



25 February 2022

OC220043 / T2022/363 / BRF21/22021240

Hon Michael Wood
Minister of Transport

Action required by:
Tuesday, 1 March 2022

Hon Grant Robertson
Minister of Finance

Hon Dr Megan Woods
Minister of Housing

AUCKLAND LIGHT RAIL: PREPARING THE DETAILED PLANNING PHASE

Purpose

- To provide an update on work to date by the Ministry of Transport, the Treasury and the Ministry of Housing and Urban Development as we work with partners to initiate the detailed planning phase.
- To draw attention to key matters that require agreement among project sponsors, notably in relation to the appointment of the ALR Board and the development of a Sponsors' Agreement.
- To confirm your intended approach to the Cabinet report back in April 2022.

Key points

- Following decisions made by Cabinet in December 2021 in relation to Auckland Light Rail, work is underway to implement the new governance arrangements and organising model, and develop a Sponsors' Agreement.
- We are also working with the ALR Unit and Auckland Council to provide clarity on the delivery and policy workstreams that underpin the detailed planning phase. Appendix A includes a list of these workstreams, and an allocation of roles and responsibilities. This will be an important project control document and will be appended to the Sponsors' Agreement and the Terms of Reference for the ALR Board.

- The recruitment process for the board is also underway. We are focusing on the appointment of the Chair and a board member with a credible voice with mana whenua. Your direction is sought in relation to the continuation of the current Board Chair, Leigh Auton, as a member of the future ALR Board.
- The complexity of the project and tight timing presents risks to the transition into new governance arrangements and the implementation of the new operating model. We also expect COVID-19 developments to potentially impact our activities in the near term.
- Our work with the Unit is seeking to ensure that the assessment methodology for the next phase of business case work and analysis will provide a robust basis for future decision making. This includes the refinement of the investment management system and assurance framework.
- Officials are also working with Waka Kotahi and Kāinga Ora to ensure that work on the Large Scale Projects and the Additional Waitematā Harbour Connections is more clearly aligned and integrated with ALR. This will be subject to separate advice that will outline options for Ministers to better integrate decision making and delivery.
- A number of decisions will be needed from Cabinet in April 2022, and a list of matters to be covered in a Cabinet paper is included in this briefing for your feedback.

We recommend you:

		Minister of Transport	Minister of Finance	Minister of Housing
1	note the work that that Officials are undertaking to progress the decisions Cabinet made in December 2021	Yes / No	Yes / No	Yes / No

s 9(2)(f)(iv)

<p style="color: red; font-size: 2em; opacity: 0.5; transform: rotate(-45deg); position: absolute; top: 50%; left: 50%; transform: translate(-50%, -50%);"> PROACTIVELY RELEASED BY THE MINISTRY OF TRANSPORT TE MANATŪ WAKA MANATŪ </p>				
3	agree for officials to engage an experienced independent Crown Entity Chair to assist with the interview process for ALR Board members	Yes / No	Yes / No	Yes / No

4	agree for officials to engage external support to assist in the interview process to determine whether candidates can offer a credible voice with mana whenua on the ALR Board	Yes / No	Yes / No	Yes / No
5	agree on the list of matters for Cabinet's consideration in April 2022	Yes / No	Yes / No	Yes / No



Gareth Fairweather
Acting Director, System Strategy and Investment, Ministry of Transport



David Taylor
Manager, National Infrastructure Unit, The Treasury



Saskia Patton
Manager, Urban Development Delivery, Place-based Policy and Programmes Group, Ministry of Housing and Urban Development

Hon Michael Wood
Minister of Transport
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Hon Grant Robertson
Minister of Finance
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Hon Dr Megan Woods
Minister of Housing
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Minister's office to complete:

- Approved
- Declined
- Seen by Minister
- Not seen by Minister
- Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Bryn Gandy, DCE System Strategy & Investment	s 9(2)(a)	
Gareth Fairweather, Acting Director System Strategy & Investment, Ministry of Transport		✓
Chris Gulik, Auckland Strategic Adviser, Ministry of Transport		
Damien Looi, Senior Adviser, Investment, Ministry of Transport		
Ben Wells, Principal Advisor, the Treasury		
Mary Barton, Senior Policy Advisor - Places and Partnerships, Ministry of Housing and Urban Development		

