

29 November 2019

Mr Bryn Gandy
Ministry of Transport – Te Manatū Waka
3 Queens Wharf
Wellington

Dear Bryn

City Centre to Mangere Project Proposal

On behalf of Waka Kotahi NZ Transport Agency (the Transport Agency), we enclose our proposal to develop Auckland rapid transit from the Auckland city centre to the Airport, through our delivery entity Connected Communities Limited (CCL).

As you are aware, the Transport Agency is committed to exploring any intervention that achieves a sustainable mode shift in Auckland. Your project brief as outlined in the Response Requirements Document (RRD) fulfils the objective.

The documentation as submitted represents a full response to your request. It will actively contribute to your advice to Ministers in February next year that will allow for an informed decision to be made. In addition, we have attached what we view as a preliminary business case to support our response.

This process has provided the Transport Agency with an opportunity to develop a proposal for a deliverable project. In developing the response, the team has been focused on providing a solution that will enable you and your team to provide advice to the Government to make the right decision for Auckland and New Zealand.

We believe that our proposal is the best rapid transit solution for Auckland. This project will create the foundation for a network solution for the broader Auckland region. The structure is flexible and could incorporate future similar projects, and in doing so will allow for the retention of core expertise and new capability in one place for the benefit of the New Zealand transport system. This is a uniquely New Zealand solution that draws upon proven international experience and expertise. All benefits from the project, whether they be intellectual property, operational and/or financial, will remain here.

By focusing on customer experience and the urban regeneration potential across the route, we not only have achieved consistency with the Government's Wellbeing Framework, but have created a proposal which in our view has the capacity to transform Auckland both now and in the future. In particular the key elements we would like to highlight include:

- A design that is flexible in that it easily allows for future extensions to the north, west and connection to heavy rail at Puhinui. Providers are not locked in, assets are publicly owned. The architecture is permissive and does not preclude innovation in the future;
- Significant urban regeneration potential at Dominion Junction, Balmoral, Mt Roskill, Onehunga and Mangere, which could transform the way New Zealand thinks about infrastructure development in the future. A side benefit of the proposal is a more intensively developed city, which will defer the need for expensive greenfield developments;
- Partnerships are at the core of the solution, both with public and private sector entities;
- The model of delivery is revolutionary, as we have stepped away from the current pay-as-you-go method of funding transport infrastructure to intergenerationally fund the development through the provision of debt supported by a variety of funding streams. Our structure allows the Crown to retain a high level of oversight and control;
- A proposal that is consistent with the principles in the Construction Accord and the revised Government Procurement Rules; and
- A strong focus on delivering public value and value for money.

Our focus in responding to your RRD has been to ensure our proposal maximises benefit to the Crown, leveraging off the skills and capabilities of central and local government bodies. The support we have received from key stakeholders has been very encouraging. Given that support, together with our own analysis, we do not envisage any need for legislative change to progress, albeit we fully recognise that the consenting process will be very challenging. The tools exist to develop all the identified outcomes, if undertaken by a Crown owned company in the manner we propose.

The support from Kāinga Ora is a case in point, as partnering for urban renewal around infrastructure is partly why this organisation was established. This proposal complements the work of Kāinga Ora and we will work closely with them, enabling them to take the lead in developing precincts that are likely to be priority areas for them (such as Mt Roskill and Māngere). The willingness of other public sector bodies (Kiwirail, CRL and Watercare) to share their knowledge will also be invaluable as we look to progress our proposal with pace.

Beyond the public sector, where risk is greater, particularly in mixed use build, we will draw on the private sector to achieve what we require through development agreements. Parties like Precinct Properties (currently building Commercial Bay in Auckland beside Britomart Station) and the Kiwi Property Group (owner of Sylvia Park beside a railway station) have signalled strong interest. These are NZX listed organisations with significant numbers of New Zealand shareholders and Kiwisaver funds on their registers. Discussions with the private sector have brought up build to rent and modular housing as concepts that could be brought to urban build along the route.

How we will progress our proposal is new for the Transport Agency. This is deliberate. The Transport Agency cannot, and must not, undertake future asset development of this scale in the same way as it has in the past. The nature of the project requires the delivery of both public transport and urban renewal outcomes, and engagement with a wide range of communities and stakeholders over a long term. We believe, supported by international evidence, that the best way of delivering a project like this is through an entity with a single focus on that delivery, and with the full set of skills required for this.

Therefore, after careful consideration, we have proposed in our response the establishment of a separate vehicle under Schedule 4A of the Public Finance Act as the most appropriate way to proceed with the project. We envisage that the Transport Agency and the Crown would be sponsors, with the Transport Agency working collaboratively with you, the Ministry of Transport (as a key sponsor), to progress our proposal. Core to the solution will be new ways of working, involving greater transparency and a relationship of confidence and trust. We envisage a Sponsors Agreement will govern the arrangement, with CCL progressing the delivery of the project.

There is much more detail on all of our proposed arrangements in our response, but significantly our proposed public benefit entity will not require a return on equity invested, therefore lowering overall cost. CCL will have the capacity to borrow and issue bonds that Kiwisaver funds will be able to own, something that we believe will be of particular interest to the financial markets. Accident Compensation Corporation (ACC) has expressed an interest in participating in the bond programme. ACC is New Zealand's largest investor in bonds and an experienced infrastructure investor.

We have also received significant support from the construction and operations sectors for our proposed development plans.

Importantly, in the establishment phase, the proposal leverages on the Transport Agency's strengths, enabling a fast start, evolving to delivery by CCL. The Transport Agency is committed to ensuring that we have a dedicated team, ready to progress the proposal in those critical early stages. We would move quickly to establish CCL as a subsidiary, as a stepping stone. Given the nature of our existing relationships, together with the fact that we are directly Crown owned, a Sponsors Agreement could be completed by June 2020.

Our proposal clearly has implications for a number of organisations. There are three we wish to comment on. As noted, discussions with Kiwirail have been constructive, with part of that centring on the potential route constraints in the Onehunga – Mt Roskill corridor, should an alternative Northland rail solution be required. We have agreed to work constructively on that matter and we have identified prior studies that consider other route options. Similarly, Auckland Transport have a significant interest in our proposal. We agree completely on the need for an integrated network, describing that in our proposal. They also have strong views on the need to publicly own the infrastructure and rolling stock to provide maximum future flexibility, which we have achieved. We have a different view on who should appoint the operator, but the team who prepared this response are confident this can be resolved in the new year. We have also had extremely constructive conversations with Auckland Airport and we are confident that we can agree a route and sensible commercial terms once selected.

Given the importance of this project, and the significance of our proposal to a new way of thinking about infrastructure development, the composition of the Board for the new public benefit entity will be critical. We have proposed a single Transport Agency director initially, with other directors being approved by the Crown. Consistent with feedback we have received from the Ministry, our aspiration is to have a strong and enduring establishment Board to ensure that all parties involved have certainty about the project as we move forward together. We have thought carefully about Board skill mix, which must be commercial, and we have a number of names in mind. Ultimately the Board will be Crown approved.

We believe strongly that we have created a proposal that is in the best interests of Auckland and New Zealand, creating strong urban regeneration and transport benefits, with benefits flowing to the Crown. We look forward to working with you collaboratively during your evaluation and respect the role that you play in that, with the Transport Agency playing its role whatever your recommendation.

Please feel free to contact us should you wish to discuss this letter or our proposal.

Yours sincerely



Sir Brian Roche
Chair



Mark Ratcliffe
Interim Chief Executive

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