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| AGENDA ITEM 16 BOARD DECISION PAPER | |
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| To: | The Board |
| From: | Stacey van der Putten, Director Public Transport & Active Modes |
| Reviewed: | Dean Kimpton, Chief Executive |
| Date: | 22 October 2024 |
| Title: | City Rail Link - Asset Management and Services Amendment Agreement |

| Reason for inclusion in closed board meeting session | |
|---|---|
| 1. Please state why this report is being considered in the closed board meeting as opposed to the open board meeting. Please refer to the 'reasons for confidentiality' and provide a direct reference to one of these reasons. | Downer-specific commercial information contained within the Agreement. Reason for confidentiality – to protect commercial interests. |
| 2. Please provide an estimated date for release of this report. | Immediately after receiving Board approval. |

Aronga / Purpose

1. To obtain approval for the City Rail Link – Asset Management and Services Amendment Agreement (the agreement) which has been written to connect Waitematā (Britomart) Station to the City Rail Link – Asset Management and Services Contract for the provision of maintenance services to the other three stations on the City Rail Link (CRL).

Tuku mana / Delegation

2. Board approval is sought as the budget change requested to the approved contract exceeds \$50m in value.

Te tūtohunga / Recommendation

That the Auckland Transport Board (board):

- a) Approve the City Rail Link – Asset Management and Services Amendment Agreement and nominate two directors to execute the agreement on behalf of the board.

Te whakarāpopototanga matua / Executive summary

3. The agreement has been written to connect Britomart station asset maintenance requirements to the CRL – Asset Management and Services contract (the contract). The contract was awarded to Downer NZ Ltd (Downer) in July 2019 to provide maintenance services to the three new (greenfield) stations on the CRL, commencing on CRL practical completion date (circa November 2025).
4. The existing (brownfield) Britomart station, which is also part of the CRL, was not included in the contract due to time constraints associated with bidders having to complete asset verification and condition assessments at the station. The decision was made to include Britomart station in the contract at a future date.
5. Downer was invited to undertake the asset verification and condition assessments and to submit a proposal to Auckland Transport (AT) for the maintenance of Britomart station. Subsequent negotiations and collaboration between AT and Downer have resulted in the agreement.
6. Commercial assistance was provided by Deloitte, with Buddle Findlay providing legal services. Maintenance costs submitted by Downer have been reviewed and validated by Deloitte as aligning with the contract whole-of-life cost model. Phased agreement costs have been included in the Long Term Plan (LTP).

Ngā tuhinga ō mua / Previous deliberations

7. There have been no previous deliberations regarding the agreement.



**CONFIDENTIAL****Te horopaki / Background**

8. A requirement exists for the maintenance activities at Britomart to be undertaken using the same maintenance contract written for the other three CRL stations.
9. The contract was awarded to Downer on 19 July 2019 to maintain the three new (greenfield) stations on the CRL with the understanding that the existing (brownfield) Britomart would be connected to the contract at a later date.
10. Britomart was not initially included in the contract tender process related to the logistical difficulties and complexities the bidders would have incurred trying to incorporate both greenfield and brownfield asset maintenance costs into a single tender document.
11. Downer and AT mutually agreed that the appropriate mechanism to connect Britomart to the contract would be through the agreement. Accordingly, both parties collaborated on the writing of the agreement.
12. All provisions contained within the contract apply to the maintenance of Britomart assets, except those specifically identified as requiring an amendment to suit brownfield station maintenance conditions. These amended provisions are captured within the agreement, which also incorporates a revised Schedule 5B – Services Specifications.
13. The same Whole-of-Life Cost Model written for the contract also applies to the agreement which ensures consistent budgeting and invoicing processes apply to all stations on the CRL.

Costs

14. Schedule 2 of the agreement contains the costs required to maintain the Britomart Station assets over the 30-year duration of the agreement. These include:
 - a. Preventative Maintenance costs: \$78,899,765 (unindexed).
 - b. Refurbishment costs: \$45,589,083 (unindexed).

Commercial and Legal

15. AT retained Deloitte to provide commercial oversight of the agreement and to review and validate Downer's maintenance costs against the Contract Whole-

of-Life Cost Model.

16. Legal services were provided by Buddle Findlay throughout the AT/Downer negotiation process. This included attendance at negotiations and document review.

Te hononga ki te “Statement of Intent 2024 - 2027”/ Alignment to Statement of Intent 2024 - 2027

17. The creation of the agreement aligns with the following principles included in the Statement of Intent 2024 - 2027:
 - a. We will clearly identify an overall benefit that will be recognisable to impacted users.
 - b. We will balance the immediate needs of Aucklanders with future outcomes.
 - c. We will effectively leverage AT's existing network.
 - d. We will always consider affordability and value for money.

