



GET ON BOARD WITH AUCKLAND TRANSPORT

Request for Information Consultation Document - Part 1

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Glossary

AC	Auckland Council
AT	Auckland Transport
ANAA	Auckland Network Access Agreement
ARDP	Auckland Rail Development Programme
ATAP	Auckland Transport Alignment Project
ATOC	Auckland Transport Operating Centre
BTC	Britomart Transport Centre
CCO	Council-Controlled Organisation
CRL	City Rail Link
CRRL	City Rail Link Limited
DMU	Diesel multiple units

EMU	Electric multiple units
ETCS	European Train Control System
GPS	Government Policy Statement on Land Transport
LTMA	Land Transport Management Act 2003
MDBF	Mean Distance Between Failure
NNCC	Northern Network Control Centre
NZTA	New Zealand Transport Agency
O&M	Operation and maintenance
PTOM	Public Transport Operating Model
RLTP	Regional Land Transport Plan
RPTP	Regional Public Transport Plan

FOREWORD



MARK LAMBERT,
EXECUTIVE GENERAL
MANAGER INTEGRATED
NETWORKS, AUCKLAND
TRANSPORT

There's never been a better time to get involved in rail in Auckland.

Just last year, trips on Auckland's commuter trains exceeded 20.5 million – a record high. It's a stark contrast to

1994 when patronage was closer to a million and by 2045, boarding's are forecast to be 60 million.

So what's happened in the intervening quarter-century? And what's planned for the next?

For starters, Auckland's population has grown rapidly – 600,000 more people since 1994. That's not only meant more cars on our roads, but more potential rail patrons too. Many new residents have come from countries with a lot of commuting by rail: the UK, India, China.

Many commuters have realised there's no better way to cut through the city's traffic. The opening of Britomart Station in 2003 was a key year: allowing trains back into the city centre. So too was the merger of seven councils into one, in 2010.

Today, we have one Auckland Council and a determination to reinvigorate the region's rail services. We also have a central government that recognises the national and global implications of congestion: congested roads and motorways hinder economic activity and growth; air pollution, speeding vehicles and physical inactivity are causing harm; and road traffic produces a third of Auckland's greenhouse gas emissions.

All of which we've known for years; the difference now is we're acting – and electric trains are one solution. In 2013, AT took delivery of its first electric train. By the end of 2015, we had 57.

Quieter, shinier and carrying up to 232 seated passengers each, these have revolutionised Auckland rail. They made it attractive to those commuters who'd used 'comfort' as an excuse to stay in their cars and made it possible to move the increasing numbers of commuters faster

and more reliably. Most importantly, they sent a strong signal that we value off-road transport, and that it has a future.

Indeed, the future of Auckland rail is very bright: Under construction is the City Rail Link, which once completed in 2024, will be our first 'underground'. This October, we will start to receive the first of 15 more electric trains. Two light rail lines are being investigated for those areas not serviced by trains. Further electrification and extra stations are also being considered.

In total, more than \$8 billion has been earmarked for rapid transit investment over the next decade.

It certainly represents a coming of age for Auckland, as one of the Asia-Pacific region's leading cities.

And it's why, as I said at the start, there's never been a better time to get involved in rail in Auckland.

We trust you'll agree and look forward to hearing how you can be a part of Auckland's growing rail proposition.



A FUTURE RAIL FRANCHISE AGREEMENT – INTRODUCING A NEW OPERATING ENVIRONMENT AND GETTING YOUR FEEDBACK

The current rail operating contract for Auckland metropolitan services has been in place for a number of years, with Transdev operating the concession since 2004 through a series of contract renewals.

Auckland Transport (AT) now wishes to undertake a tendering process for a future rail franchise agreement, effective from 2021.

Development of a new rail franchise agreement provides an opportunity to review how AT engages with, and allocates responsibilities to, the rail services operator.

AT is considering moving towards a more vertically integrated operating environment for rail services, to capture the benefits of the rail operator having greater responsibility for, and control over, rail service delivery for the next phase of public transport and rail growth in Auckland.

Greater vertical integration is expected to remove and simplify interfaces, deliver greater efficiency and better customer and safety outcomes.

To inform the scope of the tender process, AT is undertaking early

engagement with the market to present AT's objectives in relation to the procurement and to communicate the operating and commercial model elements that are currently under consideration.

Under the proposed operating model, the rail services operator would assume greater responsibility and control across various operational elements of rail services provision than occurs now.

This consultation document is presented in two parts. Its purpose is to:

- Part 1 – Introduce the Auckland metropolitan rail franchise opportunity
- Part 2 – Gather information and feedback from the market on the optimal scope of the future rail franchise (i.e. the extent of responsibilities that might be performed by the rail operator across the rail value chain in Auckland) and how the future rail franchise agreement is best structured commercially to balance the interests of the future rail operator and the objectives of AT.

ABOUT AUCKLAND



OVERVIEW

Auckland has long been known as a place abundant in opportunities.

Its first name, Tāmaki Makaurau, means ‘Tāmaki desired by many’ – a reference to the resources and strategic vantage points that attracted Māori and then other settlers.

Located near the top of Aotearoa New Zealand, Auckland’s temperate climate, peaceful harbours and fertile volcanic soils made it as attractive then, as it is now.

Today, Auckland is home to almost 1.7 million people – around 35% of the national population.

It’s also the country’s economic engine room, generating nearly 40% of GDP and providing 37% of all jobs.

It’s the gateway to a booming national tourism industry too, welcoming at least 71% of all visitors to the country through its international airport and downtown cruise ship terminal.

And it’s growing rapidly, posing further opportunities as well as unique challenges, especially when it comes to transport.

LOCATION

Auckland is one of 13 regions in New Zealand, located approximately 400km from the top of the North Island.

The region takes its name from the town founded in 1840 on the shores of the Waitemata Harbour, one of three large harbours in the region.

Indeed, Auckland is defined by the waters that surround it: the Tasman Sea on its western flank, Pacific Ocean to the east, and the Waikato River down south.

Likewise, its weather is wet much of the year, even during its warm summers, with 180-220 days of rain per year.

This abundance of water has a direct bearing on Auckland’s transport system, with weather events that can present challenges, but to roading in particular.

In total, Auckland’s regional borders encompass 4,894 square kilometres (1,890 square miles) – about triple the size of Greater London.

POPULATION

Auckland is New Zealand's most populous region with an estimated population of almost 1.7 million, as of 30 June 2018.

The majority live in its urban agglomeration, built up around the Waitemata and Manukau Harbours, straddling the country's main state highway.

Population density in this urban area is roughly equivalent to Sydney but higher than other big cities in Australia and rising as housing becomes more intensified.

Outside the core area are dozens of satellite towns and villages, many of which service the surrounding rural communities. Around 12% of the population resides in predominately rural areas.

