



Phillip Hindrup
Transport Manager
Horizons Regional Council
Private Bag 11025
Palmerston North 4442

TDG Ref: P8429
17 March 2017

Issued via email: phillip.hindrup@horizons.govt.nz

Dear Phil

Offer of Professional Services: Capital Connection Rail Passenger Service Business Case

Following our recent correspondence, I am pleased to provide this Offer of Service to prepare a detailed business case for the Capital Connection rail passenger service.

1. Project

The Capital Connection rail passenger service provides a weekday return commuter service between Palmerston North and Wellington, and has operated since 1991. The service was commercially run prior to July 2015, but declining financial performance and increased maintenance costs have required joint funding support from Horizons Regional Council and Greater Wellington Regional Council since that time. This funding arrangement is due to expire in June 2018.

A Passenger Rail Working Party was formed to represent key stakeholders and consider the future of passenger rail in the Palmerston North-Wellington corridor in early 2016. This group has considered several options, and requires a business case to test the options and support the investment decision process for future funding. The business case will cover a five-year period from July 2018, and must be completed by the end of June 2017, to allow any future funding requirements to be incorporated into forthcoming planning and funding processes, including the councils' Long Term Plans, and Regional Public Transport Plans and Regional Land Transport Plans as appropriate.

The business case will update and extend a 2012 Greater Wellington Regional Council business case to reflect current circumstances. It will take the form of a Detailed Business Case following the NZ Transport Agency Business Case Approach, and will therefore provide:

- a strategic assessment of the problems that need to be addressed, benefits of investing to address them, and consequent investment objectives;
- a description of the strategic context within which the investment decision is being made;
- a description of the options that have been considered as responses, including a high-level of assessment of the feasibility of each option; and
- a detailed description and assessment of the feasibility of the recommended option, which will provide sufficient detail to enable an investment decision to be made.


The business case will include assessments of current and forecast revenues and costs (both capital and operating), risks, and fit with NZ Transport Agency investment requirements (to assist with a the subsequent funding application if it is required).

2. Scope of Services

The TDG team has substantial experience developing public transport service and infrastructure business cases, including rail passenger service business cases, in both New Zealand and Australia. This gives us an excellent understanding of NZ Transport Agency public transport business case requirements, and of the specific factors that relate to rail. There is tremendous efficiency, opportunity and advantage in bringing this knowledge and experience to support this project.

Based on our experience, we propose the approach shown in **Table 1**. The table includes indicative completion dates for each phase, which are based on a Monday 20 March 2017 commencement date. The business case document will be developed progressively in line with each phase and be completed in draft by Friday 12 May. Weekly progress updates will be provided to the client's project manager.

Phase	Details	Completion
Inception	We will meet with the client's project manager to confirm project scope and delivery details, agree stakeholder engagement requirements, and identify appropriate sources for supporting data and background documentation.	24 March 2017
Strategic Assessment and Context	We will draw on previous work by Greater Wellington Regional Council and Passenger Rail Working Party, and strategic planning documents such as the current Regional Land Transport Plans and draft Government Policy Statement on Land Transport, to determine the strategic case for investment. This will identify the problems that the train responds to, the benefits of future investment to address them, and associated investment objectives.	7 April 2017
Stakeholder Engagement	We will engage with the Te Hononga Capital Connection Community group, and other key stakeholders as required, to get their input on the options that will be assessed during the Response Options phase and the critical success factors that will be used to assess them. The timing of this engagement will be confirmed during the Inception phase.	13 April 2017
Response Options	We will undertake a high-level programme/indicative assessment of each of the options that have been considered as responses to date. These include options around ownership and operation of equipment (e.g. Greater Wellington Regional Council or KiwiRail), and options around the type of service provided (e.g. through, shuttle or replacement coach (bus) service). This assessment will evaluate the performance of each option against a set of critical success factors, which are expected to include the investment objectives, patronage and revenue, costs, timeframe, risks, dependencies, and benefits and disbenefits. The financial forecasts for each option (i.e. fare revenue and operating and capital costs),	28 April 2017