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AUCKLAND LIGHT RAIL: PREPARING THE DETAILED PLANNING PHASE

Implementing new governance arrangements and the new operating model

- 1 The Ministry of Transport (the Ministry), the Treasury and Ministry of Housing and Urban Development (MHUD) are working to implement Cabinet's decisions [CAB-21-MIN-0531 refers] to take forward the next phase of Auckland Light Rail (ALR).
- 2 Officials are working with Auckland Council, Waka Kotahi, Kāinga Ora, mana whenua, the ALR Unit and other government departments as necessary to coordinate and initiate the delivery and policy workstreams, and implement the new governance arrangements and organising model.
- 3 This includes work to:
 - 3.1 Clarify the scope and accountabilities for the delivery and policy workstreams that will underpin the next phase of work, with the aim of developing an integrated work programme over the next two years.
 - 3.2 Progress work on a Sponsors' Agreement, clarify the role of the Sponsors Forum, and develop working arrangements between the Crown, the Council and the ALR Unit.
 - 3.3 Oversee the appointment of the new ALR Board, oversee the transition to this board and develop its Terms of Reference
 - 3.4 Clarify the role of Waka Kotahi as host for the ALR Unit and how the Crown appropriation will be administered, to inform the development of the Hosting and Funding Agreement required between the Ministry of Transport and Waka Kotahi.
 - 3.5 Engage with the ALR Unit to ensure that sponsors' priorities and outcomes are reflected in the approach to the business case, technical assessment, assurance and procurement.

Progress on the Sponsors' Agreement and Sponsors Forum

Sponsors' agreement

- 4 Officials are working with Auckland Council to prepare the Sponsors' Agreement, the formal agreement between Crown, Auckland Council and mana whenua to guide the sponsor relationship through the project.
- 5 The important distinction between the role of Sponsors and the role of the ALR Board relates to the Sponsors' collective ownership of the broader programme of work required to deliver the project and its benefits, and its oversight of how ALR integrates with other initiatives in Auckland.
- 6 The purpose of the Sponsors' Agreement is to acknowledge this collective guardianship and oversight of this programme, including in relation to:

- 6.1 workstreams and requirements that will enable the Crown to take final investment decisions in relation to the ALR Project, and Sponsors to take other related decisions in relation to the corridor (e.g. land use change and investment in complementary infrastructure projects)
 - 6.2 the relationship of the programme with wider planning for growth and transport across the region (including the Auckland Waitematā Harbour Connections and Kāinga Ora's Large Scale Projects)
 - 6.3 issues that will involve further considerations through a national framework for the approach to planning, funding and delivery of rapid transit (including integration of planning for transport and land use) and other matters to be addressed in the GPS for Land Transport.
 - 6.4 clear processes for Sponsors to convey their desired outcomes 'with one voice' to the ALR Board and other relevant stakeholders, whilst retaining their individual decision-making rights
 - 6.5 the governance arrangements and organising model, and the processes that give effect to this such as the appointment of the ALR Board by the Crown, the role of the Sponsors' Representative Forum, and Sponsors' ability to provide direction to the ALR Board
 - 6.6 monitoring and assurance of the programme for the corridor.
- 7 Embodied in the document will be core working principles of transparency and effective collaboration between the Crown, the Council and mana whenua.
 - 8 The agreement will reflect the detailed planning phase of the programme, and it is likely that a revised Sponsors' Agreement will be developed for the delivery phase (to be agreed when making final investment decisions).
 - 9 A detailed outline of the Sponsors' Agreement will be reported to the 11 March Sponsors meeting. Officials will be seeking endorsement to engage more widely with Auckland Council elected members and mana whenua on the detailed outline.

Workstreams underpinning the detailed planning phase

- 10 Appended to the Sponsors' Agreement will be a list of workstreams which together describe the core components of the detailed planning phase. A working draft of this list of workstreams is attached at Appendix A.
- 11 Each workstream is intended to give effect to the direction given by Cabinet in December 2021, and have been categorised as either delivery or policy workstreams, with corresponding accountabilities across the Crown, Auckland Council and the ALR Unit.
- 12 The delivery workstreams include components of the ALR Unit's work programme and will require involvement from council and Crown partners. The policy workstreams will be taken forward by the Crown and Auckland Council, informed by the work and outputs of the ALR Unit.

