

Auckland Light Rail

In confidence

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ELT Sponsor	Nicole Rosie, Chief Executive
Prepared By	Lucy Riddiford, Auckland Light Rail Josh Arbury Lead Advisor Policy and Planning
Legal Reviewer	Lucy Riddiford
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Purpose

This paper summarises Cabinet's decisions on Auckland Light Rail and outlines the key issues for Waka Kotahi arising from those decisions.

Recommendations

It is recommended the Board:

- **Notes** the decisions of Cabinet on Auckland Light Rail (ALR).
- **Notes** the operating model for the next phase of ALR, including the fact that Waka Kotahi will need to enter into a funding and hosting agreement, which will set out the scope of the 'hosting' roles, responsibilities and accountabilities in the context of the new funding arrangements.
- **Notes** the preferred partnering model outlined by the Light Rail Unit and the challenge of endorsing this approach with insufficient resources to deliver on our core work programme and all Ministerial priorities.
- **Endorses** support for 'hosting' support to the Establishment Unit and the approach to the Additional Waitematā Harbour Crossing.
- **Notes** the approach to integration of the ALR and AWHC projects.
- **Notes** the need for Waka Kotahi to participate in several policy workstreams related to ALR, including developing an enduring policy framework for rapid transit, funding options and rail safety regulation.

Strategic relevance

Cabinet has prioritised progressing light rail in the City Centre to Māngere corridor in the next decade as the first spine of a wider rapid transit network for Auckland. Auckland Light Rail (ALR)

will be New Zealand's largest and most complex infrastructure project. ALR has the potential to transform Auckland's transport network, bring far-reaching benefits to communities and increasing access across the region.

Background

Cabinet's decisions on Light Rail were announced on Friday 28 January. The Cabinet paper is included as Document 1 in the resource centre.

As well as confirming the preferred mode as tunnelled light rail, the announcement emphasised the importance of a broader integrated mass rapid transit network for Auckland and the importance of integration with the Additional Waitematā Harbour Connections (AWHC) project.

ALR will be taken forward in an integrated programme of work that develops a preferred option through technical project design and development, policy implementation and decision-making, delivered as a broader approach to urban transformation along the City Centre to Māngere corridor.

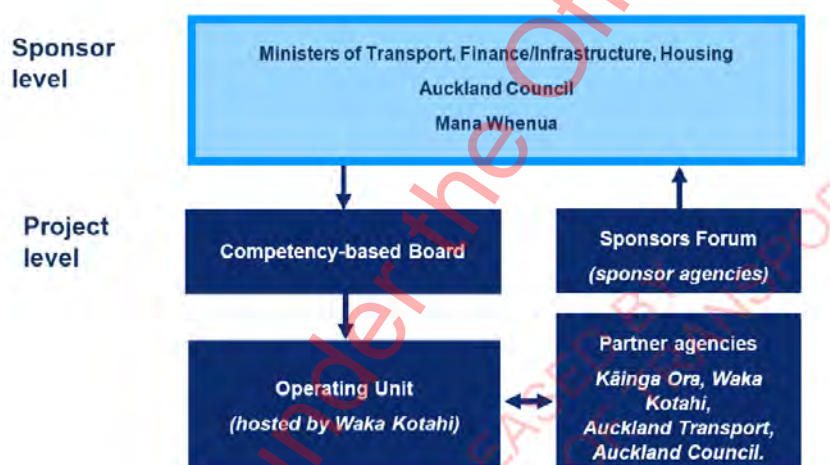
A transitional model, moving to a skills-based board was signalled and the first steps to a decision on the delivery entity, to be established by the end of the calendar year.

The Board had several updates on Auckland Light Rail in 2021 and in September 2021 the Board had a broader discussion on the Waka Kotahi preferred role in planning, designing and delivering rapid transit.

Key issues

Summary of the operating model for ALR for the next phase

The proposed governance of the project has two layers, at sponsor and at project level:



(Extract from Cabinet paper, page 17).

A detailed summary of the new governance arrangement and organising model is set out in Document 2 in the resource centre, which is a paper prepared by Te Manatū Waka for the ALR Board at its 8 February 2022 meeting.

Roles for Waka Kotahi

Funding and hosting

The next phase of the project will be funded via a direct Crown appropriation (subject to further decisions). This change in funding is because Ministers want greater control of the project than if it were to continue to be funded via the NLTF.