Me mōhio koe / What you need to know

18. The fundamental premise of the contract was that a single contractor would maintain all stations attached to the CRL. The following pros and cons were also considered before making a final decision regarding whether to proceed with Downer:

Reasons for progressing with the Downer Proposal

- Economies of scale and better utilisation of resources across four stations.
- Better end-to-end maintenance and safety oversight of all four CRL stations.
- Reduced number of maintenance contractors involved in the rail network.
- Maintenance synergies across all four CRL stations.
- Britomart is a more complex station to manage once connected to the CRL resulting in increased maintenance costs.



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- There is an increase in the number of assets that need to be maintained because of the CRL development e.g. escalators, C1 sump and pumps etc., resulting in increased costs.
- An increase in service and performance levels to align with the existing Contract. This will result in an increased maintenance cost.
- An opportunity exists to discount maintenance resource costs once CRL operations commence in 2024.
- Install the new maintenance contractor at Britomart before CRL commencement to provide learning opportunities for future utilisation in the other CRL stations.
- Eliminates maintenance interface between two CRL maintenance contractors.

Reasons against progressing with the Downer Proposal

- Higher maintenance costs compared to current AT maintenance costs.
 - High contract establishment costs.
 - High mobilisation costs.
 - Downer's request for an alternative performance regime to the abatement model in the contract. Note, this was not progressed.
19. Consideration was also given to the AT Facilities Management team retaining ownership of station asset maintenance responsibilities. However, due to the anticipated increase in the scale and scope of the future maintained assets following the completion of CRL activities at the station, it was determined that the maintenance model proposed by Downer in its tender submission would deliver a more comprehensive encompassing service.
20. The alternative would be to leave Britomart connected to the other 40 stations on the AT rail network with maintenance delivered by Auckland One Rail. This would result in a single CRL station being maintained by a different contractor. Subsequent risks associated with the misalignment of CRL station and tunnel maintenance activities, tunnel fire/life safety procedures, duplication of resources and costs and loss of economies of scale, among others, identified this as being an untenable option.

21. Upon consideration, in addition to the progress already made in establishing contract maintenance and governance models, the decision was made to proceed with Downer to maintain Britomart.
22. Interim management of the contract and the agreement will pass from the current Contract Manager and Agreement Project Manager to Rachel Cara, General Manager Public Transport Operations, upon receipt of board approval for subsequent integration into AT rail operations.

Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts

23. All costs related to the agreement have been provided to AT Finance and Asset Management and provision has been made for their payment. Specifically:
- a. AT Finance – Opex - \$78,899,765 (unindexed).
 - b. Asset Management – Capex - \$45,589,083 (unindexed).
24. All costs are indexed from the 1 July 2019 award date.
25. Reactive maintenance (variable) costs are not included in either the contract or agreement documents. These are additional costs are estimated for budgeting purposes. A facilities management principle is that reactive maintenance costs are approximately 30% of preventative maintenance (fixed) costs, however, this percentage varies between greenfield and brownfield facilities.
26. Given that these are 30-year costs and are unable to be captured in the LTP as a single cost, there is a requirement to establish a process to phase the inclusion of these costs into the LTP over the term.
27. Future management, payment and oversight of the contract and agreement costs will be collaboratively undertaken by AT Public Transport & Active Modes, Finance and Asset Management.

Ka whaiwhakaaro ki te Tiakanga Taiao / Climate change and sustainability considerations

28. In isolation, the maintenance activities associated with the agreement have





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limited impact on climate change or sustainability considerations. However, as an integral part of the wider CRL station framework, sustainability opportunities can be delivered through single maintainer operating efficiencies and economies of scale, resulting in reduced costs and improved utilisation of maintenance-related resources.

Ngā whakaaweawe atu anō / Other impacts

| Relationship | Consulted Y/N | Views and Perspectives Received |
|----------------------------------|---|--|
| Māori | Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/> | The connection of Britomart Station to the other 3 stations on the CRL was a postponed component of the Contract and as such was not identified as being a new project requiring Māori consultation. |
| Elected members | Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/> | Not required. |
| Council Controlled Organisations | Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/> | The creation of the Agreement was a negotiation process between AT and Downer without the requirement for CCO assistance. |

Ā muri ake nei / Next steps

29. The City Rail Link – Asset Management and Services Amendment Agreement to be signed by two directors, once approved by the board.