Auckland's population is currently quite young, with a median age of 33.9 – the lowest in the country and three years below the New Zealand median.

It's more ethnically diverse than the rest of the country too: with 11% identifying as Māori, 15% as Pasifika and 27% with an Asian ethnicity.

Indeed, immigration to New Zealand has largely been into Auckland, with the proportion of residents born overseas rising from 32% in 2001 to 39% in 2013.

Income disparities exist here, and the southern parts of Auckland's urban area are recognised as being of lower prosperity.

Providing an affordable and efficient transport network for all Aucklanders is thus a priority, especially as the region grows rapidly and disproportionately to the rest of New Zealand.



ECONOMY

Auckland is the commercial centre of New Zealand, generating almost 40% of national GDP.

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Key industries include science and technology, food and beverage, construction, tourism, screen and creative arts, and education.

Many major local and international companies have a commercial presence in the region, whether in the form of manufacturing facilities in industrial areas, or headquarters within the city centre.

Auckland provides jobs for over 730,000 people, mostly in the services and manufacturing sectors but also farming in the outlying districts.

Ports of Auckland is the country's biggest port, handling almost a million containers per year; while Auckland Airport processes close to two million passengers per year.

Retail centres are found throughout the region, especially in the main



urban areas, including covered suburban malls as well as traditional high streets.

Tourism makes a major contribution to the region's economy, with over seven million guest nights per year, or 17.5% of the national total.

All of which is made possible by the region's transport network.

GOVERNANCE

Auckland Council (AC) is the governing body for the entire Auckland region. Established by the Local Government (Auckland Council) Act 2009, it combined the functions of seven city and district councils and one regional council.

Their 2010 merger created an authority with responsibility for overseeing all civic and environmental activities within the region, what's known as a "unitary authority".

Council comprises its elected governing body and local boards, as well as staff organisation and semi-autonomous council-controlled organisations that run many essential services.

The governing body includes the Mayor and 20 councillors who are democratically elected every three years, along with 149 representatives on 21 local boards.

The Act also created the Independent Māori Statutory Board independent of the council, tasked with advancing the interests of Māori in Tāmaki Makaurau.

Among six Council-controlled organisations is AT, a statutory entity

responsible for managing transport within the region.

AT's purpose is to contribute to an efficient, effective and safe Auckland land transport system in the public interest.

TRANSPORT

Auckland's post-war growth was mainly outwards not upwards, creating sprawling suburbs connected principally by roads.

But spending on this infrastructure has not kept up with population growth, and Auckland's roads are becoming increasingly congested, costing billions in lost productivity.

Today, the region's key transport assets include 220km of motorway and a public transport system which includes train, bus and ferry services.

Auckland is one of only two cities with an urban rail network (the other being Wellington), with lines running east, west and south of the city centre.

Buses enjoy higher patronage due to their greater network coverage

and with no rail on the North Shore, buses perform the mass transit role on the North Shore via the Northern Busway. The opportunity to expand the bus network is balanced with the need to manage road congestion.

To address this congestion, Auckland Council is now working closely with central government on traffic planning and infrastructure funding.

In 2018, central government agreed on the Auckland Transport Alignment Project, earmarking \$28 billion over the next decade on transport upgrades.

Rail was a major beneficiary, including funding for the City Rail Link (CRL) and additional electric trains, as well as an ambitious plan for light rail – all of which AT will play a role in developing.

POPULATION GROWTH

Auckland's estimated population of 1.7 million in 2018 compares with just over 1.4 million in 2013 – equivalent to a 21% increase in just five years.

This rapid growth is expected to continue, with a mid-range estimate of 2.3 million people by 2048.

Auckland's working-age population (those aged 15 and over) is growing faster than elsewhere too – ensuring it will remain a centre for employment.

But its residents are getting older, with those over 65 due to tip 350,000 by 2033 – double the number in 2013. This in itself is going to have direct impacts on services including transport.

Such changes are why Auckland is committed to investing billions in its transport system over the next decade; to future-proof its infrastructure and ensure Auckland remains 'a place desired by many'.

ABOUT AUCKLAND TRANSPORT



AT is a Council-Controlled Organisation (CCO) of Auckland Council, established in 2010 to contribute to an efficient, effective and safe Auckland land transport system.

AT manages and controls the Auckland land transport system on behalf of Auckland Council, and in 2018, transported over 92 million passengers.

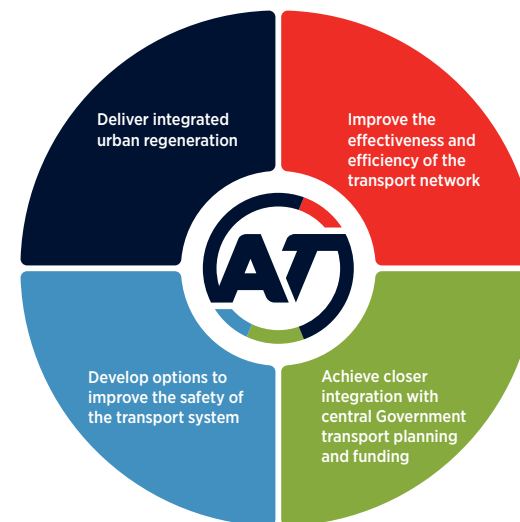
Core responsibilities include:

- Planning and funding all of the region's transport services (excluding state highways). This includes the design, build, management and promotion of most of Auckland's public transport (bus, train and ferry) infrastructure and services, and integrated services
- Governance over its supply partners and the efficient use of public funds by those supply partners
- Management of publicly held assets across the Auckland region worth \$19.8 billion

- AT receives its funding primarily from the New Zealand Transport Agency (NZTA) and Auckland Council. Annual expenditure on Auckland's transport system is approximately \$1.1 billion. In the financial year ended 30 June 2018, AT's \$687 million of capital expenditure included \$468 million on public transport.

This investment in the transport network is driven by five strategic themes that align with transport outcomes in the Auckland Plan.

These strategic themes are underpinned by AT's four strategic priorities:





AUCKLAND PUBLIC TRANSPORT

BRIEF HISTORY

Public transport has been part of Auckland life since the 1850s, when horse-buses and ferries would run goods and workers between the new town and its satellite settlements.

The first train line in the North Island was built through Auckland in 1873, then an electric tramway was introduced in 1902, before it was switched off in 1956.

As elsewhere, the rise of the motorcar saw a switch in focus to roads, with viaducts, motorways and a new harbour bridge creating low density suburbs that were harder to service with public transport.

Indeed, rail was almost completely removed in the 1980s, before civic leaders started acknowledging the issue of traffic congestion, by reinvesting in trains.

A watershed year was 2003, when the downtown Britomart Station opened, allowing trains back into the heart of Auckland for the first time in over 70 years.