There is currently around \$95 million of NLTF funding for the project is included in NLTP 2021-24, out of a total of \$1.8 billion in the 2021-31 Auckland Transport Alignment Project package. At this stage, it is unclear when/ whether this will be drawn upon. The Cabinet paper says: *Under the Auckland Transport Alignment Project (ATAP) 2021-31 funding totalling \$1.8 billion has been allocated for CC2M and Northwest corridors in this decade. Whilst the Government Policy Statement on Land Transport 2021 includes a commitment to ATAP, this does not direct or guarantee funding for specific projects such as CC2M. Funding for individual projects through the NLTF must be approved by the Waka Kotahi Board having regard to a range of priorities for spending.*

Of the \$60m approved by the Board in April to fund the project, approximately \$19m has been spent. It is likely that the project will spend approximately a further \$10m until the end of June.

Waka Kotahi will continue to host the operating unit (ALR Group) until the delivery entity is stood up, meaning that Waka Kotahi will continue to:

- Act as the contracting entity that enables ALR Group to enter into contracts (e.g. to purchase professional services or engage contractors)
- Employ staff (e.g. agreements for fixed term employment, secondments, and permanent full time and part-time work)
- Administer the funding of the Crown appropriations
- Provide shared services (e.g. HR, finance, procurement, ministerial, legal)
- Provide accommodation, ICT equipment, office supplies and services

Te Manatū Waka and Waka Kotahi are working together to determine the scope of the 'hosting' roles, responsibilities and accountabilities in the context of the new funding arrangements. This will reflect the fact that the accountability for project outcomes will sit with the ALR Board, which in turn is accountable to Ministers. Te Manatū Waka is preparing a funding and hosting agreement.

The 'hosting' arrangements will continue until such time as a new delivery entity is established, which could be in the second half of 2022. Budget decisions are expected to provide certainty of funding up to mid-2024, making it possible for contracts held by Waka Kotahi to be transferred to the delivery entity.

Auckland Light Rail Group Preference for Waka Kotahi to be a Partner

The Cabinet paper identifies that one of the successes of the Establishment Unit was the ability to bring together a number of agencies to work collaboratively on a project with broad interests. It signals that it would like this to continue.

Ministers expect the ALR Group to continue to partner with mana whenua, and with agencies such as Auckland Council, Auckland Transport, Waka Kotahi and Kāinga Ora, to undertake its work and inform its recommendations. Oversight by Sponsors will help ensure that joined-up decisions can be made on the range of interventions needed to deliver the project and its benefits.

The ALR Group has said that it needs the support of Waka Kotahi, not just as a host, but as a critical partner. They value our track record of delivering significant infrastructure projects and would like to draw on resources in the procurement, planning, property and legal areas. In time, as the project matures, other parts of Waka Kotahi will be important.

There are choices for Waka Kotahi as to the level of support, given other competing priorities.

1. Provision of key staff Waka Kotahi staff played key roles in the Establishment Unit. The ALR Board supports the appointment of these staff to permanent positions in the ALR Group for the next phase, expected to last until 2024.

These staff will be accountable to the ALR Programme Director and the ALR Board and this will not be a substitute for partnering with Waka Kotahi.

2. Provision of resources The operating unit will benefit from Waka Kotahi support, particularly in the areas of procurement, HR, planning, property, legal and standards. These resources could be charged back to the ALR Group (which will be funded by a Crown appropriation), allowing for roles to be back-filled as required.

It is anticipated that the model can be flexible with resources being applied as needed and allowing for easy movement of resources between the operating unit and Waka Kotahi projects.

There are obvious trade-offs, as Waka Kotahi has a heavy and complex work programme to deliver. However, the benefit of providing resources is that Waka Kotahi would retain these resources, rather than competing for them.

3. As a partner Waka Kotahi has an important function in the planning and delivery of mass rapid transit projects in Auckland and it is anticipated that Waka Kotahi staff will contribute to the ALR work, in particular in the areas of planning, mode shift, urban areas and funding.

Priority of Light Rail Partnering relative to other priorities

There are multiple pressures on Waka Kotahi for scarce resources, this is one of the risks that Waka Kotahi was careful to raise with Te Manatū Waka and the Minister. The Executive Leadership Team is carrying out a prioritisation exercise with the overarching goal being to cut our programme by around 30-40% with resources, (especially key SMEs in technology, legal, HR and procurement) rather than funding, being the key constraint. s 9(2)(g)(i)

At the conclusion of the prioritisation exercise Management will present our view of prioritised initiatives to the board for discussion before conversations with Te Manatū Waka and the Minister.

