

EA to Board to insert

BOARD PAPER

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| Paper no: | 2018/12/ |
| Meeting date: | 14 December 2018 |
| Prepared by: | Richard Hancy, Auckland Light Rail, Acting Project Director |
| Recommended by: | Brett Gliddon, General Manager System Design & Delivery |
| Board function: | Significant planning, investment and operational matters |
| Subject: | Auckland Light Rail |

It is recommended that the NZ Transport Agency Board resolves to ...

- **Endorse** a route between Queen Street in the city centre and Auckland Airport in Mangere, including on street running along Queen Street, Dominion Road, Princes Street (in Onehunga), McKenzie Road, Bader Drive, and Westney Road.
- **Endorse** that the City Centre to Mangere project is for conventional light rail vehicles on steel wheels/track and on a predominantly at-grade alignment along both on street and off street sections.
- **Endorse** the Procurement and Delivery Strategy, comprising a combination of three Early Works packages and a Main Works package for the purposes of market engagement
- **Note** the ongoing engagement with NZ SuperFund and Caisse de dépôt et placement du Québec.
- **Endorse** the appointment of the recommended Planning and Engineering, and Legal Professional Services providers.
- **Note** that the introduction of enabling legislation to cabinet has been delayed.

Recent engagement with the Board regarding the City Centre to Mangere Light Rail project

- The NZ Transport Agency Board received a paper on Auckland Light Rail in November 2018 that had a number of recommendations
- Following discussion amongst Board Members, the Board agreed to defer making some decisions and leave some of the proposed resolutions on the table, pending additional matters being addressed, including:
 - further discussion with Treasury and the NZ SuperFund (NZSF) on the unsolicited proposal and any alternative approaches; and
 - a thorough independent review of the preferred options and proposals
- This paper reports back on those matters, and other matters arising

The independent LEK review has commenced, and LEK will report back via the Board Chair

- Following the 16 November 2018 Board meeting, LEK was appointed to undertake a review of aspects of the project
- It is understood that LEK will report back to the Board Chair

The NZSF/CDPQ JV proposal has been assessed further

- The Transport Agency has produced two reports (located in the Resource Centre in Diligent Boards) on the NZSF and Caisse de dépôt et placement du Québec (CDPQ) Joint Venture's (NZSF/CDPQ JV) proposal:
 - an analysis of the merits of the unsolicited proposal (USP); and
 - an analysis of the value of the NZSF proposed Public-Public Investment (PPI) model against the Transport Agency's standard practice
- These reports have been shared with Ministry of Transport (MoT) and Treasury to assist with their own assessments of the USP
- The PPI value assessment report has been shared with NZSF/CDPQ, under confidentiality agreements
- The USP assessment has concluded that the threshold tests of uniqueness and value-for-money have not been demonstrably met
- The PPI model assessment concludes that additional information/evidence is required to justify the claims made by NZSF/CDPQ with regards to the benefits of the PPI model over and above the Transport Agency delivery model

Discussions with NZSF, CDPQ, MoT and Treasury are continuing

- Further to previous Transport Agency/NZSF/CDPQ meetings, a three-way meeting was held on 27 November 2018 with NZSF and Treasury, including Chief Executives from Transport Agency and NZSF, and Deputy Secretary of the Treasury. The meeting covered an update on the Transport Agency's project and the NZSF/CDPQ JV's activities; discussion of potential partnership options between the Transport Agency and NZSF; and discussion of process for considering the NZSF/CDPQ JV's USP
- s 9(2)(g)(i) [REDACTED]
- Treasury and MoT are considering the broader process for how such 'out of process' proposals should be treated. The MoT are advising the Minister on the NZSF/CDPQ proposal independently. NZSF is meeting the Minister of Transport on 12 December 2018. The Transport Agency and Treasury are meeting again with NZSF/CDPQ on 13 December 2018 to discuss feedback on the PPI assessment shared with NZSF/CDPQ previously

Other partnering options were explored with the NZSF

- At the meeting on 27 November 2018 with NZSF and Treasury, the concept of partnering between NZSF and the Transport Agency at a programme/corporate level was discussed

s 9(2)(g)(i)