Since then, rail patronage has steadily risen, allowing further investment in new trains, double-tracking, station upgrades and electrification, which have in turn made rail more efficient and attractive.

Dedicated busways and ferry terminal upgrades have improved travel on other public transport modes too, and e-ticketing has allowed greater integration across the network.

Public transport is popular again, due to a combination of investment in infrastructure and education, and frustration with road congestion.

GROWTH

From 2003 to 2017, Auckland's public transport patronage increased 63% - more than double its rate of population growth. More recently, patronage in the year to December 2018 rose 5.2% year-on-year.

In July 2019 Auckland public transport reached the significant milestone of 100 million passenger trips over the past 12 months, the highest annual total since 1951 (when there were 105 million) and testimony to the strategy, planning and implementation that AT and our predecessors have undertaken to transform public transport in Auckland over the last decade (and earlier).

Buses remain the most accessible option for most Aucklanders due to its geography, with 69.1 million boardings in 2018.

Rail boardings have increased with new modern trains and stations



and reached 20.6 million in 2018 – a 34% increase in four years.

A rail patronage target of 20 million trips per year, originally set by the New Zealand Government for funding of the City Rail Link (CRL), was achieved at the end of 2016, three years ahead of schedule.

If current growth persists, Auckland’s annual public transport patronage will hit 120 million within five years, breaking the record set during World War II.

CENTRAL GOVERNMENT

In recent years, central government has become more involved in the management of Auckland transport due to the economic impact of congestion.

Environmental considerations are also key, including a determination to honour New Zealand’s carbon reduction commitments, and mitigate the health effects of excessive road traffic.

The NZTA is the link between central government policy and the operations of the transport sector nationwide.

NZTA’s main objective is “to contribute to an effective, efficient and

safe land transport system”, with funding for local projects available through the National Land Transport Fund.

Its partners include local bodies such as Auckland Council, who are primarily responsible for managing roads within their boundaries as well as AT and regional councils in other parts of the country who are responsible for the planning, procurement and contracting of public transport.

NZTA’s functions include managing funding of the land transport system, managing the state highway system, managing regulatory requirements and overseeing regional public transport plans.

Its activities are guided by central government’s policies on land transport outlined in the Government Policy Statement (GPS) on Land Transport.

The GPS sets out how funding is to be allocated for the next decade, to achieve desired results across all transport activities including public transport.

GPS 2018 prioritises a safer transport network and lowering emissions and recognises the important role that rail can play in achieving those.



FUTURE GROWTH – MAJOR PROJECT PLANS

Auckland Council and central government are committed to fixing Auckland's traffic congestion, with a recent shift in focus from roading to public transport.

In 2018, the revised Auckland Transport Alignment Project (ATAP) earmarked \$28 billion for transport investment over the next decade, including \$8.4 billion for rapid transit (rail, light rail, busway).

A significant amount of funding will come from a new regional fuel tax introduced in July 2018, which is expected to raise \$1.5 billion by 2028.

Priorities include the City Rail Link, already underway, which will finally see two-way trains travelling through Auckland's city centre via its first underground rail line. The CRL is due for completion in 2024.

Additional electric trains will see the current fleet of 57 grow to 72 with delivery starting from October 2019, with new maintenance and storage facilities.

Light rail is set to make a comeback too, to areas not currently serviced by trains, including a city-to-airport link. Initial 'seed funding'

of \$1.8 billion has been set aside.

Other discretionary projects include electrification of the rail line to Pukekohe, 50km south of the city centre, with new stations added and the creation of a third main rail line between the Westfield to Wiri section of the Southern Line to separate freight and passenger services.

Add to the mix a central government plan to trial a commuter service between Auckland and Hamilton, starting in 2020, and it's obvious rail's time has come again in New Zealand.

Improvements to the bus network will complement rail too, with AT now working to integrate modes including using buses to connect commuters with rail.

Boosting Auckland rail services in such ways will not only help ease congestion but also reduce carbon emissions, especially given New Zealand's abundance of clean, renewable hydroelectricity.

FUTURE GROWTH – PATRONAGE PROJECTIONS

Patronage on all public transport services is expected to grow by 62% by 2028, to almost 150 million boardings.

This is based on a population of 2 million and boardings rising from 57 to 75 per capita.

Train patronage is projected to grow faster – by 115% – from 20 million boardings in 2018 to around 43 million by 2028.

Much of that increase in train patronage will happen once the City Rail Link is operational, from 2024.

Of note is that these figures do not include the potential impact of the planned city-to-airport light rail line, as there is uncertainty about likely customer catchments and delivery time frames.

Once operational, light rail is expected to significantly increase patronage.



POLICY CONTEXT

Procurement of a rail services operator in Auckland sits within a wider and highly complex matrix of local political, regulatory, social and economic considerations.

Auckland's rapid growth brings significant opportunities and challenges for the public transport market, and procurement of a rail services operator must be considered in the context of the integrated transport programme for investment and priorities, including the GPS; Regional Land Transport Plan (RLTP), Regional Public Transport Plan (RPTP), Auckland Transport Alignment Project (ATAP), the Auckland Plan, the rapid transit network and other AT undertakings.

The GPS establishes the Government's strategy, priorities and focus for land transport investment over the next 10 years. The key strategic priorities of the GPS, safety and access, are closely aligned with AT's priorities and shared goals for the rail franchise procurement process.

The Auckland Plan 2050 establishes the long-term framework for Auckland's growth and development and articulates the need to manage Auckland's transport network as a single system. With integrated transport planning over land use, prioritised and optimised

investment across transport modes and implementation of new funding mechanisms. This procurement will give effect to the Auckland Plan and consider how proposed contracting arrangements, commercial and financial settings and operator incentives support Auckland wide objectives.

For AT, achieving the outcomes and priorities of the Auckland Plan is linked with meeting key targets for increasing public and active transport mode share, reduced greenhouse gas emissions, improved accessibility, lower congestion, delivery of services and freight, travel time savings and the delivery of transport infrastructure priorities over the next three decades.

In line with this, AT's Statement of Intent outlines improving safety across the network, delivering an efficient and effective transport network, a focus on the customer, ensuring value for money and urban regeneration and placemaking as the key priorities for the next three years. The role of the rail operator is critical to ensuring these objectives can be met and all other transport modes are adequately supported. Themes such as bringing a one network approach to engaging with the customer, and understanding rail's role within the wider network, will be critical to the success of the rail franchise.



The Regional Public Transport Plan sets the commercial, policy and strategic changes to AT's public transport system over the next 10 years. This plan enables AT to manage performance and objectives for the wider public transport network and focuses AT's efforts on increasing customer access, service and experience. Rail procurement engenders the ideas of expanding and enhancing network structure, integrated services and quality, and customer interface, while ensuring the operator is prepared for the implementation of next generation transport initiatives.