- 13 We are in the process of agreeing this list of workstreams with the ALR Unit and Auckland Council. A final version will be presented to Sponsors in March for endorsement. This will inform the development of an integrated work programme to be co-created with the ALR Unit.

Board appointments and transition

- 14 The recruitment process for the ALR Board is underway, and an advert has been published on the Treasury's board appointment website. The Ministry of Transport has commissioned the recruitment agency Kerridge & Partners to assist with identifying and shortlisting candidates.
- 15 Through the Cabinet decision, Ministers have set an expectation that the new Board is in place by April. Officials have advised previously [OC211006 refers] the challenges associated with meeting this timeframe. Following further feedback from Ministers we are working to prioritise the appointments of:
- 15.1 the Chair;
 - 15.2 the continuation of any existing board members; and
 - 15.3 at least one member that can ensure te ao Māori values and perspectives are embedded into the new Board from the outset. The Minister of Transport has directed that the decisions in April include at least one individual who has "a credible voice with mana whenua."

s 9(2)(f)(iv)

Transitioning to the ALR Board

- 21 Until such time as the new ALR Board is stood up, the existing inclusive Board will continue. The Minister of Transport wrote to all the existing members in December 2021 to confirm this, noting that the current Board is empowered to make decisions in line with its current Terms of Reference, as long as this is in line with the intent of the Cabinet paper and informed by working closely with Sponsors and sponsor agencies.
- 22 Officials propose that if the Chair, Mr Auton and a candidate with a credible voice with mana whenua were to be confirmed in April, this would represent a quorum of the new ALR Board (three of the five to seven members that will form the ALR Board). This could mark the transition away from the existing inclusive Board.
- 23 If a board member with a credible voice with mana whenua is not appointed in April, the two existing mana whenua representatives could transfer to the new ALR Board until such time that this appointment is made. These members would be part of the quorum of the new board. Your views on this potential scenario are welcomed at this stage.

Timescales

- 24 Ministers can expect to receive two briefings in March that will finalise the priority appointments in April:
- 24.1 The **first briefing** will seek agreement to a shortlist of candidates, whether you would like to meet the prospective Board Chair before the appointment is made, and the proposed fees for the Board. As the proposed fee is expected to be an exception to the Cabinet Fees Framework, we will also provide you with a letter to consult with the Minister for the Public Service on the proposed fee. We are expecting to provide you with this briefing in the week ending 11 March 2022.
- 24.2 The **second briefing** will seek your decision on your preferred candidates for appointment following the interview process. We expect to provide you with this briefing in the week ending 25 March 2022.
- 25 At this stage, we expect that a paper will be prepared for consideration by the APH Committee on 13 April 2022. Delivery within this timeline remains very challenging and requires a quick turnaround of information from all parties. It is also expected that urgent Ministerial consultation on the preferred appointments is carried out to meet the lodgement timelines.

- 26 Following further interviews, a second round of briefings will be prepared for the remaining Board appointments during May and June 2022.

Members on the interview panel

- 27 Cabinet agreed that the Ministers of Transport, Housing and Finance would recommend to Cabinet the appointments for the ALR Board. On that basis, the interview panel will be chaired by Peter Mersi, Chief Executive of the Ministry of Transport, alongside a senior official from the Treasury and the Ministry of Housing and Urban Development.
- 28 In addition to these panellists, officials recommend that two other members comprise the panel:
- 28.1 an experienced Chair who can assist in determining the governance skills and expertise of candidates (in the absence of the existing Chair which would be usual process). Officials recommend either Jo Brosnahan (Chair of Maritime New Zealand) or Janice Fredric (Chair of Civil Aviation Authority) to be involved in the process. Ms Brosnahan is our first preference as she is Auckland based, offers infrastructure expertise as the current Chair of Harrison Grierson and local government experience as the former Chief Executive of Auckland Regional Council.
- 28.2 an individual who can assist in determining if candidates have a credible voice with mana whenua.
- 29 Other panellists were considered. However, with the breadth of skills and experience brought by those proposed to be on the panel as well as taking into account the size of the panel (five members), no other panellists are recommended.