Market Engagement has been on hold pending progression of discussions with NZSF

- At the 16 November 2018 Board meeting, a procurement strategy was presented that included three early works packages:
 1. Major utilities relocations packages: Alliance / Early Contractor Involvement (ECI)
 2. Karangahape Road/Central Motorway Junction (K'Rd/CMJ) crossings package: Competitive Alliance
 3. Manukau Harbour Crossing (MHX) package: Design & Construct (D&C)and one integrated main works package:
 4. Main package fully integrated, during the delivery/operations phase
- During the previous market engagement phase, the Transport Agency indicated it would return to the market in the final quarter of 2018 with an update. While the NZSF discussions are still ongoing, it is recommended that market engagement recommences immediately on the above basis to maintain market confidence in the Transport Agency's process
- This would involve written correspondence within the next week, followed by meetings with market participants in the first quarter of 2019

The Cabinet Paper on the enabling legislation has been delayed

- s 9(2)(g)(i) [Redacted]
- The Transport Agency has prepared draft legislation to assist the MoT and Parliamentary Counsel Office with the law drafting process. (This cannot progress until the Cabinet paper is approved)
- The City Centre to Mangere (CC2M) project is currently proceeding on the basis of a Board of Inquiry process; however, this has a higher level of risk - including uncertainty of outcome, with potential cost implications for the procurement processes to come
- In addition, the Transport Agency is developing an application to become a Requiring Authority for Light Rail under the RMA

Professional service providers are about to be appointed

- Two Professional Services procurement processes have been running over the last few months. These are for Planning and Engineering Services, and Legal services. These skill sets are required to support consenting and procurement processes that form the core of the next phase for Light Rail (regardless of enabling legislation)
- Following a short listing process, three responses were received for the Planning and Engineering tender as follows:
 - Aurecon
 - GHD/Mott MacDonald/Tonkin + Taylor
 - Jacobs/Arup JV
- Two responses were received for the Legal tender as follows:
 - Chapman Tripp/Bell Gully JV
 - Kensington Swan/Russel McVeagh/Corrs Chambers Westgarth
- The preferred teams will be advised at the Board meeting for endorsement

Stakeholder Agreements are progressing, including Auckland Council and Utility providers

- Formal engagement on the potential route for the CC2M: Auckland Light Rail Project has commenced on a confidential basis with Utility providers
- Meetings with Transpower, Vector, Watercare and Auckland Council (AC) have been at Chief Executive to Chief Executive level, supported by officials
- An ongoing series of meetings is being scheduled with the various Telco companies considered to have assets in the proposed Light Rail corridor
- To date, all those met have indicated a willingness to work with Transport Agency to understand the extent of interaction with the Light Rail project and process for protection or relocation
- The 'top 3' (Transpower, Vector and Watercare) have established technical teams and named individual points of contact for the Light Rail Utilities team to engage with

The Utilities forward programme is focused on establishing clarity on the extent of relocations

The next steps, between December 2018 and April 2019, in terms of the Utilities forward programme, include:

- Memoranda of Understanding (MOU) - under development and will be worked through with the Network Utility Operators
- Ongoing technical meetings to gain clarity on type, likely locations and depths of major utilities
- Development of a GIS based data capture system to accurately record current and future positions of utilities
- Developing a package of intrusive utilities locations work, including ground penetrating radar (GPR) and slot trenching to confirm actual locations

Discussions with Auckland International Airport Limited are continuing

- In anticipation of a meeting between the Minister of Transport and the Auckland International Airport Limited (AIAL) Board, the Transport Agency provided a list of “bottom line” requirements from AIAL for CC2M. These included :
 - capital cost of all works within the Airport precinct;
 - location of the Light Rail terminal at the Airport terminal;
 - provision of land at no cost; and
 - the Transport Agency owns full operational control of the Light Rail system, including farebox revenue
- The Minister of Transport has now met with the AIAL Board and communicated these requirements
- The AIAL Board Chair has agreed to consider these requirements and the Transport Agency is awaiting a response accordingly

Value Capture analysis is focusing on the Auckland Airport precinct initially

- Luti Consulting and Corview have been engaged to analyse and estimate value creation impacts from Light Rail
- A statistical model, known as an Hedonic Price Model (HPM), is being developed for the CC2M route. This model will be the basis for estimating the land market benefits from Light Rail near the Airport and at other locations along the route
- The land value benefits to AIAL are being estimated as a first stage. The benefits to AIAL are created by the change in access to jobs within the Airport precinct brought about by Light Rail
- A set of potential value sharing mechanisms will then be modelled to establish their financial potential. This analysis can provide an analytical basis for negotiation of a contribution from AIAL
- A negotiating strategy is being developed separately that will identify other leverage points available to the Transport Agency