The implementation of new partnering-based operating contracts, in accordance with the Public Transport Operating Model, coupled with wider AT policy objectives and the strategic direction of the GPS, provides an opportunity for AT to deliver against broader public transport contracting and investment requirements while ensuring transport objectives such as safety, increased customer experience and growth in use of public transport are met.

GROWTH

Rapid population growth in Auckland, lower fuel prices and a buoyant economy have led to substantial growth in travel demand across the Auckland region. On the back of these factors and substantial investment in the public transport network, particularly rail, public transport usage uptake in Auckland is increasing, with annual public transport boardings increasing by 31% from 2013 to 2017. In 2018, Auckland experienced 92.3 million boardings on public transport. Rail has played a particularly significant role in driving this growth, with rail boardings doubling between 2013 and 2017 from 10 million to 20 million per annum.

To nurture the anticipated population growth and its increased pressure on the Auckland transport network, the Auckland Transport Alignment Plan (ATAP) was introduced by the Auckland Council and the New Zealand Government. The ATAP represents \$28 billion of investment into transport projects in the Auckland region over the next 10 years to deliver a transport network that is accessible and efficient. ATAP is focused around public transport, walking and cycling, improving safety, and realising environmental, health and growth outcomes. Significant committed projects include investment into CRL, light rail and additional electric trains.



FUTURE GROWTH STORY – MAJOR PROJECT OVERVIEW, PATRONAGE PROJECTIONS

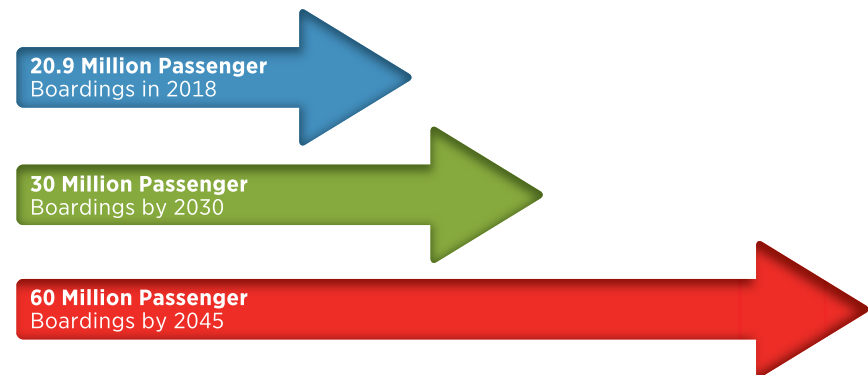
Against the backdrop of AT’s policy positions sits AT’s transport specific plans and programmes of work, including the Auckland Rail Development Programme (ARDP). The ARDP is a joint AT and KiwiRail passenger and freight infrastructure plan from 2016 – 2045, setting out the network and infrastructure investments required to meet a proposed rail patronage forecast of 60 million rail trips by 2045. To meet the requirements and ambitions of each phase, or decade, of the programme, AT is working to ensure the contractual framework underpinning the rail franchise best prepares and supports the operator to deliver a level of service that meets and anticipates growth across the network, while being mindful of the infrastructure works required to increase network capacity.

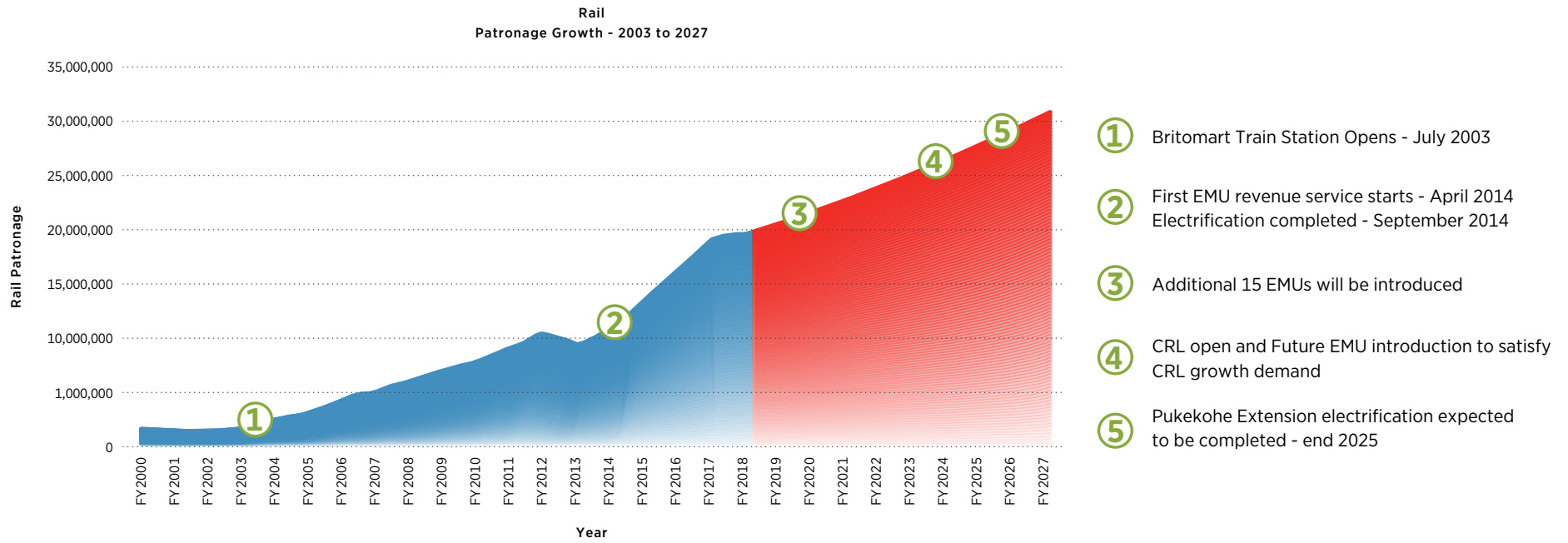
The first two investment phases in the ARDP (Decade 1: 2016–25 and Decade 2: 2026–35) span the anticipated contract term for the Future Rail Franchise Agreement.

For AT to meet requirements such as 10 minute services at peak, 15 minute services off peak and at weekends, accommodating increased freight services across the network, electrification of the Papakura to Pukekohe section, additional train sets and opening up of the network with CRL, a partnering contract with a capable and engaged rail

operator is critical.

High growth is expected to continue in rail patronage across the rail franchise term. AT anticipates rail patronage will increase from its 20.9 million passenger boardings in 2018 to exceed 30 million boardings by 2030 and 60 million boardings by 2045.





ROLE OF THE NEW ZEALAND TRANSPORT AGENCY

The Land Transport Management Act 2003 (LTMA) provides for central government funding for public transport, and other transport related activities, through the NZ Transport Agency.

