

16 November 2020

BRIEFING
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Hon Michael Wood
Minister of Transport

Action required by:
Tuesday, 24 November 2020

Hon Grant Robertson
Minister of Finance

Progressing the City Centre to Māngere Project through a public service delivery approach

Purpose

Set out how to progress a public service delivery approach to the City Centre to Māngere rapid transit project.

Key points

- Cabinet requested advice on a public service delivery approach to the City Centre to Māngere (CC2M) rapid transit project (the Project).
- The parameters for future work will need to be agreed with Auckland Council, given the impact on Auckland, and its role.
- Our work to date has established a strong foundation on which to progress a preferred rapid transit solution, using outcomes agreed by Auckland Transport Alignment Project (ATAP) Partners, intellectual property from Waka Kotahi NZ Transport Agency, and its previous business case work. But the scale and complexity of remaining work is high.
- Views still differ among stakeholders and partners on the benefits, opportunities and risks of different forms of rapid transit, relating to the alternative roles of a scheme as:
 - one that prioritises access and integration across Auckland and leads to a new pattern of urban development across the city; or
 - one that addresses existing and forecast transport network challenges along the CC2M corridor, and supports growth that is planned or already underway.
- We recommend a two-stage business case approach. This would work through the outstanding questions, including project scope and other matters. This means Ministers can provide direction on short-listed options prior to detailed planning, with investment decisions being taken on a detailed business case.
- We recommend establishing a new, dedicated, cross-agency Programme office to undertake this work, funded by the National Land Transport Fund (subject to costings).
- The Programme Office would become, or help form, a dedicated delivery entity.
- Alongside business case work, the Project will require a large number of regulatory and legislative changes. A significant policy work programme will be needed to take these forward. This will be wide-ranging, complex and affect existing framework legislation, touching many parts of government. We will need access to policy resource from several departments, including the Ministry of Transport, the Ministry of Housing and Urban Development, the Treasury, and the Ministry for the Environment. There will be

competing demands for this resource, given other reforms planned by the Government (such as reform of the Resource Management Act).

- The Project will likely need multiple funding and financing sources. The Government's appetite and other factors, such as forecast patronage, will affect the final mix.
- Officials' view is that new revenue sources, such as value capture, will be required for this project, based on a strong policy rationale to more closely match those who benefit from the Project with those who pay. Many of these tools are long-term propositions where revenue will take many years, likely decades, to fully materialise.
- Even with the use of new revenue sources, there will still remain a significant funding shortfall requiring Crown support.
- Given the high costs involved, and the likely incidence of expenditure and revenue (high upfront capital costs) from the Project, some form of debt financing (either government debt, a Crown loan facility or project financing) is likely to be needed.
- Combined, the likely need for Crown funding along with any financing arrangements mean there will be significant fiscal implications that warrant careful consideration.
- ATAP agencies are committed to the Project as a critical part of a new rapid transport spine and an enabler of urban regeneration. But public understanding of the Project and what it aims to achieve is low so the Programme Office must build social license.
- The importance of stakeholder and community engagement, and a clear role for mana whenua, cannot be understated. Auckland Council and Auckland Transport will be integral to progressing this engagement, given their existing relationships.
- We have set out a future work programme if Ministers wish to proceed. The first step is for officials to prepare a Cabinet paper for you to seek Cabinet approval to progress.

Recommendations

We recommend you:

1. **Agree** to seek Cabinet approval to progress work on the City Centre to Māngere rapid transit project (the Project). Yes / No
2. **Direct** officials to draft a Cabinet paper providing a report back on the Project and seeking agreement to develop the Project further. Yes / No
3. **Agree** that the Cabinet paper should include the following elements. Yes / No
 - a. Note the scale of commitment required on funding and financing, scope, risk, delivery entity, policy and legislation.
 - b. Note that a mix of funding and financing will be required for the Project, and that new revenue tools, such as value capture, should be pursued.
 - c. Note that the Project will be progressed through a two stage business case approach to enable Ministers to make staged decisions on the shortlisted options prior to detailed planning, with investment decisions on the Project based on completion of a detailed business case.
 - d. Outline the need to build social licence for the Project, and the extensive resource required for both stakeholder and Māori engagement.

- e. Outline the need to set up a Programme Office, with cross agency governance, which will be charged with progressing the Project.
 - f. Note that a significant legislative and regulatory work programme will form part of the next steps of the Project.
4. **Note** that the intention to use tools such as value capture should be included in any further announcements on the Project (particularly before any major scope decisions are made and announced) to ensure it is clear to the market and to ensure value in the corridor is not taken before the project gets underway.
5. **Direct** officials to progress work on the strategic case and economic case of the indicative-level business case, within remaining budget, while awaiting Cabinet approval to set up the Programme Office. Yes / No
6. **Direct** officials to develop approval under Section 9(2)(c) of the Land Transport Management Act to provide funding from the National Land Transport Fund for the set-up and resourcing of the Programme Office, subject to detailed costing. Yes / No
7. **Agree** to continue discussions with Auckland Council, and that officials provide you with advice on elements of the Project that will need to be negotiated between central and local government. These elements include the use of new revenue tools (such as value capture mechanisms), operating costs, and ownership of the transport infrastructure upon construction completion. Yes / No

Hon Grant Robertson
Minister of Finance

..... / /



Andy Hagan
Deputy Secretary, Financial and Commercial
The Treasury

Hon Michael Wood
Minister of Transport

..... / /



Bryn Gandy
Deputy Chief Executive, System Strategy and Investment
Ministry of Transport

- Minister's office to complete:**
- Approved
 - Declined
 - Seen by Minister
 - Not seen by Minister
 - Overtaken by events

