

# NZ TRANSPORT AGENCY BOARD PAPER

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<b>Agenda Item</b>	9.5
<b>Paper No</b>	2019/07/
<b>Title of Paper</b>	<b>City Centre to Mangere Light Rail – Outcome and Process</b>
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<b>Board function</b>	Significant planning, investment and operational matters
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<b>Legal Review</b>	Lucy Riddiford, General Counsel, Light Rail

**Commercially sensitive**

## Purpose

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This paper outlines the approach and next steps to be taken by the NZ Transport Agency in respect of Auckland Light Rail, in response to the dual process that has been set by the Minister of Transport in the May 2019 Cabinet paper, and the subsequent briefing from the Minister.

## Recommendations

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It is recommended that the NZ Transport Agency Board resolves to **note**:

- the NZ Transport Agency's planned approach for developing the Auckland Light Rail plan over the four months to November 2019, including the direct appointment of advisors for this initial phase.
- the final output of the interim phase to be an options report/preliminary business case to be presented to the NZ Transport Agency Board in early November 2019, with the intention this advice is released to the Ministerial Oversight Group and the Ministry of Transport by the end of November 2019.
- the need for a Communications Plan for NZ Transport Agency on Auckland Light Rail, with sign-off delegated to the Board Chair.
- the Governance plan and structure for the next five months to December 2019, including a Board Committee for any urgent items.

## Strategic Relevance

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Delivering a Light Rail solution for Auckland is of strategic importance to the Transport Agency and the Minister of Transport.

Key considerations for the Transport Agency under the dual process set by the Minister in May 2019 are:

- The Transport Agency continues as the lead agency for delivering light rail, but in parallel with the NZ Infra proposal being further developed under Ministry of Transport (MoT) guidelines.
- The Transport Agency's role is to effectively develop a proxy bid. This will enable Ministers to make an informed assessment of the merits of the NZ Infra proposal, as well as satisfy themselves and wider stakeholders of a solution that is value for money, capable of being executed and delivers an integral piece of intergenerational infrastructure for Auckland.
- A key component of this role is to ensure Auckland's rapid transit network (RTN) is developed so that light rail can form an integrated part of a long-term public transport solution. This, along with confirmation of the mode of transportation required across the network, will define Auckland's rapid transit strategy and ensure capital is deployed in the most effective manner.
- The Transport Agency's performance on this critical infrastructure initiative will also set the tone for future engagement with the Transport Agency on large scale rapid transit projects.

## Background

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### Minister's Letter to the Transport Agency dated May 2018

Following Cabinet approval of the Auckland Transport Alignment Project (ATAP) on 2 May 2018, the Minister wrote to the Transport Agency outlining a number of key matters and tasked it with:

- leading development of the Auckland Light Rail Project (City to Mangere and City to North West light rail lines), with the City to Mangere light rail transit to be prioritised and delivered on an accelerated schedule;
- preparing a single stage business case for the City Centre to Mangere Light Rail Link, and subsequent projects within the RTN; and
- establishing a process that could be used to assess all potential proposals, in conjunction with the MoT and Treasury, and report back to the Minister of Finance and Minister of Transport.

### 2018 Auckland Light Rail Business Case

In accordance with the Minister's letter, the Transport Agency prepared a draft single stage business case. This was submitted to key stakeholders for review in late 2018.

The draft business case was not taken forward, as stakeholders identified a number of key matters which required further work.

The key areas for further consideration, which were captured in the May 2019 Cabinet paper, are:

- funding and alternative financing options;
- governance arrangements for the delivery phase of the project;
- consideration and justification of Light Rail, as the spine of an integrated RTN in Auckland;
- mode options; and
- procurement strategy.

## NZ Infra Proposal

In parallel, the Government received an unsolicited bid from a joint venture of the New Zealand SuperFund and Caisse de Dépôt et Placement du Québec (CDPQ) to deliver an alternative Light Rail solution for Auckland (NZ Infra).