This funding is then matched by regional funding through AT. Under the LTMA, the NZTA has an independent statutory function to approve procurement procedures that are designed to deliver the best value for money.

NZTA also advises and works with approved organisations to ensure that the procurement objectives are being met. This involves collecting and analysing data to identify the effect of procurement decisions, identify what is working well and enable evidence-based solutions to procurement issues. Performance indicators include patronage, revenue, fleet, service performance, safety and customer satisfaction information.

NZTA is AT's funding and procurement partner throughout this

process and will support AT in the development of a procurement strategy that ensures its procurement objectives – value for money, achieving competitive and efficient markets, ensuring fair competition across suppliers - are met over the life of the Future Rail Franchise Agreement. The options determined based on this, and future market engagement, will form the basis of AT's Procurement Strategy required for NZTA endorsement, approval and funding.

THE OPPORTUNITY





RAIL OVERVIEW

History of rail contract and why we are going through this process

The current contract governing rail operations in Auckland has been in place since 2004, with only minor modifications during that time. Consequently, the operating and commercial model, risk allocation and incentive mechanisms are no longer considered optimal for the purpose of delivering a modern metropolitan rail service in which customers are at the heart.

AT and our funding partner the NZTA are therefore highly motivated to attract strong market interest in the Auckland rail franchise opportunity, to ensure a fair, open and contestable tender process.

Current and potential scope of rail operating contract

Currently rail operations in Auckland are delivered through a relatively narrow scope, with many rail-related functions delivered or managed directly by AT. Procurement of a new rail franchise signals a strategic shift away from this current operating model.

The current passenger rail operational model is vertically separated with a number of entities performing different roles. Responsibility for the operational functions are split across four key parties:

Responsibility	Entity	Roles
Policy, Governance and Revenue Protection	Auckland Transport	Funding; specification of service; policy; ticketing; stations; and warranted transport officers
Operations	Transdev	Rail operations; Onboard safety and security; managing the track access agreement and the diesel maintenance agreement on ATs behalf; EMU cleaning; and management of stabling facilities.
	Construcciones y Auxiliar de Ferrocarriles (CAF)	Supply, maintenance and repair of electric multiple units (EMU); graffiti removal; and management and upkeep of the maintenance depot Contractual relationship directly with AT, managed and funded by AT
	KiwiRail	Maintenance of diesel multiple units (DMU) Contractual relationship with Transdev and funded by AT
Network	KiwiRail	Train control; Network operations and maintenance and renewal Contractual relationship directly with AT and funded by AT Contract managed by Transdev on ATs behalf.

AT is moving toward a more integrated operating environment for rail services, to capture the benefits of the rail operator having greater responsibility and control for service delivery for the next phase of rail and public transport growth in Auckland. Greater integration is expected to remove and simplify interfaces and deliver greater efficiency and better customer and safety outcomes.

An underlying premise in selection of the future operating model is that full vertical integration is not feasible under the current legislative environment, with below rail infrastructure continuing to be owned and operated by KiwiRail.

The proposed new operating model, and supporting commercial model, is described in Part 2 of this consultation pack.



Description of rail network, service coverage and frequency, relevant metrics

The transport network in Auckland is undergoing significant change with major projects over the next decade including the CRL, expansion of the Wiri stabling and depot facilities, a third main line between Westfield and Wiri, new rolling stock procurement, electrification between Papakura and Pukekohe, next generation ticketing, light rail, motorway developments, ferry services procurement, bus rapid transit and new infrastructure development required to service greenfield developments.

All of these factors need to be considered against continued patronage growth. Between 2003 and 2017, Auckland's population grew 28% while public transport patronage increased by 63%. For the 12 months to December 2018, Auckland public transport patronage totalled 92.3 million trips across the network, placing increasing strain on the existing infrastructure and services. The rail patronage target of 20 million trips per year by 2019, originally set by central government for funding of the CRL, was achieved at the end of 2016, three years ahead of schedule.

Currently the network:

- Runs 10 minute services during peak and 20 minutes off peak
- Is 94.3km in route length, 195 km of track (CRL will add another 3.4kms of track)
- Gauge: 1,067 mm (3 ft 6 in)
- EMUs: 57 CAF 3-car EMUs; Additional 15 CAF 3-car EMUs (2020)
- DMUs: Eight ADL/ADC sets; decommissioned when the electrification extension between Papakura and Pukekohe is completed
- Number of rail stations: 40; two more will be added with CRL, and potentially 3 more planned as part of the Pukekohe electrification project.
- 90,000 boardings per day
- 3,726 services per week

Despite the significant growth in rail patronage and a much-improved service delivered by new electric trains, Auckland's current public transport network has substantial shortcomings. A current constraint that applies to the Auckland rail network is the maximum train frequency at the Britomart Station. With only two lines feeding the five platforms in this terminal station, the maximum planning capacity is 20 trains per hour. With six trains on each of the three main lines in the peak – Southern, Eastern and Western – and two trains per hour on the Onehunga line, the peak period is at maximum capacity.

Once this constraint has been addressed, with CRL turning Britomart into a through-station, it will be possible to run up to 24 services per hour, each way, through the Link, with initial plans for 18 services per hour in the peaks. This means that the expected rapid increase in patronage as the railway progressively takes a greater share of demand with other modes being highly constrained, can be met with additional train services.