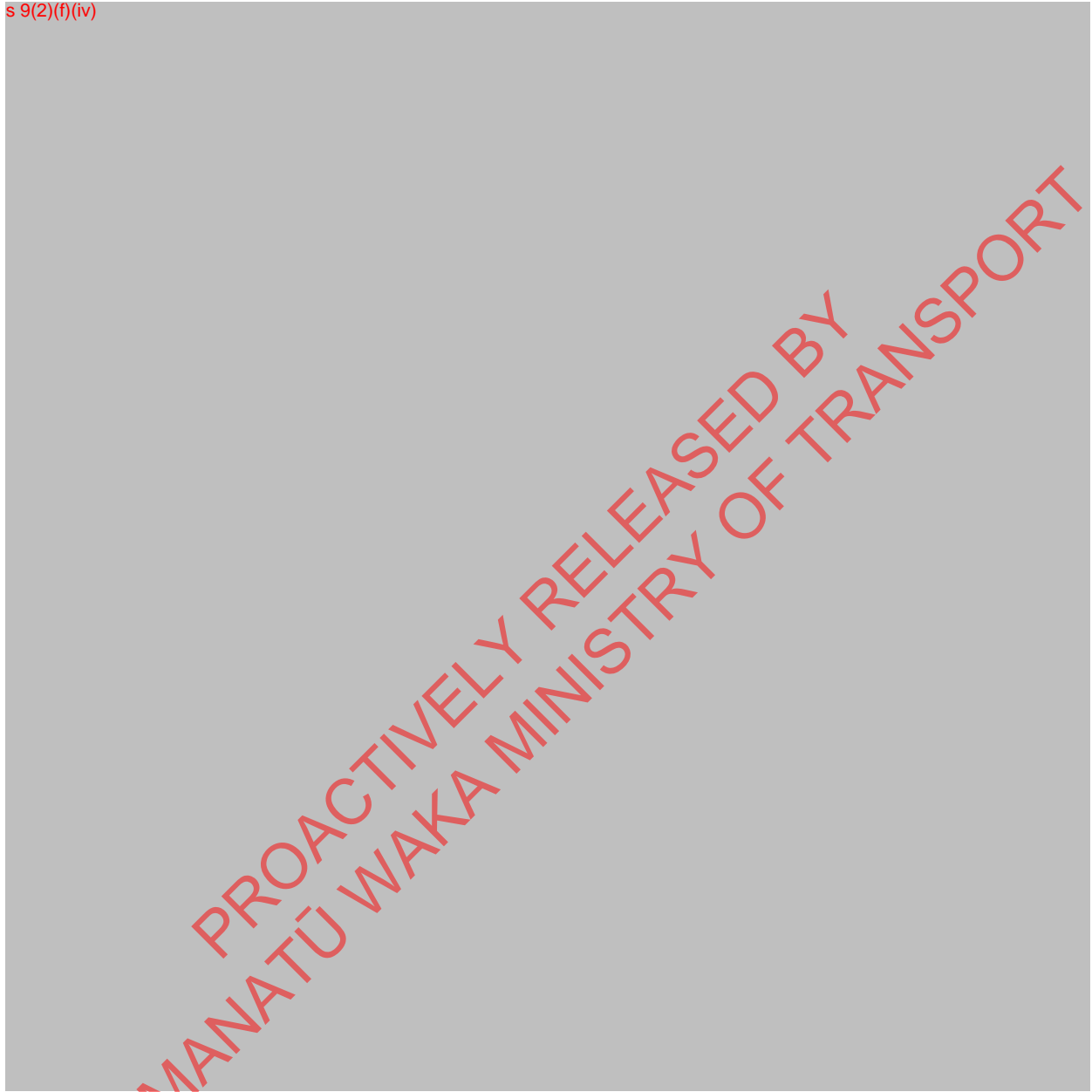
Working with mana whenua to implement the organising model

- 30 A key principle of the governance arrangements and operating model reflected in the December Cabinet paper is to embed mana whenua into the project. Officials have identified a number of opportunities and issues that need to be worked through with mana whenua to put this principle into effect.
- 31 The 15 iwi with an interest in the corridor have been directly contacted to inform them of the opportunity to be on the ALR Board. As above, there is an important role for the interview panel to ensure that the right capability is embedded into the Board.

s 9(2)(f)(iv)

- 33 Cabinet has set an expectation that the Sponsors' Agreement is confirmed by April. It is critical, however, that mana whenua are engaged appropriately and respectfully in relation to the terms of this agreement. The extent to which a full agreement can be agreed by Cabinet in April will depend on the timeframes needed to reach agreement with mana whenua.

s 9(2)(f)(iv)



Clarifying the detailed planning phase and developing project controls

- 38 The detailed planning phase should clarify how the project seeks to achieve the investment objectives, including the scope of work required to deliver a broad programme of transport and urban development outcomes, and the level of investment required.