Within that context the relative priority of the Auckland Light Rail Project versus multiple competing priorities is unclear.

Integration with AWHC and Northwest Rapid Transit

The City Centre to Māngere corridors forms a key part of Auckland's wider rapid transit network. This network has been indicated in major planning documents like the Auckland Transport Alignment Project (ATAP) and the Auckland spatial plan for several years. Developing this network in an integrated way is key to maximising the benefits of each individual project.

Integration between the City Centre to Māngere corridor and planned corridors to the north and northwest is particularly important, because (as shown in Attachment 2), all three corridors are planned to connect in Auckland's city centre. Work on the Auckland Rapid Transit Plan has

provided high level guidance to how these corridors could be integrated, as reported to the Board in June 2021.

There has also been significant business case work on the north (AWHC) and northwest corridors in recent years:

- A programme-level business case for AWHC was completed in late 2020 and an indicative business case will commence shortly
- Auckland Transport progressed an indicative business case for the Northwest Rapid Transit corridor in 2017, with more recent work focusing on interim bus improvements
- The Supporting Growth Alliance is progressing a Detailed Business Case for the Northwest Rapid Transit corridor between Brigham Creek Road and Kumeu/Huapai

The Cabinet paper is clear that Ministers desire a greater level of integration between these projects, especially ALR and AWHC. Management has agreed a set of high-level principles to support this. These will be documented in a memorandum of understanding.

1. Two projects with two teams.
Some shared objectives, operationally integral. Need some degree of shared oversight.
2. Agree a macro timetable.
Agree joint decision points to be aligned by the end of 2023.
3. Co-ordinated procurement processes.
4. All problems need to be addressed by all.
Objectives will not be completely aligned, commit to work together to align.
5. Common methodologies/ information exchange

While the Cabinet paper makes less reference to the Northwest Rapid Transit corridor, a similar level of integration will be necessary – especially if light-rail is confirmed as its preferred mode and a connection to the City Centre to Māngere route is required.

Enduring rapid transit framework

The Cabinet paper emphasises that decisions around planning, funding and delivering rapid transit cannot continue to be made on a project-by-project level, and an enduring framework to guide decision-making, roles and responsibilities is urgently required. The framework is intended to provide a nationally consistent strategy for the planning, funding, ownership, operation and delivery of rapid transit.

Initial high-level direction on these issues will be included in a 2022 amendment to the GPS, with further detailed work undertaken as part of the wider policy work programme needed to take ALR forwards. Waka Kotahi will need to support Te Manatū Waka in undertaking this work, alongside other government agencies and partners.

Development of a rapid transit framework is already highlighted in our current Statement of Performance Expectations and we will continue to support Te Manatū Waka as they lead this work. A critical input to this work will be the need to clarify the roles and responsibilities Waka Kotahi should play. As per the September 2021 board paper, s 9(2)(g)(i)

Transport revenue review/ funding and value capture

The Cabinet paper acknowledges that existing funding approaches are not appropriate for Auckland Light Rail and is looking to develop a broader nationally consistent framework for mega projects. Changes to the GPS are signalled. The Transport Revenue Review has a mega projects

workstream, which looks to define the considerations that support different funding approaches, rather than the current NLTF model.

The Cabinet paper indicates that the project will be funded from a variety of sources, which could include some NLTF funding.

They are also considering how value capture could be pursued as a core component of any funding solution.

Waka Kotahi is already engaged in this programme of work.

Regulating light rail safety

Waka Kotahi has a mandated role in regulating rail (including light rail) to ensure safety. The Cabinet paper signals that part of the wider policy work programme for progressing light rail will include investigating whether existing rail regulations and standards support construction and operational of ALR. Initial discussions with the Te Manatū Waka suggests that this work is about testing whether new regulations are required, not a review of who the regulator is.

We will participate this in this work.

Health & safety, customer/stakeholder & environmental impact

The impact of this decision is considered by Waka Kotahi to be neutral in terms of health and safety, the public and other stakeholders, and the environment.