Customer satisfaction

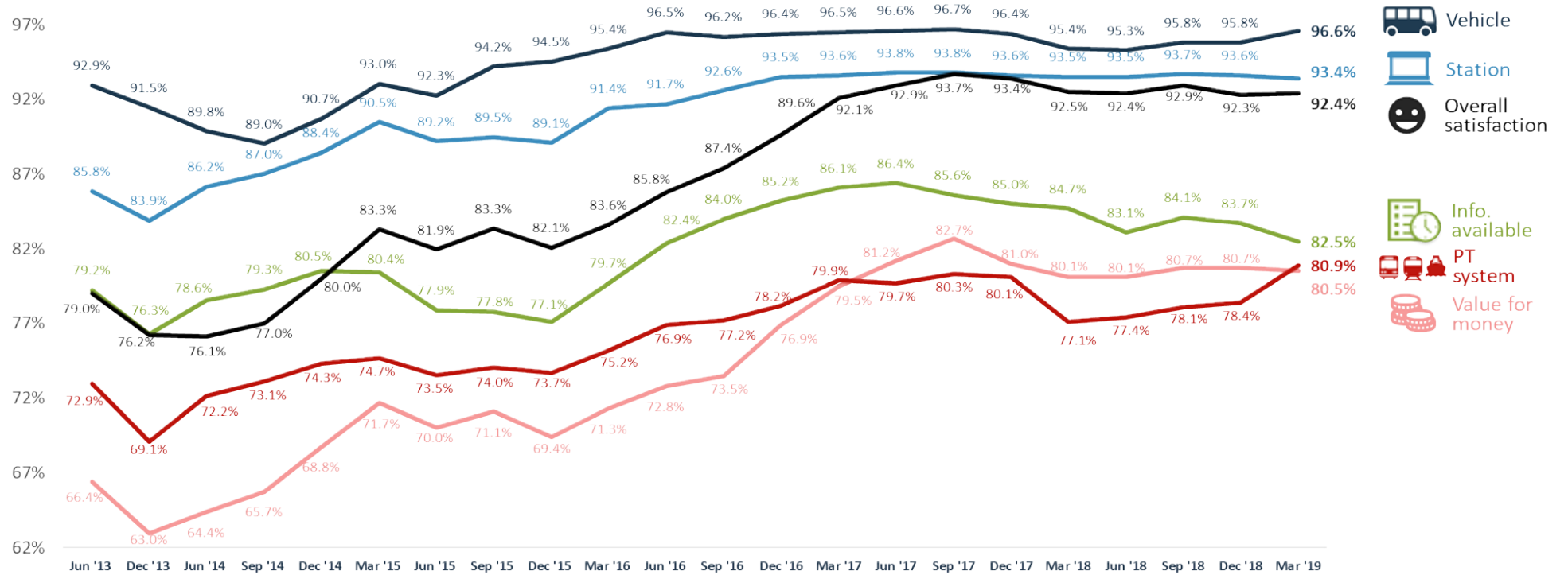
Public transport customer satisfaction surveys are undertaken quarterly. Figures reported are based on 12 month rolling average results from the four most recent quarterly surveying waves. The most recent 12 month period is reported as of March 2019.

Rail remains the mode with the highest overall rating for the ninth consecutive period. However, after an increasing trend from Mar 2016 to Sep 2017, overall satisfaction for trains has flattened and currently sits at 92%.

The vehicle, safety during the trip, helpfulness of staff and the station overall were all attributes which had high performance for rail customers and a strong influence on overall satisfaction.

Value for money continues to be the most important attribute for rail customers but has one of the lowest scores. Other important attributes with ratings below 85% satisfaction for rail customers include the AT Contact Centre, information available and the PT system overall





City Rail Link and impact

The CRL Project is a significant infrastructure project designed to enhance the capacity and performance of Auckland rail services and improve transport outcomes in Auckland.

CRL is the largest transport infrastructure project ever to be undertaken in New Zealand, and is currently forecasted to open in 2024 for revenue passenger services. CRL is a 3.45km twin-tunnel underground rail link up to 42 metres below the city centre transforming the downtown Britomart Transport Centre into a two-way through-station that connects the Auckland rail network in an improved manner to enable more efficient, frequent journeys. CRL is jointly funded by the NZ Government and Auckland Council. City Rail Link Limited (CRLL) which came into being on 1 July 2017, has full governance, operational and financial responsibility for CRL, with clear delivery targets and performance expectations. The project's total cost was estimated with a funding envelope of \$4.4b.

CRL will improve travel options and journey times. From Mt Eden Station it will take only three minutes to get to the uptown Karangahape Station, six minutes to the mid-town Aotea Station and nine minutes to the downtown Britomart Station. In this way, CRL will provide a considerable step-change in the capacity and performance

of the rail system, and close a significant gap in customer service levels, better matching public transport demand and supply.

New rail transport growth statistics suggest that by 2035, CRL stations will need to cope with 54,000 passengers per hour at peak travel times, rather than the original estimate of 36,000. CRL is seen as 'a game-changer' for Auckland in terms of the economic and social benefits that follow from the provision of frequent, accessible, on-time and efficient public transport services.

It is expected that the future rail operator will provide input to the latter stages of CRL's detailed design and manage sub-projects to ensure seamless operational delivery from day one.

With this in mind, AT has identified a number of key enablement projects that will require substantial involvement by the operator:

- Driver training
- Assist contractor with commissioning and acceptance testing requirements
- Day One operational readiness
- Aspects of final detailed design



- Station operations
- Customer service
- EMU tranche three procurement and commissioning
- Staff facilities
- Safety management

Rolling stock

CAF is contracted to supply EMUs and to undertake maintenance of the EMU fleet until October 2025. Currently the rail services operator is expected to liaise with CAF on day-to-day operational matters, however there is no contractual relationship between the operator and CAF, with AT responsible for the day-to-day performance of CAF. Under the proposed operating model for the Future Rail Franchise, the operator will be responsible for managing the CAF maintenance contract via a direct contractual relationship, and post 2025, directly with the future maintenance provider selected by the rail operator.

AT has a number of inter-related rolling stock projects underway and planned:

- Delivery of 15 new three-car sets to accommodate demand growth, with two units per month scheduled from October 2019. These

units will be covered under a warranty aligned with the existing CAF maintenance contract expiry in 2025. The introduction of the second batch of 15 EMUs enhances and strengthens the train fleet to 72 three car sets from the existing 57 three car sets. The additional trains are intended to meet peak service constraints and improve timetable resilience up to the opening of CRL in 2024. Testing and commissioning of the 15 new EMUs and upgrade of the European Train Control System (ETCS) in the original 57 EMUs is expected to be completed prior to the appointment of the Future Rail Franchise Agreement in 2021

- Minor overhauls for the 15 new units is estimated to commence in 2024. Each overhaul is expected to take one train out of service for a fortnight for the work to be completed over a period of two and half years, which is expected to traverse beyond the current maintenance contract. The scope of the work is defined in the EMU maintenance plan and is able to be carried out within the existing Wiri depot infrastructure
- Expansion of depot and stabling facilities is in the planning phase and the timing and design of deliverables will be confirmed. The expansion factors in stabling and maintenance requirements for mid-life overhauls and new growth units

- Planning for the third tranche of rolling stock requirements to cater for CRL capacity increases is expected to commence in 2019, with delivery of stock estimated to commence in 2022, based on current timelines. AT is expecting a sharp growth in patronage when CRL opens in 2024. This may require 20-35 additional EMUs to cover services and maintenance, subject to further patronage modelling and solidifying the CRL timetables. The future rail operator may be expected to undertake programme management of the sourcing and delivery, as well as commissioning and acceptance of the new rolling stock, transitioning into operation and ongoing maintenance as part of the overall fleet
- CAF will undertake minor overhauls of the 57 original units from 2020
- Major overhaul of the original 57 three car sets is kilometre based and may commence as early as 2024, depending on the impact of service growth. Major overhaul is the overhaul maintenance activities carried out at 1.28 million kilometres. At this point in time, it is expected that the major overhaul of a single EMU set will take four to five weeks to complete and will be carried out within the existing maximum number of trains allowable out of service, which is three out of 57. AT is working with the current operator and CAF to stagger the workload of units to smooth the overhaul programme

and shift to a condition-based maintenance regime to alleviate pressure on overhaul requirements. The major overhaul is expected to start in mid-2024 and extend to 2029.