The Minister's May 2018 letter also tasked the Transport Agency with establishing a process to assess the alternative proposal and report back to the Minister of Finance and Minister of Transport.

The Transport Agency did not provide an assessment of the NZ Infra unsolicited proposal, as requested by the Minister. Instead the Transport Agency advised the Minister it had concluded that NZ Infra should, rather than pursuing an unsolicited proposal, respond as part of a future market procurement process.

## Key issues

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### 2019: Dual Process

In a May 2019 Cabinet paper, the Minister received Cabinet approval to move forward with a dual process. This sets up a timeframe for both NZ Infra and the Transport Agency to prepare a response for consideration by Ministers in February 2020.

A Ministerial Oversight Group has been established to provide direction during this dual process. This Group includes the Ministers of Transport, Housing and Urban Development and Finance, the Ministers for the Environment and Infrastructure and the Associate Minister of Transport.

MoT has also established a Light Rail Advisory Governance Group to assist the Secretary of Transport. The Transport Agency Chief Executive is a member of this particular Group.

MoT is in the process of developing the framework and response guidelines for the parallel responses. The exact response format is yet to be finalised, with final direction expected from MoT around 25 July 2019. In the meantime, MoT has confirmed in writing to the Transport Agency that a response will be required by the Ministerial Oversight Group by the end of November 2019.

The process may also update the key objectives and direction for light rail, which is likely to place a greater focus on light rail as a transport project, as opposed to specifically delivering on urban regeneration.

### The Transport Agency's Work Plan and proposed outputs

Irrespective of the dual process, the Transport Agency, as the mandated delivery agent, needs to address the key outstanding areas from the 2018 business case. It must also take this a step further to provide Ministers with clear advice on the range of options across the full spectrum of key matters the Ministers will need to understand. Essentially, the Transport Agency will need to come up with a proxy bid and provide a series of options and analysis to enable Ministers to make an informed decision on the best way forward for light rail in Auckland.

By necessity, this must include understanding the RTN context to ensure that this supports the growth of Auckland. This will have implications for the choice of alignment and route for the City Centre to Airport Light Rail Link, which may evolve the thinking presented in 2018. It may also contradict any preferred route indicated by NZ Infra (or any other potential bid). This is a significant piece of work that is fundamental to providing expert opinion advice and will unlock the vision for the other modes that interact in the RTN. It is only by doing this work that an integrated network can be created, which in turn will ensure the light rail component is capable of being delivered, funded and operated in a sustainable manner.

The Transport Agency has developed a draft work plan (the Work Plan) to address the key areas Ministers will need advice on. The outcome of this work will be a full options report and preliminary business case that will ultimately conclude with the Transport Agency's recommendation(s) for the best option to deliver Light Rail.

The NZ Infra proposal should logically form one of the options considered to the extent information is provided to the Transport Agency. It may be the NZ Infra funding structure is applicable and has merit against a range of route and design options. The work needs to be completed to be able to consider all options. It is clear that the Transport Agency's advice needs to be impartial, fact based and clearly identifies any trade-offs.

The detail on the key work streams is outlined in Attachment Three, with the exact actions and steps currently being worked through. This work will need to involve the engagement of key stakeholders, including Auckland Council, Auckland Transport (AT), Treasury and Ministry of Housing and Urban Development (MHUD). Given the challenging timeframes, regular reports will be provided to the Board. It is recommended the Board establish a Board Committee and delegate to it the power to consider and support (as appropriate) any critical items during this time.

The final output will be an options paper/preliminary business case to the Board in early November 2019. This will enable the final report to be shared with MoT and the Ministerial Oversight Group by the end of November 2019, noting the Board will need to agree to share this advice at the time.