- 39 To ensure the work of the ALR Unit is framed correctly, Sponsors should expect to provide direction to the Unit as this next phase gets underway. There will be opportunities for you to work with the Auckland Mayor and Deputy Mayor in the upcoming Sponsors meetings in March and April, to provide direction on matters including:
- 39.1 The objectives of the programme, to refresh the Investment Logic Mapping to confirm whether it remains fit for purpose, given the increased urban development focus.
 - 39.2 The structure of the investment management and business case approaches for the design and planning of the primary transport solution and accompanying urban development, such as whether a programme business case is required.
 - 39.3 The economic appraisal methodology used, to ensure that the cost and benefit trade offs of both transport and housing are well evidenced and that a value for money approach is taken.
 - 39.4 The options to be explored during planning, including the exact route, latitude for adjustments and alignment, including the level of tunnelling and street-running.
 - 39.5 The options that should be explored in relation to staging the delivery of the transport solution and urban development.
 - 39.6 The scope for further refinement and assessment of station locations.
- 40 There are high levels of risk given the complexity of the programme, the interests of multiple partners and the constrained timeframes. Strong programme controls, safeguards and management mechanisms are necessary to ensure that these risks and issues are identified and resolved quickly as the next phase progresses.
- 41 s 9(2)(g)(i) [REDACTED]
[REDACTED]
[REDACTED] We are working with the ALR Unit to embed these arrangements into how we work together, our processes (for example coordinated work programming and agenda setting) and through the agreements and terms of reference being developed to implement the governance arrangements and organising model.
- 42 Such processes and controls will be important to ensure that sponsors are provided with high quality information and assurance to make final investment decisions and other associated policy decisions.
- 43 As well as Sponsors giving direction to the Unit, there are some scoping parameters that Ministers will be better placed to give directly, such as the approach to integrating the business case with the Additional Waitemata Harbour Connections work, and setting expectations around the use of the Better Business Case approach under Cabinet Circular CO (19) 6. Officials will report to Ministers on these issues in the next month.

Update on policy work programme

- 44 As reflected in Appendix A, a number of policy workstreams will continue alongside the 'delivery' workstreams, underpinning advice and decisions made by Ministers over the course of the detailed planning phase. Within this programme, the following areas of policy are being prioritised, given their scale, urgency and significance.
- 44.1 **Clarifying the Council's vision for the corridor and aligning urban development aspirations** – HUD officials are working with the Ministry for the Environment and Auckland Council to determine options to ensure aspirations for urban intensification associated with ALR are achieved within the context of the National Policy Statement for Urban Development (NPS-UD) and the Kāinga Ora Large Scale Projects (LSPs)
- 44.2 **Delivery entity form, ownership and operation** – Ministry officials are identifying the key considerations that will inform the options assessment for the Delivery Entity form. Examples of these considerations include the role of the Delivery Entity in respect of other major transit projects in Auckland and New Zealand, whether the Delivery Entity would need legislative powers, and if the Delivery Entity will own or operate aspects of the infrastructure or service.
- 44.3 **Funding, finance and value capture** – Officials are working to scope the policy work programme on funding and financing. Officials are also actively participating in the Transport Revenue Review to clarify the funding and financing framework for large scale rapid transit projects such as ALR.
- 45 It is expected that all parties work together to ensure that the dependencies between delivery and policy workstreams are reflected in outputs and advice. Having a clear understanding of accountabilities and responsibilities between sponsor agencies and the ALR Unit will be critical to this.
- 46 A policy reference group is being established to ensure there is coordination of resources and advice to Ministers. This will help ensure that policy decisions made in respect of ALR appropriately respond and/or inform decisions being made by the Government in other areas such as three waters, RMA reform, and the development of a more consistent approach to the planning, funding and delivery of rapid transit across New Zealand.

Integrating Auckland Light Rail with the Kāinga Ora Large Scale Projects and the Additional Waitematā Harbour Connections

- 47 Ministers have announced their expectation that there is closer integration between ALR and other major infrastructure projects in Auckland, notably the Kāinga Ora Large Scale Projects (LSPs) and the Additional Waitematā Harbour Connections (AWHC).