Maintenance performance has improved significantly over the last 12 months. Fleet availability has remained steady over the same period, with fleet availability performance at 99.93%, just under the 100% target. Reliability measured by monthly fleet Mean Distance Between Failure (MDBF) peaked at 544,340km in August 2019, well above target.

Pressure on train availability is expected to increase over the life of the Future Rail Franchise Agreement, as the fleet ages, services increase, increased network constraints arise through the introduction of CRL, and with trains out of service for overhauls.

Rolling stock maintenance

The current EMU Maintenance Agreement with CAF expires in October 2025. It is at this point that the warranties for the original 57 EMUs and the second tranche of 15 EMUs expires, although some components will have already reached and exceeded the limit of their warranty period.

Expansion of maintenance depot and stabling

To accommodate the major overhauls of the EMUs, and to accommodate future tranches of EMUs, the existing maintenance depot and stabling yards at Wiri require modification and expansion. For this purpose, AT recently purchased additional land adjacent to the existing maintenance depot.

The concept design includes an additional building for a centralised northern train control, operations facilities and rolling stock component maintenance. It is envisaged that all maintenance activities will continue to be undertaken in the existing depot.

AT is using Lean Process methodology and computer modelling to map the existing operator and maintainer workflows, to optimise the design of the new facilities and enhancements of both process and layout of the existing facility.

While the overall Wiri expansion programme is managed by AT and will be in advanced design stages by the time that the new rail franchise commences, AT expects that the franchisee will play a role in the final design stages and during construction.

Other projects, project delivery, role of operator

Significant investment is being made in Auckland's transport network to create an integrated rapid transit system. Auckland faces high traffic congestion, costing the city's economy over \$1 billion annually, and an integrated transport network, including development across the public transport network, is critical to combating growing pressure on existing infrastructure.

The provision of light rail between the City Centre, Mangere and West Auckland is likely to occur during the rail franchise term. Network integration across rail, light rail and other modes will be critical to providing improved customer experience and increased transport options for current and future users.

AT is also investing in implementation of a next-generation ticketing system, through the national ticketing programme, Project NEXT. AT will work with the operator to understand the impact of implementation, the role of the operator in relation to this, the allocation of roles and responsibilities under the Future Rail Franchise Agreement, and the potential complexity of transition from the existing HOP ticketing solution and possible impacts on the operator and AT's already extensive range of investment and projects.

Additional AT-led projects that will require operator input include:

- Integrated Rail management Centre (IRMC)
- Driver assist and ETCS introduction
- Third main between Westfield and Wiri
- Electrification between Papakura and Pukekohe
- Future stabling and maintenance strategy
- Further rolling stock planning, procurement, testing, commissioning and acceptance
- Further detail as to these projects will be provided in future market engagement.

Below Rail Infrastructure

The Auckland Network Access Agreement (ANAA) sets out AT's access rights and responsibilities in relation to the Auckland rail network, network provider KiwiRail's performance obligations and the relationship between AT and KiwiRail. Under the ANAA, the rail operator is nominated as a party to the agreement through a deed of accession which provides for certain rights and obligations, enabling the operator to manage the ANAA on AT's behalf, and direct operator management of the performance of KiwiRail. The operator's obligations in respect of the ANAA are also mirrored in the existing rail operating contract. Additionally, all payments under the ANAA are paid directly from AT to KiwiRail, with the operator responsible for reviewing invoices and recommending payment.

As part of the operator's role under the ANAA, the operator is entitled to:

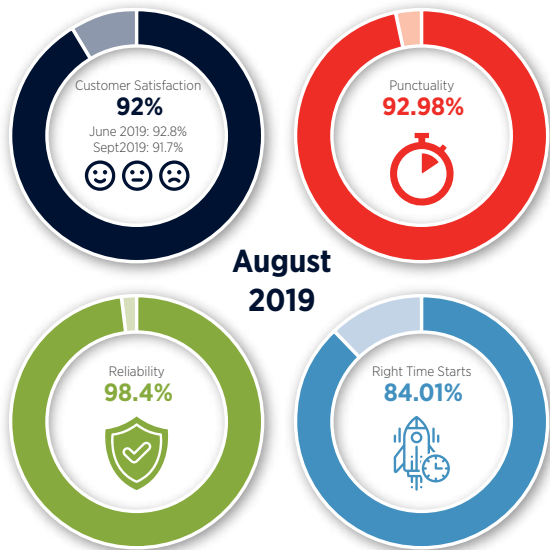
- Request changes to KPI Achieve Benchmarks and KPI Fail Limits in relation to maintenance and performance standards, subject to agreement by the Access Provider
- Utilise abatements as a remedy for failure to meet KPI targets
- Approve changes to Permanent Speed Restrictions in place at commencement of the ANAA

- Review and work with the Auckland Network Timetable Committee to agree Track Possession Plans, above the Track Possessions Allowance
- Participate in the process of progressive refinement of the Track Possession Plan and do its best to mitigate the adverse effect of changes; and
- Agree all extensions of boundaries or times of planned Track Possession, as set out in the Track Possession Plan
- Agree all extensions of boundaries or times of planned Track Possession, as set out in the Track Possession Plan.

KiwiRail has a "best endeavours" obligation to meet service standards under the ANAA which increases the complexity of managing performance across the network and AT has observed an increase in excepted risk claims in relation to network management by KiwiRail. To better manage the relationship between access provision and rail operations, AT has convened a working group with AC, the rail operator and KiwiRail, to develop the next Network Management Plan under the ANAA. The scope of the working group has been widely defined to recognise a significant expansion in services and includes a review of the ANAA governance process and opportunities to improve effectiveness.

Current metrics, future targets

Current performance levels for key metrics are performing at:



The punctuality threshold is currently set at five minutes (4'59").

However, we are aiming to move the punctuality threshold to a three-minute performance target before the commencement of CRL revenue services in 2024, i.e. Right Time Arrivals/On-time to Three (0 to 2:59 minutes).



THE PROJECT

Ōtāhuhu Station





WHY A NEW RAIL OPERATING CONTRACT FOR AUCKLAND?

The current contract that governs rail operations in Auckland has been in place since 2004, with only minor modifications during that time. Consequently, the operating and commercial model, risk allocation and incentive mechanisms are no longer considered optimal for the purpose of delivering a modern metropolitan rail service in which customers are at the heart.

Currently rail operations in Auckland are delivered through a relatively narrow scope, with many rail-related functions delivered internally or managed directly by AT. This procurement signals a strategic shift away from this current operating model.

