

8 March 2019

NZT-3706

Hon Phil Twyford
Minister of Transport

Dear Minister

Re Auckland Light Rail – City Centre to Māngere project

At my quarterly meeting with you on 5 March 2019, you raised concerns about NZ Transport Agency reporting on Auckland Light Rail.

As discussed with you previously, the Transport Agency has advanced the project while also having to pause to assist the Ministry of Transport (MoT) and Treasury complete a full evaluation of the NZ Infra unsolicited proposal as is appropriate.

With the appointment of Carl Devlin as Head of Light Rail in February 2019, I am confident that once the NZ Infra unsolicited proposal evaluation is complete, further development of the Auckland Light Rail project will proceed in line with expectations. Similarly, Mr Devlin's considerable experience will be more fully leveraged to ensure the project delivers to international best practice standards as Aucklanders deserve.

This letter updates you on the activity leading to the appointment of Mr Devlin and advises you on the work he is undertaking on behalf of the Board to advance the project.

Pre-2019 background

The Auckland Transport Alignment Project (ATAP) was established in 2016 to align transport priorities for supporting Auckland's growth. This confirmed the need for a rapid transit solution to address growing bus congestion.

Separately, in 2017, following extensive work, the respective boards of NZTA and Auckland Transport (AT) confirmed the need to progress route protection for a rapid transit corridor between the City Centre and Auckland Airport. These decisions also confirmed light rail as the best long-term mode.

In 2018 ATAP was updated in response to your priorities. While easing congestion remained a consideration, greater emphasis was now placed on rapid transit projects which could also unlock housing and urban development opportunities. The 2018 update identified light rail as the preferred mode for a new rapid transit connection between the City Centre and the Airport while also confirming this project as being an immediate priority.

In May 2018, you mandated NZTA to lead the delivery of the City Centre to Māngere Light Rail (CC2M) on an 'accelerated' basis

To prepare to deliver CC2M, NZTA immediately established an integrated project team with AT, Auckland Council (AC), and Hobsonville Land Company (HLC) to appropriately leverage the knowledge and skill sets of these organisations. The initial focus was to develop an Indicative Business Case by December 2018 in line with the NZTA's best practice guidelines to support an 'accelerated' delivery of the project.

In order to meet this aggressive timeline, NZTA and its partners had to adopt the scheme as developed by AT within ATAP and constrain the development of the scheme to fit with the mandate of 'accelerated' delivery.

In developing the Indicative Business Case over the course of 2018, the NZTA and project partners have:

- Developed new project objectives that align with the expectation of an integrated transport and land use response to the identified problems and to realise the urban opportunities;
- Implemented a governance regime with project partners to support the development of the indicative business case. Identified light rail as a major enabler and shaper of urban form;
- Interrogated land use change factors such as accessibility, market, physical and social conditions, development opportunities and the existing statutory planning framework to understand the likely drivers and constraints of urban renewal along the length of the corridor;
- Tested alternative corridor alignments within the context of the ATAP scheme that would be able to deliver on both the urban development and transport objectives, including identification of a preferred scheme that has been supported by all project partners;
- Developed a strategic framework for guiding the timing and implementation of transit supportive urban renewal;
- Developed a more complete cost estimate for the proposal, including a full cost risk analysis, based on our current understanding of project delivery risks;
- Reviewed and updated the operational terms of reference for the light rail, including development of a more detailed and comprehensive schedule of operating and lifecycle expenses;
- Initiated a first round of market engagement, including market sounding, on project funding and delivery components. This involved an industry briefing, which attracted over 480 attendees from major industry players across the globe. Following this, over 40 face-to-face meetings have been held and over 80 written responses received;
- Developed an initial view on the procurement approach, including potential contracting models;
- Initiated discussions with key stakeholders, such as network utility operators; and
- Held Weekly Steering Group meetings as part of the formal project governance. These were attended by representatives of MoT, NZTA, AC, AT, HLC, and the Mayor's office and a weekly Project Directors' report was used as an input to ensure that all parties were kept fully informed.

Current status

The Indicative Business Case (version 1.1) is now complete and has been shared with all project partners including MoT for review and feedback. This is a key milestone as it moves the project from development towards delivery. We recognise that further work is required.

The project team engaged the NZTA Board in October to brief Directors on the project. Further consideration of the project was made at the November Board meeting. However, until the MoT and Treasury review of the NZ Infra unsolicited proposal is complete, the Indicative Business Case cannot be submitted to the NZTA Board for endorsement as it would be inappropriate to consider it in isolation.

