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**Committee** Passenger Transport Committee  
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## Urban Passenger Rail

### 1. Purpose

To provide the Committee with an update of the negotiations with Toll Holding to put in place a long term urban passenger rail contract and other rail matters.

### 2. The Previous Competitive Pricing Procedure (CPP)

The Committee was advised that the advent of Toll and their decision to continue as the urban rail operator had led to Transfund agreeing to allow the Council to suspend the approved CPP. With no other procurement process established the approved CPP remained the only legal process, though suspended. Transfund have now approved a sole supply procurement process by determining that the contract and the negotiation required will be the procurement process. As a consequence of this decision I have informed all those that had submitted statements of interest and ability that the previous CPP has now been abandoned.

### 3. The Elements of the New Procurement Process

The Committee has previously been advised that there are several actions necessary to reach a conclusion on the future urban passenger rail contract: These are:

- Obtaining Transfund New Zealand funding support through their Allocation Process (TAP) which has been set up to comply with the Land Transport Management Act requirements.
- Obtaining Transfund New Zealand approval of the procurement process to be used, now deemed to be the contracts and its negotiation.
- Negotiation with Toll Holdings a long term contract for the provision of urban passenger services.

### 3.1 TAP

Transfund's Allocation Process (TAP) requires all proposals for funding be assessed under the following headings:

- Qualitative and quantitative descriptions of the proposal's contribution to national and regional objectives
- The alternatives and options considered
- Costs and benefits
- Implementation constraints and risks
- Proposed funding sources

The business case we are preparing is looking at the rationale supporting the retention of rail against other options and this will provide some of the answers to the above questions. Preliminary results from the business case analysis will be available soon. The business plan that is being initially prepared by Toll Holdings, a full version of which was received from Toll at a meeting held on 26 April, includes their thoughts on the capital requirements over a ten year period, details of operational costs, their projected revenue flows from current and future patronage, options for funding capital and finally the annual funding gap or likely annual contract price. This business plan forms part of the initial set of information to be used during the upcoming negotiation. Information from the business plan will also be used to fulfil the TAP requirements.

### 3.2 The Procurement Process

The approved procurement process is the contract and the negotiation. The contract will contain the performance expectations of the Council with penalties for poor performance, the treatment of productivity gains, asset management plans, expectations regarding service quality improvements and so on. As the contract will be the principle element of the procurement process the Transfund New Zealand Board will sign off its contents along with the Council prior to and after negotiations with Toll, if the contract is to be varied.

The second element of the procurement process is the negotiation of expenditure and funding relating to the requirements of the contract. Transfund New Zealand will not take a part in that negotiation but clearly will need to agree to their funding contribution, as will the Council.

## 4. Track Related Projects

TrackCo will be operational from 1 July 2004. TrackCo will be responsible for all rail track maintenance and improvements as well as the electrical supply network for Tranz Metro Wellington. The Waikanae electrification package will clearly be a TrackCo project. TrackCo will have a number of urgent maintenance projects to action up front. The Council needed to get the Waikanae package in front of TrackCo. This we have been doing recently through the distribution of the Waikanae electrification package submission to the TrackCo Board (**attachment 1**). This is however, not the only track related project of interest to the Council. In particular there are projects designed to increase the capacity of the Paraparaumu line which will become critical in

light of the recent Transit New Zealand announcement on the cost estimate for Transmission Gully.

## **5. Possible Timeline From Here**

The key actions and the earliest date for the completion are:

- May – Contract documentation completed and presented to Transfund Board and Council
- May – Business case/business plan presented to Council with implications, if any, for LTCCP
- June – Toll presented with contract document
- July – Negotiations with Toll over contract price and contract document
- August – Transfund/Council sign off contract negotiation and funding

## **6. Communications**

There will be a number of key events over the next few months and each will be worthy of communication to both stakeholders and the public.

## **7. Recommendations**

*That the report be received*

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**Attachment:**  
1 – Waikanae electrification package submission