## Governance

Given the tight timeframes and importance of this dual process to the Minister of Transport, it is recommended the following governance structure is put in place during this interim phase:

- A Governance Group is established with C-level representatives from the Transport Agency, Auckland Council, AT and MHUD. (It is expected Treasury will need to be an observer to this Group.)
- The Governance Group will be provided with updates on a monthly basis (ahead of Board meetings) and have the opportunity to question the work streams and direction.
- Feedback from the Governance Group is to be captured and shared with the Transport Agency Board to ensure the Board has insight into key stakeholder concerns and any issues that are not able to be resolved in a timely manner.
- A Board Committee is established, with the power to consider and support (as appropriate) any critical items during this time is delegated to it.
- The Governance Group is to review the final proposal and provide support/comments for the Transport Agency Board.
- Final approval of the proposal and response remains with the Transport Agency Board.
- This Governance Group will need to exclude anyone who is a member of the MoT Light Rail Advisory Governance Group.

## Communications Plan

The Transport Agency's last formal engagement with the market on Auckland Light Rail was in March 2019. At that time, the Transport Agency issued a market response putting Light Rail on hold, pending direction from the Minister of Transport on the NZ Infra proposal. MoT has indicated they will issue communications and brief the media on the dual process.

In order to manage the market's likely interest in the process, a communications specialist will be engaged to assist the Transport Agency with a communications plan. Given the timing, it is recommended that this is delegated to the Board Chair to sign-off on behalf of the Board.

It is recommended that the Minister is briefed on this plan to ensure a coordinated response.

## Advisor Procurement

The timelines to respond to the MoT process are challenging and there is not sufficient capacity within the Transport Agency to undertake all the work required. Significant expertise is also required to complete the required analysis, which will need to be sourced from the market.

MoT has already directly engaged advisors to undertake work on their behalf on the dual process and (in writing) encouraged the Transport Agency to obtain advisors to support the work required. This has placed pressure on the number of advisors with the requisite expertise to support the process (noting the Transport Agency's procurement team have advised that for the majority of advisors they would recommend some form of competitive procurement). The Transport Agency has already identified and spoken to key advisors who will be able to support the process, have the specialist skills required, and have declined to work for MoT or NZ Infra in favour of supporting the Transport Agency team. (Details are outlined in Attachment Four.)

It is requested the Board note that, for the next interim period, the Transport Agency will directly appoint advisors without undertaking a standard procurement. This is within the delegated sign-off of the Head of Light Rail and the Chief Executive jointly. The main reasons for this approach are:

- the short time frame for response (due to a very challenging delivery timetable);
- a limited number of advisors with the required expertise;
- key advisors are already up-to-speed with the Transport Agency process and the challenges to be addressed;
- costs will be in line across all advisors, given All of Government rates will be used;
- scopes will be provided for large items of work; and
- credentials of key advisors are provided.

## Next steps

To respond as part of the dual process, the Transport Agency will need to:

- develop a detailed communications plan for external communications;
- bring together the Governance Structure for this next stage of work;
- commence work with the internal and external specialised team for Auckland Light Rail to deliver on the work required over the next few months; and
- confirm the network plan for Auckland.

## Key risks

Key risks related to the Auckland Light Rail project (City Centre to Mangere Light Rail Link) are summarised below.

- The timeframe to deliver a full options report and preliminary business case will be challenging. It is essential that the Transport Agency provide detailed, impartial and informed advice to Ministers. This requires the Head of Light Rail to immediately commence work with internal and external advisors.
- There is likely to be some resistance to the approach to considering the network and revisiting assumptions made in 2018. The proposed governance structure will help to mitigate this resistance, noting it will need senior support from all organisations.
- Successful delivery of high quality advice at the end of November 2019 to the Ministerial Oversight Group is important for the Transport Agency. It will set a precedent for how other transportation projects are approached in the future (such as Let's Get Wellington Moving, Heavy Rail, and other large projects).

## **Health & Safety, Customer & Other Stakeholder and Environmental Impact**

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

### **Related Documents**

#### **Attachment One**

Timeframes for a Dual Process

#### **Attachment Two**

Governance Arrangements

#### **Attachment Three**

Work Plan

#### **Attachment Four**

Procurement Note

Released under the Official Information Act 1982