Te whakapiringa / Attachment

| Attachment # | Description |
|--------------|--|
| 1. | City Rail Link – Asset Management and Services Amendment Agreement (saved in the Board Diligent Resource Centre) |
| 1. | City Rail Link – Asset Management and Services Amendment Agreement Establishment Schedule |

Te pou whenua tuinga / Document ownership

| Submitted by | Recommended by | Approved for submission |
|--|--|--|
| Peter Bierens Transitions Manager PT Readiness | Stacey van der Putten Director Public Transport & Active Modes | Dean Kimpton Chief Executive |
| | | |





Closed Board Meeting | 29 October 2024

[Agenda item 16.1 Attachment 2, City Rail Link – Asset Management and Services Amendment Agreement](#)

This large attachment (219 pages) has been saved in the Board Resource Centre.

To access the linked paper:

- Click on the link provided.
- On completion of the attachment review, please click "Back to previous" at the bottom lefthand side of your screen to return to the meeting book.

Attachment 1- CRL AMAS Amendment Agreement - Establishment Schedule

City Rail Link – Asset Management and Services Amendment Agreement
- Establishment Schedule

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|------------------|---|
| 19 July 2019 | CRL – Asset Management and Services Contract signed. |
| 1 August 2020 | Decision made to connect Britomart Station to the CRL – AMAS contract |
| 20 August 2020 | AT Letter of Intent sent to Downer as confirmation of discussions had regarding Downer’s interest in maintaining Britomart Station. |
| 30 August 2020 | Project Mandate explaining the proposed process, scope and timelines and signed by AT and Downer. |
| 1 September 2020 | Downer commences Britomart Station asset verification and asset condition assessment activities. |
| 16 December 2020 | Deloitte engaged to assist with commercial review of the forthcoming Downer proposal. |
| 18 December 2020 | Proposal received from Downer to maintain Britomart Station using CRL AMAS Contract Whole-of-Life cost model. |
| 11 March 2021 | Deloitte undertakes a Britomart Comparative Analysis of costs contained within Downer’s proposal to ensure they align with the CRL AMAS Contract WoL cost model. Deloitte reports that the cost framework used by Downer is compliant. |
| 29 March 2021 | <p>Britomart Station Maintenance Transfer Project contract written to engage Downer on an interim contract while the CRL AMAS Amendment Agreement is being created.</p> <ul style="list-style-type: none"> - Contract Commencement – 1 July 2021 - Contract duration – 3 years plus right of extension <p>This interim contract will expire when the CRL AMAS Amendment Agreement takes effect at CRL Practical Completion date, circa November 2025.</p> |
| 1 April 2021 | Discussions continue between AT and Downer on how the Amendment Agreement will be structured and what maintenance responsibilities will require more focused conversations. |
| 1 April 2021 | Review of the CRL AMAS Contract Schedule 5 -Services Specifications between AT and Downer commences to create a new Schedule 5B - Services Specifications for the CRL AMAS Amendment Agreement. |
| 27 May 2021 | Britomart Station Maintenance Transfer Project contract is signed by Downer. |
| 1 July 2021 | Downer commences maintenance oversight of Britomart Station maintenance activities under the Britomart Station Maintenance Transfer Project contract. |
| 1 July 2021 | Review of the CRL AMAS Contract and Schedules continue to identify areas that potentially require amendment. Discussions impacted by Covid-19 pandemic. |

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|-------------------|---|
| 16 February 2022 | Buddle Findlay and Deloitte engaged to provide Legal and Commercial services to AT during negotiations with Downer NZ Ltd and its legal representative Ashurst. |
| 29 March 2022 | Negotiations between Downer and AT reach an amicable outcome subject to the successful completion of the Schedules which are yet to be provided by Downer and agreed to by AT. |
| 6 December 2022 | Several of the Schedules have been received from Downer but there are still several outstanding and appear to be delayed due to a Downer restructure. |
| 16 January 2023 | Downer assumes full hard maintenance responsibilities for Britomart Station. |
| 29 May 2023 | Downer NZ Ltd CRL AMAS Amendment Agreement negotiator, National Project Manager, is made redundant following a Downer restructure. |
| 24 August 2023 | Downer's replacement negotiator, Maintenance Manager AMAS, advises his forthcoming departure from Downer NZ Ltd and states that Downer Australia wishes to relitigate the CRL AMAS Amendment Agreement. |
| 1 September 2024 | Buddle Findlay engaged to provide legal services to AT following Downer Australia request to relitigate the CRL AMAS Amendment Agreement. |
| 27 February 2024 | Deloitte engaged to assist with commercial issues arising from the negotiations with Downer. |
| 30 June 2024 | Negotiations between Downer and AT conclude and all Schedules have been received. |
| 2 August 2024 | Completed CRL AMAS Amendment Agreement sent to Downer for signing. |
| 23 August 2024 | Downer returned a signed copy of the Amendment Agreement. |
| 12 September 2024 | Board Paper written requesting AT Board sign the CRL AMAS Amendment Agreement. |