	including continuation of the status quo (base case) option, will be tested to ensure that they are realistic, and fair and reasonable. Each option will then be ranked based on a qualitative assessment of its overall performance against the critical success factors. This ranking will be used to determine a recommended option.	
Decision Point	The findings of this phase and the recommended option will be confirmed with Horizons Regional Council and Greater Wellington Regional Council before proceeding.	1 May 2017
Recommended Option	We will undertake a detailed assessment of patronage and revenue, costs, benefits, risks and implementation requirements of the recommended option, and produce an economic (benefit-cost) appraisal to support the assessment. This will be guided by the requirements of the NZ Transport Agency Economic Evaluation Manual and include sensitivity testing. The economic appraisal will be used to inform an assessment against the current 2015-18 NZ Transport Agency Investment Assessment Framework (or new 2018-21 framework if available), along with assessments of strategic fit and effectiveness.	12 May 2017
Draft Business Case	We will describe the strategic case and options, along with the findings of the above assessments in a draft business case document, which will be provided to Horizons Regional Council and Greater Wellington Regional Council for comment and feedback.	12 May 2017
Presentation	We will update the report to reflect Horizons Regional Council and Greater Wellington Regional Council feedback, and attend the Passenger Rail Working Party meeting, where we will present the findings of the draft business case.	26 May 2017
Final Business Case	We will update and finalise the business case document, to reflect stakeholder feedback.	30 June 2017

Table 1: Proposed approach

3. Staffing

This project will be led by Doug Weir, TDG's National Specialist - Public Transport, who will be the main client contact, undertake most analyses, and prepare the business case document. Doug is a transport planner and policy analyst with more than 25 years' professional experience, including more than twelve specialising in public transport. He has completed numerous public transport business cases, and has a deep understanding of business case development and economic appraisal. His experience includes a previous role in NZ Transport Agency's Public Transport Investment team, where he led the most recent update of public transport evaluation procedures in the NZ Transport Agency Economic Evaluation Manual, participated in the development of the NZ Transport Agency Business Case Approach, and completed Treasury business case training. Doug is conversant with the Capital Connection from a prior public transport planning role at Greater Wellington Regional Council.

Doug will be assisted by John Bolland and Neil Douglas, who will act as independent expert advisors and peer reviewers. John has over thirty-five years' experience in all modes of surface transport, especially in the fields of evaluation, economics, modelling and forecasting, and has extensive public transport, rail and business case experience. He will provide specialist advice

across the project, particularly on benefits and costs, and will review the economic analyses. Neil has over thirty years academic, consultancy and management experience in transport economics and planning, and also has extensive public transport, rail and business case experience. He will provide oversight of the patronage forecasts and advice on benchmark costs, particularly in Australia, where he has extensive passenger rail experience.

CVs for Doug, John and Neil are attached for reference. All three core team members are Wellington-based and familiar with the Capital Connection and the places that it serves in both regions.

Other TDG staff will provide specialist expertise as required to support the project.

4. Timescale for Services

Generally, we find that a project of this nature takes around eight weeks to complete. Anticipating a prompt instruction, we expect to commence work on this project on Monday 20 March 2017 and deliver the draft business case by Friday 12 May as shown in Table 1. This will enable the document to be discussed at an anticipated 18 May Passenger Rail Working Party meeting and finalised by 30 June 2017. However, we would be pleased to discuss the project timeframes with you at your convenience.

5. Fees and Timing of Payments

Our fee estimate for the tasks described in Table 1 is \$43,000 plus disbursements of \$300, with GST to be added. A breakdown of the fees and disbursements associated with each phase is provided in Table 2. Disbursements are expected to primarily relate to mileage-related travel in the Stakeholder Engagement and Presentation phases, and assume that meetings will be held in either Levin or Otaki, in a venue provided by one of the stakeholder organisations.

Phase	Fee Breakdown	Estimated Disbursements
Inception	\$1,000	
Strategic Assessment and Context	\$6,000	
Stakeholder Engagement	\$1,000	\$150
Response Options	\$14,000	
Recommended Option	\$10,000	
Draft Business Case	\$6,000	
Presentation	\$2,000	\$150
Final Business Case	\$3,000	
Total	\$43,000	\$300

Table 2: Breakdown of fee by phase (excluding GST)

The fee estimate includes all tasks described, but in the event that any additional work is requested or required beyond the tasks listed, we propose to adopt a 'time and materials' approach.

Payments will be required on the basis of progress claims, which will be invoiced monthly, covering the work completed and disbursements incurred. Payments will be due on the 20th of the month following the date of our invoice.

6. Model Conditions of Engagement and Special Conditions

As the consultant, we agree to perform the services described in the manner, at the time, for the remuneration provided above, on the basis that both parties are bound by the provisions of the IPENZ / ACENZ Short Form Model Conditions of Engagement April 2016 and the Special Conditions of Engagement which are attached and incorporated into this Offer of Service.

We are ready to proceed on your direction. Would you please arrange for the appropriate authority to sign a copy of this letter where indicated and return to us as confirmation that you wish to accept this Offer of Service, subject to the terms of this letter and the attachments.

We would be happy to further discuss any of the details of this Offer of Service as required. In the meantime, we look forward to your response, and to the opportunity to work with you on this project.

