

Initiative Template for CAPITAL Proposals

Vote: Transport

Co-Votes: NA

Title: Metro Rail Network Costs (including renewals)

Brief Description: Funding for KiwiRail's network costs (including renewals) for the Wellington and Auckland metro networks for 2010/11 only. Funding will allow KiwiRail to take all practicable steps to ensure the safety and reliability of these networks, and allow scheduled passenger services to continue operating.

Initiative Type: Capital

Priority Area: Budget 2010

PA Objective: Refurbish / replace

Initiative Ranking: 100

Funding sought (\$ thousands):

<i>\$000</i>	2009/10	2010/11	2011/12	2012/13	2013/14 and outyears
Net capital impact	0	21,139	0	0	0

Recommended Decision in Budget 2010

Approve.

Risk if Budget 2010 Decision is not made

Leaving KiwiRail's network costs and renewals as identified in KiwiRail's Asset Management Plan unfunded would risk network failure, public safety, and the unreliability of passenger rail services in these metro regions leading to diminishing demand and decreasing revenue.

Recent rail faults in the Auckland and Wellington regions have received a wide amount of public interest. Public interest surrounded the discomfort of passengers stuck on trains, the dissatisfaction of rail users, and the potential decline in rail patronage and resulting increase in road congestion.

It would also undermine central and local government's capital improvements currently in progress and the Crown's value in existing assets owned by KiwiRail (in Auckland, \$1.6 billion in land and \$384 million in infrastructure, in Wellington \$853 million in land and \$1.7 billion in infrastructure).

Gateway Number

Not Applicable

Problem Definition

KiwiRail has developed a new Asset Management Plan and reviewed its network costs (including renewals) and their allocation between freight and metro passenger services in response to criticism in the 2008 report of the Controller and Auditor General.

The amount required to fully reimburse KiwiRail for providing a safe and reliable metro network exceeds the current local authority access charges, including contributions from the NZ Transport Agency (NZTA).

For the 2010/11 year Crown funding of \$21.139 million is sought to meet the shortfall for KiwiRail's metro network costs (including renewals).

KiwiRail has identified a ten year funding shortfall but this initiative only seeks a one year appropriation, as alternative funding options for future years and network costs are being investigated by the Ministry of Transport.

Whole of Life Cost

The appropriation sought is for a one year period only.

Detailed Costings

<i>\$000</i>	2010/11
Wellington Renewals	9,572
Auckland Renewals	7,368
Other network costs	4,198
Total	21,139

Scaling options

[Withheld under s9(2)(j)]

The Ministry of Transport has recommended to KiwiRail that it advise of a minimum level of renewals required to meet safety requirements and allow metro passenger services to continue operating scheduled services, until future costs and funding options can be investigated. This has resulted in the identified requirement minimum of \$21.139 million for 2010/11.

These are the current best estimates based on KiwiRail's 2009 Asset Management Plan and its assumptions of cost allocation between freight and passenger services and a minimum service level. Further analysis will be undertaken, before Budget announcements, to test these costs estimates and assumptions.

Funding Options [sources of funds other than the Crown]

Funding from Kiwirail: The government's intention is to establish KiwiRail's national freight business as a commercial entity. If KiwiRail had to bear the costs of the metro passenger network then it would reduce its ability to act commercially and recover its costs. The costs associated with providing the metro network for passenger services and risks of metro network failure should not be borne by KiwiRail's more commercially focused freight business.

Funding from 3rd party sources: Negotiations have commenced with Auckland Regional Council and Greater Wellington Regional Council to increase their

contribution to metro network costs. The negotiations will be concluded later in 2010. Discussions will be held with the Auckland and Wellington regions to ensure their maximum contribution in 2010/11, but there is still likely to be a shortfall. Officials will monitor these negotiations and any reduction in the shortfall will mean a reduced draw down from this appropriation.

Funding from savings: Over the last few years, KiwiRail funded unrecovered metro network costs (including renewals) with Crown funding, including the application of surplus funds from Project DART (\$600 million over 5 years) in Auckland, and Wellington Metro Rail Upgrade Agreement (\$125 million over 4 years) in Wellington.

The Minister of Transport has directed KiwiRail to fund its unrecovered network costs (including renewals) for 2009/10 from efficiencies in the remaining Project DART and WARP appropriations. These appropriations are now fully allocated and there are no further savings.

How do we know this initiative will deliver the outcomes (intervention logic)?

A Crown appropriation for 2010/11 would meet the metro network costs (including renewals) identified in KiwiRail's asset management plan.

Evaluation of initiative's contribution to outcomes

This initiative will be evaluated by monitoring two key outcomes; network safety and network reliability.

Network Safety: Under the Railways Act 2005, ONTRACK (KiwiRail Group's network division), as rail licence holders, must comply with the Safety Cases (agreed safety standards and procedures) that the NZTA has approved for them. ONTRACK must report all accidents and incidents that have the potential to negatively impact or have negatively impacted the safety or condition of persons, infrastructure or property as a result of metro rail activities to the NZTA.

ONTRACK is also subject to annual safety assessments of their compliance to their Safety Cases and systems conducted by the NZTA. The results of these assessments form a Safety System rating.

The Ministry of Transport and NZTA will monitor ONTRACK's Safety System rating and incident reports for the metro networks and expect improvement for the year 2010/11 over the year 2009/10 to ascertain funding effectiveness and management of this initiative.

Network Reliability: ONTRACK currently reports to regional councils on two Key Performance Indicators (KPIs) relating to punctuality and reliability of their metro networks (reported by percentage of train services on time, delayed, or cancelled).

The Ministry of Transport and NZTA will monitor ONTRACK's KPIs relating to punctuality and reliability quarterly and expect improvement for the year 2010/11 over the year 2009/10 to ascertain funding effectiveness and management of this initiative.