Kāinga Ora Large Scale Projects

- 48 Discussions are ongoing with Kāinga Ora to consider opportunities for alignment between the two projects. Work will continue towards achieving an agreed pathway for aligning investment and considering trade-off decisions (between cost, housing delivery and pace) to support informed decision-making relating to the LSP neighbourhood business cases within the ALR corridor.
- 49 It has been recognised that the refinement of route alignment and station locations is needed to allow for density assumptions applied to ALR to be considered in the relevant neighbourhood business cases.

Additional Waitematā Harbour Connections

- 50 In line with Ministers' intent for closer integration between ALR and AWHC, officials have been engaging with the AWHC project team at Waka Kotahi to develop a better understanding of the project, its intended outputs and timeframes.
- 51 Ministers will have choices on how the projects can be integrated, including in relation to governance and ministerial oversight, the scope of the ALR Unit's work and its relationship with the AWHC team, and the timing and sequencing of decision making on funding and delivery of both projects.
- 52 There will also be choices regarding the scope of the entity that will be established to deliver ALR, and the extent to which the delivery of other rapid transit connections such as AWHC would fall within its remit.

s 9(2)(f)(iv)

Key risks

- 54 It is important that the next phase is delivered in a way that firmly aligns with the intent of the Cabinet paper and that the Unit's activities are well aligned with Sponsors' priorities and policy advice from Crown agencies. This involves ensuring consistency between the technical design of the transport solution and business case processes, and the integration of ALR with wider urban development and rapid transit planning including projects such as the LSPs and AWHC.
- 55 COVID-19 developments and tight timeframes put the project at risk of not meeting Cabinet and Sponsors' expectations in general. We emphasise the potential for delays to the work programmes and risks such as gaps in the drafting of partnership agreements, a suboptimal board recruitment process, and challenges in the detailed planning activities due to potential scope changes and uncertainty.
- 56 Resources may need to be redirected from other work programmes within Crown agencies should we not have the option to delay the delivery of key pieces of work to rectify issues.

- 57 We intend to set the detailed planning phase up for success by striking the right balance of moving at pace on implementing new governance arrangements whilst ensuring that the optimal project control mechanisms are in place and that value for money is achieved over the next phase. This includes ensuring that mana whenua are well represented at the Sponsors level, and that there is an effective engagement with mana whenua across detailed planning activities.
- 58 We understand that the existing ALR Board and Unit will also support the mitigation of the risks mentioned by exercising clear communications on pending decisions, consulting early with Sponsors. We expect the Board to carefully consider whether to make, delay decisions or defer to Sponsors any critical project decisions until the new board is in place.
- 59 Officials will work with the unit to engage Sponsors early and regularly on issues, and we aim to maintain a clear line of sight between the Unit and sponsor agencies on workstreams.

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Reporting to Cabinet in April

- 64 In line with Cabinet's direction, officials are preparing a paper for joint Ministers to take to Cabinet in April 2022. At this stage we believe the Cabinet paper should cover the following matters:
- 64.1 Report on and seek endorsement of a draft Sponsors' Agreement, including an overview of workstreams and a shared work plan.

- 64.2 Seek Cabinet's endorsement of an approach to mana whenua engagement and representation at the sponsors level, the Sponsors Forum and the delivery and policy work programmes.
- 64.3 Report on recruitment activities for the ALR Board, confirm priority appointments, transitional arrangements and the fees for board members.
- 64.4 Seek Cabinet endorsement of:
- 64.4.1 The priority areas within the policy work programme, notably the establishment and transition to a delivery entity, and funding and finance
 - 64.4.2 The scope and parameters for the detailed planning phase to provide the Crown, Council and the Unit further clarity to finalise and execute the delivery and policy work programmes.
 - 64.4.3 An approach to the investment management system, assurance framework, and general working practices that we expect the Unit to comply with as they undertake detailed planning activities.
- 64.5 Update Cabinet on other matters including:
- 64.5.1 Work to more closely align ALR with the Additional Waitematā Harbour Connections.
 - 64.5.2 The approach to consenting, strategic land acquisition
- 65 To inform the drafting of the Cabinet paper, we request your feedback on the proposed list of matters to be covered in the April report back.

Appendix A is withheld in full under section 9(2)(j).