Yours faithfully
Traffic Design Group Ltd



Doug Weir
National Specialist – Public Transport

doug.weir@tdg.co.nz

Attach: CVs
Client Declarations and Authorisations
Short Form Agreement for Consultant Engagement
Short Form Model Conditions of Engagement April 2016
TDG Special Conditions of Engagement



Client Declarations and Authorisations:

I have read and understand this Offer of Service and its terms of trade, including the attached IPENZ / ACENZ Short Form Model Conditions of Engagement and the TDG Special Conditions of Engagement.

By signing my acceptance of this Offer of Service below, I agree, under the terms of the Privacy Act 1993, to authorise any person or company to provide TDG with such information as may be required in response to their credit enquiries, including an individual credit check.

If I default in my payment obligation to you, information about that default may be given to Veda Advantage, and Veda Advantage may give information about my default to other Veda Advantage customers.

I declare that I have the authority to enter this agreement on behalf of the Client.

Client authorised signatory(ies) [please sign]:

[Handwritten signature]

Name [please print]:

Phil Hindrup

Position:

Manager Transport Services

Date signed:

23/3/17

Company name:

Horizons Regional Council

Contact phone number:

021 2477335

Name and address to appear on invoice:

*Horizons Regional Council
Private Bag 11025
Manawatu Mail Centre
Palmerston North*

Email address to send invoice and statement: OR

phillip.hindrup@horizons.govt.nz

Email address to send statement if different from above:

Short Form Agreement for Consultant Engagement

Between:

Horizons Regional Council

(Client)

and:

Traffic Design Group Ltd

(Consultant)

Collectively referred to herein as the "Parties" and individually as a "Party"

Project:

Location:

Scope & nature of the Services: as per attached offer of services

Programme for the Services: as per attached offer of services

Fees & timing of payments: as per attached offer of services

Information or services to be provided by the Client:

The Client engages the Consultant to provide the Services described above and the Consultant agrees to perform the Services for the remuneration provided above. Both Parties agree to be bound by the provision of the Short Form Model Conditions of Engagement (overleaf), including clauses 2, 3, 10 and 11 and any variations noted below. Once signed, this agreement, together with the conditions overleaf and any attachments, will replace all or any oral agreement previously reached between the Parties.

Variations to the Short Form Model Conditions of Engagement (overleaf):

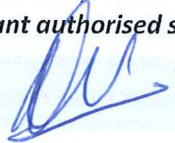
Client authorised signatory (ies):



Print name: Phil Hindrup

Date: 23/3/17

Consultant authorised signatory (ies):



