NTS at a total cost of \$18m noting a benefit of \$14.6m over a three year period;
 - b) **Approve** the appointment of Snapper Services Ltd for ticketing services for the period of 22 April 2022 until December 2026 up to a total cost of \$17.7m and on the terms and conditions set out in this memo;
 - c) **Outside scope** [REDACTED]
 - d) **Note** that the costs associated with the Interim Solution are already covered under the LTP;
 - e) **Note** the Snapper contract termination date is 22 months after the expected NTS implementation date of February 2025, to create continuity in the event that there is a further delay in NTS and noting the contract can be terminated with 18 months' notice without penalty if NTS is available earlier. The financial analysis has been prepared on

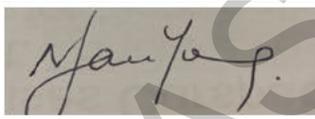
the basis of a February 2025 NTS implementation however approval is sought for the full contract amount;

- f) **Note** that if the Waka Kotahi Board does not approve FAR funding of the Interim Solution, we will need to consider proceeding unilaterally and seek Council approval for such a course of action. We have financial cover under the LTP to do this, but Council would need to approve that FAR funding would not be available for this project.

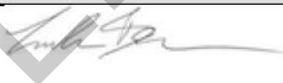
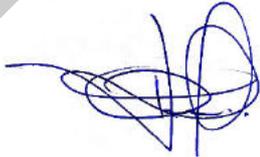
Approval

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

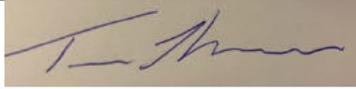
Prepared by:

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

PROACTIVE RELEASE

Appendix A – Cost/Benefit Breakdown

The table below provides a summary of the cost implications of implementing the Snapper on Rail Interim solution based on the following timelines:

- Snapper on Rail rolled out on the remainder of the network in November 2022
- Transition to NTS February 2025

The table below provides a breakdown of the incremental costs arising out of the interim option:

Additional Implementation Costs for Snapper Interim Option	
Snapper on Rail Pilot Costs	
Snapper - Establishment Fee	
Snapper - Additional Participation Fee	
Snapper - Equipment and Installation	
Revenue Protection during Trial	
Merchant Acquiring Costs During Pilot	
Additional costs i.e. maintenance/upkeep/data etc	
Customer Surveys	
Total Increase in Snapper on Rail Pilot Costs	\$15.6M
Marketing/Communications	
Data and Analytics/Reporting	
Free Transit Cards	
Integration of Snapper with existing Systems	
Snapper Decommissioning Costs	
Total Additional Costs from SoR Interim Options	\$18.0M

The table below shows that the additional \$18m of implementation costs are partially offset by revenue protection benefits of \$14.6m leaving a net cost of \$3.2m.

Note: these figures align with the NTS Detailed Business Case assumptions, however a reduced patronage benefit is assumed to take into account COVID impacts and no operational cost savings have been assumed on the rail network (with the exception of merchant acquiring costs).

	NTS Budget assuming 2022 Implementation	Updated NTS budget for 2025 Implementation	NTS Budget with SoR	Variance
Installation of New Assets	\$5.0M	\$5.0M	\$5.0M	\$0.0M
Decommissioning Costs	\$1.3M	\$1.3M	\$1.7M	\$0.4M
Transition Fare Strategy (Free fares)	\$9.3M	\$9.3M	\$9.3M	\$0.0M
Data Analytics and Reporting	\$1.0M	\$1.0M	\$1.5M	\$0.5M
Integration	\$4.6M	\$4.6M	\$4.9M	\$0.3M
Customer Communications (Marketing)	\$2.3M	\$1.4M	\$2.4M	\$1.0M
Transition resource Costs	\$7.8M	\$9.7M	\$9.7M	\$0.0M
Revenue Inspection	\$1.4M	\$1.6M	\$1.6M	\$0.0M
Incumbent Costs	\$3.0M	\$3.0M	\$3.0M	\$0.0M
Card Balance Transfer Costs	\$1.2M	\$1.2M	\$1.5M	\$0.3M
Wellington Rail Solution Design	\$1.4M	\$1.4M	\$1.4M	\$0.0M
Snapper on Rail Pilot Costs	\$7.3M	\$11.9M	\$27.5M	\$15.6M
Contingency	\$0.0M	\$0.0M	\$0.0M	\$0.0M
Total Implementation Costs	\$45.6M	\$51.3M	\$69.3M	\$18.0M
Improved Revenue Protection on Train Benefit	\$0.0M	\$0.0M	(\$14.6M)	(\$14.6M)
Total Costs after Benefits	\$45.6M	\$51.3M	\$54.7M	\$3.4M

Appendix B – Breakdown of Snapper costs for Interim Solution through to December 2026

Establishment fee (\$ ^{section 7(2)(b)(ii)} per month over 12 months): \$ ^{section 7(2)(b)(i)}

Monthly participation fee: ^{section 7(2)(b)(ii)}

- ^{section 7(2)(b)(i)} per month for on-going support on Johnsonville increasing to;
- ^{section 7(2)(b)(ii)} per month from Go Live date on Kapiti Line increasing to;
- ^{section 7(2)(b)(ii)} per month from Go Live for ongoing support of the Full Rail Network.

Equipment and Installation fee (paid over 12 months): \$ ^{section 7(2)(b)(i)}

- Installation fee - ^{section 7(2)(b)(ii)} per validator (assumption of 205 units)
- Equipment fee - \$ ^{section 7(2)(b)(i)} per validator, per month over 12 months

Decommissioning costs: ^{section 7(2)(b)(ii)} per validator (assumption of 205 units): \$ ^{section 7(2)(b)(i)}

Total: \$17,748,000.00

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.