A range of options have been considered on which the future operational and commercial models for the Auckland rail franchise could be based. These options sit on the continuum of horizontal to vertical integration of rail operations. In other words, they represent the spectrum of activities within the metropolitan rail value chain that could be either managed directly by AT or outsourced to our future rail operating partner.

To inform the scope and design of the future Auckland rail franchise, and to ensure that the agreement is optimised to balance the interests of the operator and the objectives of AT, we wish to learn from experienced rail operators and providers what matters most to them and what they believe constitutes best practice in metropolitan rail franchising.

To this end, we are continuing to engage with the market to communicate the opportunity, explain what we are looking for, and seek input from the market to help us design the optimal operating and commercial framework that will underpin the future rail operating franchise for Auckland.

COMMITMENT TO CONTESTABILITY

AT is committed to encouraging market interest throughout the procurement process to ensure we receive the best responses possible and deliver value for money for both AT and funding partner NZTA.

Maximising market interest in the Auckland rail franchise is critical to driving competitive tension through the procurement. Designing a proposition that is attractive to the market underpins AT's procurement strategy. This will be achieved through:

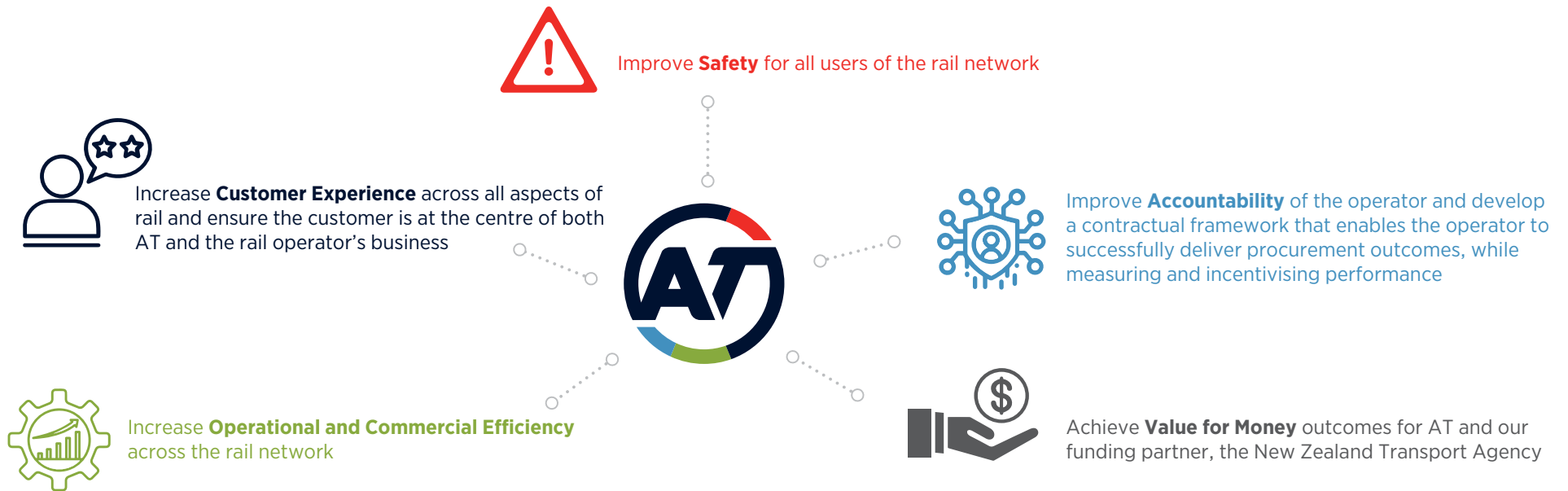
- Ensuring interested operators are aware of the proposition and have an equal opportunity to provide feedback on the process and the proposed commercial and operating framework.
- Designing a rail franchise scope, risk allocation and commercial model that is attractive to the market while meeting AT's objectives of delivering a customer centric rail experience within value for money considerations.

WHO AUCKLAND TRANSPORT IS LOOKING FOR

AT has identified five objectives that will guide the operating and commercial framework design, the procurement process, and ultimately the appointment of a rail services operator under the Future Rail Franchise Agreement. These objectives take into account the specific characteristics and the wider objectives of the Auckland

transport network, and reflect AT's ongoing commitment to deliver the transport system that best meets the needs of Aucklanders and supports the Auckland Plan's objective to become a place to be desired by many.

AT is seeking to partner with a rail operator who is best able to meet these objectives:



In particular AT would like to emphasise our focus on continuing to improve the customer's journey experience across the rail and wider public transport network. Customer experience underpins all aspects of AT's service delivery, partnerships and engagement with operators and will form the backbone of the Future Rail Franchise Agreement. For each of the elements and related options set out as part of this market engagement, we are interested to learn from experience elsewhere how improved customer experience and safety may be achieved under different franchise models and what the benefits of each proposed option are for the customer.

MARKET ENGAGEMENT

AT values the experience and knowledge that the rail market can contribute to the design of a best practice rail franchise for Auckland. We are therefore endeavouring to engage regularly with the market to test and refine key elements of the future rail franchise.

We see market engagement as providing both a valuable source of information to AT and an important communication channel between AT and those interested in the Auckland metropolitan rail opportunity. Market engagement for AT has two primary objectives:

1. To communicate information about the opportunity and to test appetite, availability and capability in the market
2. To gain information and feedback from the market on the scope of the future rail franchise (i.e. extent of responsibilities that might be performed by the rail operator across the rail value chain), how the Future Rail Franchise Agreement is best structured commercially (i.e. risk/reward allocation and key commercial terms), and how AT could structure the procurement to reduce barriers to entry and achieve an even playing field for all participants.

A combination of written feedback and interviews has been used to date to inform selection of the optimal operating model for Auckland.

The objectives of this next phase of consultation are to keep parties informed of progress and to test and refine our preferred operating model, the proposed commercial framework, high level terms and procurement approach, before commencing a formal supplier selection process in the first quarter of 2020.

HIGH LEVEL TIMEFRAME

Below is our indicative timeline for this procurement process (current as at October 2019).

Description	Proposed Date
Market engagement initiated (Phase 1)	April 2019
Industry consultation and development of franchise operating model	April – July 2019
Further industry consultation to refine operating model and commercial terms (Phase 2)	November – December 2019
EOI and shortlisting	January – April 2020
RFT release	May 2020
RFT submission period, evaluation, selection and final negotiations	May 2020 – February 2021
Contract award	February 2021
Mobilisation	February 2021 – Q3 2021
Franchise commencement	Q3 2021

PROBITY

Probity is paramount to AT and appropriate protocols will be observed throughout the market engagement process to ensure fair treatment and consistency of information to all participants.

If you have any concerns at any time during the process, please do not hesitate to contact AT's probity auditor Wayne Powell.

Wayne may be contacted by phone: **+64 9 447 5409**;
or email: **wayne.powell@at.govt.nz**.

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