Related documents

[Auckland Light Rail Update](#), 24 November 2021 Board meeting

[Auckland Light Rail Update](#), 23 September 2021 Board meeting

[Rapid Transit Roles and responsibilities](#), 23 September 2021 Board meeting

Attachments

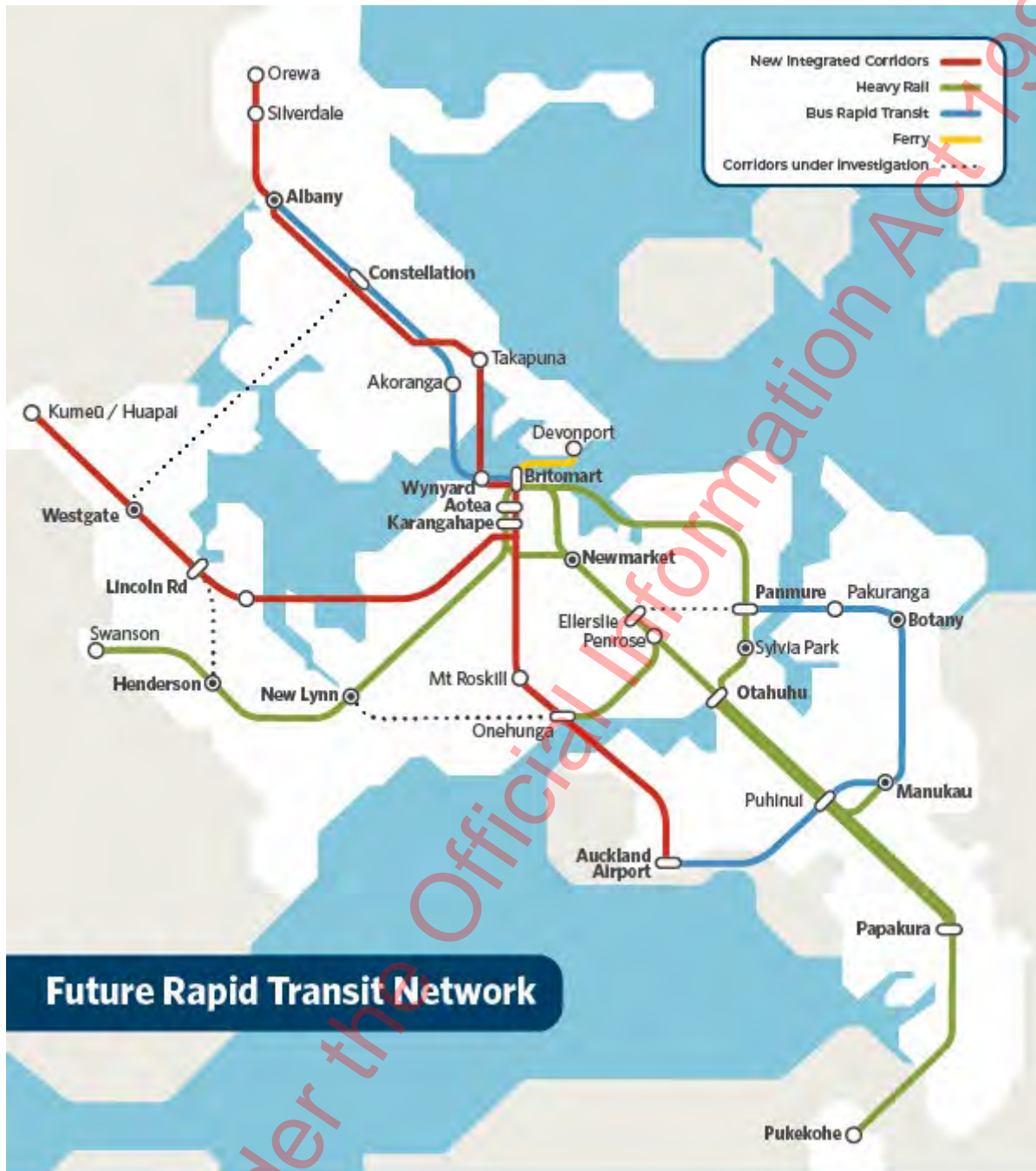
Attachment 1 Future Auckland Rapid Transit Network

Resource Centre

Document 1 [Cabinet paper](#)

Document 2 [ALR Board paper: Update on Governance and Transition dated 8 February 2021 \(Te Manatū Waka\)](#)

Attachment 1: Future Auckland Rapid Transit Network



Source: <https://www.beehive.govt.nz/sites/default/files/2022-01/MAP%20Future%20Rapid%20Transit%20Network.jpg>