

Auckland Light Rail Update

In confidence/Commercially sensitive/Legally privileged (as indicated)

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ELT Sponsor	Nicole Rosie
Prepared By	Lucy Riddiford, Auckland Light Rail Group
Legal Reviewer	Lucy Riddiford, Auckland Light Rail Group
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Purpose

This paper provides an update to the Board on the Auckland Light Rail project.

Recommendations

It is recommended the Board **notes** the contents of this paper.

Strategic relevance

Cabinet has prioritised progressing light rail from the City Centre to the airport in the next decade, as the first spine of a wider rapid transit network for Auckland. This reflects the commitments the Government has made through the Auckland Transport Alignment Project (ATAP). A commitment to the project was made in the 2020 Labour Party Election Manifesto.

Background

The Auckland Light Rail Establishment Unit delivered its recommendations and the indicative business case to sponsors on Friday 15 October 2021. It is anticipated that Cabinet will take decisions at the end of November on route, mode, funding, work programme and operating entity to take the project forward.

At its meeting on 22 September, the Board considered papers on Rapid Transit Roles and Responsibilities and an update on Auckland Light Rail.

This paper provides an update on the project, next steps and the likely delivery entity for the next phase.

Key issues

Project update

The unit has delivered its recommendations and the indicative business case to Sponsors

There are three shortlisted options (Light Rail, Light Metro and a tunnelled Light Rail option). All options achieve a positive BCR, with the level of benefits commensurate with the investment. The Establishment Unit recommends the tunnelled Light Rail option (underground from Wynyard to Mt Roskill and then surface running). Cost will be a significant factor in Cabinet's decision on mode.

The costs of the Establishment Unit for this phase are on budget (\$15m for this phase, of a total approved \$55.5m¹, which includes transition). An internal audit, covering financial processes, is underway.

The project has also undergone a Treasury Gateway Review (0/1). The Gateway Team has endorsed the project proceeding to the next phase.

At the Minister's request, a summary of the business case was published on 29 October on the [project website](https://lightrail.co.nz/light-rail/resources) (lightrail.co.nz/light-rail/resources)

This was released to give communities, stakeholders and the public more information about progress so far, before the Government makes a decision at the end of the year. Transport Minister Michael Wood hosted online stakeholder and media briefings ahead of the release and proactively responded to commentators online.

Extensive media coverage followed on TV, radio and print publications with the main focus on cost of the options, the short list and route and mode trade-offs. Public reaction was varied with some stakeholders eager for the project to progress but cautious about the overall costs. Some advocates in the corridor communities voiced their support for the urban renewal and transformation the project would bring.

The Minister's engagement is continuing this month with further briefings to the Planning Committee and Auckland Council panels.

We anticipate that Cabinet will make a decision to progress the project

The Cabinet paper is still on track for a late November decision.

Management has not seen the draft Cabinet paper, but officials have provided information on the general direction of the draft paper:

- General support for the work done by the Establishment Unit and confirmation that the unit has met the brief
- Endorsement of the fact that the business case provides a clear way forward
- Recommend Light Rail along Dominion road, but retain the option to explore a tunnel at the city centre end, given future capacity demands, enabling a potential future connection to an additional Waitemata harbour crossing and to minimise business disruption
- The project should be taken forward as an integrated transport urban development initiative

¹ The Board approved \$60m in April 2021, which was adjusted to \$55.5m in July 2021.

- Detailed planning phase will include work to inform final investment decisions: detailed business case; refine the solution alongside the additional Waitemata Harbour Crossing project and ARTP; consenting strategy, stakeholder, community and iwi engagement; develop procurement and land acquisition strategies; develop an approach to minimise business disruption

There is support for the principles of governance to take the project forward, but the operating or delivery unit for the next phase has not been landed

There will be a broad sponsors' group, involving the Ministers of Finance, Transport and Housing, Auckland Council and mana whenua. These will be supported by a sponsors' forum, which will include representatives from the Ministry of Transport, Ministry of Housing, Treasury, as well as Auckland Council.

It is likely that the establishment unit will continue in its current form, with its current board until June 2022, to allow agreement to be reached between the sponsors and to allow the shadow delivery entity, with a new skills-based board, to be stood up. This new shadow entity would still be a transitional entity, with the final form of entity being determined once the full scope of urban investment and interventions has been determined, through the next phase.

Final decisions are yet to be taken on the "operating unit" from June 2022. All options on the table will see it being taken forward within Waka Kotahi, but we're still engaged in discussions with Treasury and the Ministry of Transport about how this is best done. Waka Kotahi favours a unit within Waka Kotahi (delivered via a contract between Waka Kotahi and the Crown), Treasury favours a subsidiary and the Ministry of Transport favours an evolution of the existing Establishment Unit.

Attachment 1 (legally privileged) sets out the three options, the drivers that have been articulated by the various parties and the Waka Kotahi view of how the option best meets the drivers.

Management considers that there are real risks in an ongoing evolution of the current establishment unit beyond June 2022. Contracts would need to be with Waka Kotahi, which would make Waka Kotahi accountable for the management of those contracts. Legal liability remains with Waka Kotahi, with limited ability to manage its risks. This gets more complex as the contracts that need to be entered into get more complex.

At the time of writing this paper, it was unclear whether the Cabinet paper would set out the precise form of the "operating unit", or whether this would be left to officials to determine following a decision by Cabinet.

From the unit's perspective, project momentum is critical, so it is important to get this resolved quite quickly.

Funding and financing

There is more than enough funding available from the funding approved by the Board in April 2021 to fund the project until the "operating unit" is stood up in June 2022.

The unit has provided a budget to the Ministry of Transport for professional costs, as well as funding required to secure strategic property on an opportunistic basis for the next phase. Management understands that the Ministry is preparing a bid for the project to be funded via a core Crown appropriation ahead of a final investment decision, expected in mid-2024.

The Transport Revenue Review, which is currently being scoped, will include the examination of how "mega-projects" (including Auckland Light Rail and Let's Get Wellington Moving) should be funded. Policy agencies will be exploring value capture tools.

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 and the environment.

It is also expected to be neutral in terms of the public and stakeholders, noting that this project is high profile, so will attract public focus and attention. Building and maintaining social licence will continue to be important.

Related documents

City Centre to Māngere – next steps, 24 February 2021

City Centre to Māngere update, 25 March 2021

City Centre to Māngere – establishment unit delegations, 20 April 2021

Rapid Transit Roles and responsibilities, 22 September 2021

Auckland Light Rail update, 19 August 2021

Attachments

Attachment 1 Delivery options for next phase (*legally privileged*)

Released under the Official Information Act 1982

Attachment 1: Delivery options for next phase (*legally privileged*)

s 9(2)(h)

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