Next steps

With Mr Devlin now leading the Light Rail project, a further review of the current proposal will proceed, in consultation with the NZTA Board and project stakeholders. This will ensure that the scheme proposed is both robust and optimised and meets all stakeholder requirements.

As noted above, this review has been slowed due to Mr Devlin being required to assist the MoT and Treasury in a robust evaluation of the unsolicited NZ Infra proposal. However, the outcome of this evaluation is an essential component of the current proposal review as it will help avoid both valueless work and expenditure. Importantly, it will ensure that the Ministry and Transport Agency are aligned on the work to be undertaken in the next phase.

Mr Devlin has advised me that it is only once the NZ Infra proposal review is complete that the Ministry and the Transport Agency can then agree on the scope of the next phase of the project which will also see development of the Indicative Business Case into a full Business Case.

Key areas to be progressed as the project proceeds include:

- *Reviewing the Project Objectives with particular regard to connecting people with places, urban development and journey time to ensure complete alignment across the Project Sponsor and Project Stakeholders;*
- *Clarifying the Project Objectives for rapid mass transit; that light rail is preferred to light metro as the transit mode; the requirements in relation to the nature of the airport connection and the need for this to be a 'fast' journey to/from the CBD; the interaction between the light rail system and the heavy rail system;*
- *Reviewing the proposed scheme to determine if this is the optimum scheme that balances the objectives and supports the overall strategic need of Auckland as a city with significant growth;*
- *Ensuring the scheme is fully integrated as a part of an overall integrated transport system (Heavy Rail, Light Rail, Bus) in Auckland;*
- *Updating of the scheme economics with a particular emphasis on affordability;*
- *Engaging with the global financing market to review alternate financing options and select the model and funding package that best aligns with the strategic objectives of the project in a New Zealand context;*
- *Engaging with the global engineering, construction and systems markets to robustly test the procurement approach for the delivery of the project to ensure that the final contracting model is robust and will deliver the required outcomes;*
- *Developing an execution strategy that is deliverable and realistic in the context that a scheme of this nature has never before been successfully delivered in New Zealand;*
- *Developing the project governance to ensure it is appropriate, effective and capable of being scaled to match the project as it evolves;*
- *Developing more detailed operational modelling, including confirmation of the operational terms of reference, further development of the public transport network optimisation plan, and development of a wider transport network integration plan;*
- *Developing the consent strategy in conjunction with project partners; and*
- *Engaging with the wider public on the proposal in order to build the social license to deliver the project.*

Achieving excellence – a fresh perspective

Whilst Mr Devlin has only been in his role for a number of weeks, he is clear that the constraints placed upon the development of the project have resulted in a sub-optimal solution being developed for delivery. And, while a fresh approach outlined below has not yet been discussed in detail with stakeholders or presented to the Board for consideration, it warrants inclusion in this update as an example of what the Transport Agency is trying to achieve – world class infrastructure solutions.

Based on his extensive experience of leading the delivery of large complex infrastructure projects, he is recommending that we adopt a more tried and tested approach by delivering the total project in stages that are more manageable and that more quickly deliver benefits. The advantages of this staged approach include the Agency being able to swiftly demonstrate its ability to deliver complex infrastructure, with the first stage becoming operational much earlier than a complete line.

In Mr Devlin's view, a staged approach can and should be delivered in conjunction with re-phasing of the bus network to ensure that the light rail system and the bus network complement each other as the project progresses to subsequent stages. In addition, the selection of the optimum first stage will allow this to be delivered at a much lower cost, reducing the reliance on initial project financing. Mr Devlin is confident that there is no shortage of financing available in the global market and successful delivery of a scaled back first stage will attract project financing and result in much lower financing charges for subsequent stages.

Mr Devlin is also clear that the proposed terminus at the bottom end of Queen Street needs to be reconsidered as based on his experience, this is a poor choice. This is prime city centre public space and should be given over to the people of the city. It would also constrain the operation of an efficient system. The choice of terminus for this first stage should be influenced by the interaction of heavy rail and light rail; the consideration of an overall integrated system; and whether this is a single line solution or part of a multi-line integrated solution.

As noted, this approach is not yet fully formed, but I believe has sufficient merit to warrant further discussion and exploration. I shall update you in the coming weeks.

Yours sincerely



Michael Stiasny
Chair

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