Print name: Doug Weir

Date: 23/3/17

SHORT FORM MODEL CONDITIONS OF ENGAGEMENT

1. The Consultant shall perform the Services as described in the attached documents.
2. Nothing in this Agreement shall restrict, negate, modify or limit any of the Client's rights under the Consumer Guarantees Act 1993 where the Services acquired are of a kind ordinarily acquired for personal, domestic or household use or consumption and the Client is not acquiring the Services for the purpose of a business.
3. The Client and the Consultant agree that where all, or any of, the Services are acquired for the purposes of a business the provisions of the Consumer Guarantees Act 1993 are excluded in relation to those Services.
4. In providing the Services the Consultant shall exercise the degree of skill, care and diligence normally expected of a competent professional.
5. The Client shall provide to the Consultant, free of cost, as soon as practicable following any request for information, all information in his or her power to obtain which may relate to the Services. The Consultant shall not, without the Client's prior consent, use information provided by the Client for purposes unrelated to the Services. In providing the information to the Consultant, the Client shall ensure compliance with the Copyright Act 1994 and shall identify any proprietary rights that any other person may have in any information provided.
6. The Client may order variations to the Services in writing or may request the Consultant to submit proposals for variation to the Services. Where the Consultant considers a direction from the Client or any other circumstance is a Variation the Consultant shall notify the Client as soon as practicable.
7. The Client shall pay the Consultant for the Services the fees and expenses at the times and in the manner set out in the attached documents. Where this Agreement has been entered by an agent (or a person purporting to act as agent) on behalf of the Client, the agent and Client shall be jointly and severally liable for payment of all fees and expenses due to the Consultant under this Agreement.
8. All amounts payable by the Client shall be paid within twenty (20) working days of the relevant invoice being mailed to the Client. Late payment shall constitute a default, and the Client shall pay default interest on overdue amounts from the date payment falls due to the date of payment at the rate of the Consultant's overdraft rate plus 2% and in addition the costs of any actions taken by the Consultant to recover the debt.
9. Where Services are carried out on a time charge basis, the Consultant may purchase such incidental goods and/or Services as are reasonably required for the Consultant to perform the Services. The cost of obtaining such incidental goods and/or Services shall be payable by the Client. The Consultant shall maintain records which clearly identify time and expenses incurred.
10. Where the Consultant breaches this Agreement, the Consultant is liable to the Client for reasonably foreseeable claims, damages, liabilities, losses or expenses caused directly by the breach. The Consultant shall not be liable to the Client under this Agreement for the Client's indirect, consequential or special loss, or loss of profit, however arising, whether under contract, in tort or otherwise.
11. The maximum aggregate amount payable, whether in contract, tort or otherwise, in relation to claims, damages, liabilities, losses or expenses, shall be five times the fee (exclusive of GST and disbursements) with a maximum limit of \$NZ500,000.
12. Without limiting any defences a Party may have under the Limitation Act 2010, neither Party shall be considered liable for any loss or damage resulting from any occurrence unless a claim is formally made on a Party within 6 years from completion of the Services.
13. The Consultant shall take out and maintain for the duration of the Services a policy of Professional Indemnity insurance for the amount of liability under clause 11. The Consultant undertakes to use all reasonable endeavours to maintain a similar policy of insurance for six years after the completion of the Services.
14. If either Party is found liable to the other (whether in contract, tort or otherwise), and the claiming Party and/or a Third Party has contributed to the loss or damage, the liable Party shall only be liable to the proportional extent of its own contribution.
15. Intellectual property prepared or created by the Consultant in carrying out the Services ("New Intellectual Property") shall be jointly owned by the Client and the Consultant. The Client and Consultant hereby grant to the other an unrestricted royalty-free license in perpetuity to copy or use New intellectual Property. Intellectual property owned by a Party prior to the commencement of this Agreement and intellectual property created by a Party independently of this Agreement remains the property of that Party. The ownership of data and factual information collected by the Consultant and paid for by the Client shall, after payment by the Client, lie with the Client. The Consultant does not warrant the suitability of New Intellectual Property for any purpose other than the Services or any other use stated in the Agreement.
16. The Consultant and the Client will be aware of, and comply with, any relevant obligations imposed on them under the Health and Safety at Work Act 2015 (the "Act"). The Consultant has not and will not assume any duty imposed on the Client from time to time pursuant to the Act arising out of this engagement.
17. The Client may suspend all or part of the Services by notice to the Consultant who shall immediately make arrangements to stop the Services and minimise further expenditure. The Client and the Consultant may (in the event the other Party is in material default) terminate the Agreement by notice to the other Party. Suspension or termination shall not prejudice or affect the accrued rights or claims and liabilities of the Parties.
18. The Parties shall attempt in good faith to settle any dispute by mediation.
19. This Agreement is governed by the New Zealand law, the New Zealand courts have jurisdiction in respect of this Agreement, and all amounts are payable in New Zealand dollars.



TDG Special Conditions of Engagement

The following Special Conditions of Engagement take precedence over the relevant conditions within the IPENZ/ACENZ Short Form Model Conditions of Engagement April 2016:

1. Condition 5 of the IPENZ/ACENZ Short Form Model Conditions of Engagement April 2016 is modified as follows:
 5. The Client shall provide to the Consultant, free of cost, as soon as practicable following any request for information, all information in his or her power to obtain which may relate to the Services. The Consultant shall not, without the Client's prior consent, use confidential information provided by the Client for purposes unrelated to the Services. In providing the information to the Consultant, the Client shall ensure compliance with the Copyright Act 1994 and shall identify any proprietary rights that any other person may have in any information provided.

2. Condition 8 of the IPENZ/ACENZ Short Form Model Conditions of Engagement April 2016 is modified as follows:
 8. All amounts payable by the Client shall be paid ~~within twenty (20) working days of the relevant invoice being mailed to the Client~~ by the 20th of the month following the date of invoice. Late payment shall constitute a default, and the Client shall pay default interest on overdue amounts from the date payment falls due to the date of payment at the rate of the Consultant's overdraft rate plus 2% and in addition the costs to the Consultant of any actions taken by the Consultant to recover the debt. Such costs will include any expenses, disbursements and legal costs incurred by the Consultant in the recovery of the debt by the Consultant including any solicitor's actual fee, and debt collection agency fees.



The following conditions shall apply to the lease contract between the lessor and the lessee:

1. The lessee shall be responsible for the maintenance and repair of the leased property.

2. The lessee shall not sublease the leased property without the written consent of the lessor.

3. The lessee shall be responsible for the payment of all taxes and fees related to the leased property.

4. The lessee shall be responsible for the insurance of the leased property.