Comments

Contacts

Name	Telephone	First contact
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PROACTIVELY RELEASED

PROGRESSING THE CITY CENTRE TO MĀNGERE PROJECT THROUGH A PUBLIC SERVICE DELIVERY APPROACH

Cabinet requested advice on a public service delivery approach to deliver rapid transit in the City Centre to Māngere corridor

- 1 The need for an expanded rapid transit network in Auckland forms a key part of the Auckland Transport Alignment Project (ATAP), set in 2018 to reflect the Government and Auckland Council's shared transport priorities. Cabinet supports ATAP's intention to make progress on the City Centre to Māngere (CC2M) corridor first, due to the existing public transport congestion issues in the area, and the potential for economic and population growth.
- 2 In 2019 proposals from Waka Kotahi NZ Transport Agency and NZ Infra to deliver a rapid transit solution for the corridor were assessed in a process known as the Parallel Process. Advice was presented to Cabinet so they could either select one of the bidders as the preferred delivery partner, or decide on an alternative course of action. The result of cross-party consultation was that the three parties of Government were unable to reach agreement on a preferred delivery partner. In addition, there were elements of both proposals that were not acceptable to the Crown in the current environment of economic recovery.
- 3 Cabinet therefore:
 - agreed to formally end the Parallel Process and revert to public service delivery
 - noted that the City Centre to Māngere project (the Project) remains a commitment in ATAP
 - tasked the Ministry of Transport and the Treasury to report back after the general election on optimal arrangements for public service delivery in close consultation with ATAP agencies, Kāinga Ora, and the Ministry for Housing and Urban Development (MHUD).
- 4 In preparing this advice, the Ministry and the Treasury have:
 - considered previous work on the Auckland Light Rail project (including the intellectual property acquired from Waka Kotahi, developed through the Parallel Process¹, and work on a previous business case that they undertook)
 - worked collaboratively with ATAP Partners, Kāinga Ora and MHUD to understand and reflect partner views and requirements
 - discussed this advice with Te Waihangā (Infrastructure Commission).

¹ We have not acquired the Intellectual Property of NZ Infra.

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Our work has shown that there are some areas of agreement among stakeholders and partners, but many trade-offs still need to be worked through

- 5 This Project will be the biggest and most complex infrastructure project in New Zealand, requiring new skills and major interventions in our largest city. The Project is of high public interest but has low social licence. There has been limited communication with the public and narrow engagement with stakeholders. A focus of our advice is to assist you to set the Project up for successful delivery. A key part of this will be to establish a robust process for refining the project scope by applying best practice in terms of governance, delivery models and business case assessment. Annexes provide further detail on all areas of the work we have undertaken.
- 6 Our work has been undertaken within the project outcomes developed and agreed by ATAP Partners in 2019. These are weighted and help articulate what the scheme should achieve:
 - Access and Integration: Provide improved access to opportunities through enhancing Auckland's Rapid Transit network and integrating with the current and future transport network
 - Environment: Optimise environmental outcomes and embed sustainable practices
 - Urban and Community: Enable quality integrated urban communities especially around Māngere, Onehunga and Mt Roskill
 - Experience: Provide a high quality, attractive and highly patronised service.
 - Access and integration, and urban and community outcomes are weighted most highly in this framework, at 40% and 30% respectively. This weighting reflects an overall aspiration from ATAP Partners to deliver a scheme that provides a high quality and well-integrated transport solution to connect people to where they live, work and socialise, with complementary benefits for urban development.
- 7 While we have learned a lot through the Parallel Process, the principal objective was to identify a preferred delivery partner. Had a preferred delivery partner been confirmed by Cabinet, many of the issues highlighted in our advice would still need to have been worked through. The Parallel Process did not follow traditional optioneering or business case processes – this would have had to be revisited with the delivery partner, if one was selected. A programme of work to refine project scope, agree governance arrangements, confirm funding and financing mechanisms and amend policy settings would likely still have been needed over the coming months and years.
- 8 Engagement with ATAP Partners during the Parallel Process was also tightly constrained. In light of this, our work since the Parallel Process has been in collaboration with ATAP Partners, in order to understand what they expect the transport solution to deliver. While this has helped confirm the key functional requirements of partners, it has also highlighted a number of key information gaps

that must be filled to develop an evidenced-based solution that Cabinet could take a decision on.

Some of the key trade-offs relate to the form and function of the scheme

- 9 We know that the Project must provide an enduring transport solution for a growing Auckland and that it will also have a major role in shaping the city's urban fabric over the long term. It is part of a network, but it also needs to serve the communities along its corridor.
- 10 These different functions raise strategic issues, which will require important trade-offs to be made. With partners, we have worked through a multi-criteria assessment of three possible forms of rapid transit to draw out how each might deliver on the project outcomes, what partners are seeking from the Project, and what the nature of these trade-offs are in practice.
- 11 Insights from the assessment have revealed that a significant trade-off exists between the focus on supporting general intensification along the corridor (much of which has already occurred in anticipation of a scheme) and enabling more targeted growth nodes in fewer higher density hubs around stations. This relates to the alternative roles of a scheme as one that primarily supports existing and planned growth along the corridor, or one which enables a new pattern of urban development across Auckland. While partners do not have a unified or clear-cut view on this, they have stressed the importance of considering the implications of choices that resolve these trade-offs.
- 12 It will also be important to ensure that investment of this nature delivers positive multi-generational outcomes for Auckland as a whole. For example, it will be important to ensure that the solution forms part of a rapid transit network that transforms access across the city and helps tackle some of the most significant challenges that Auckland faces in terms of congestion, emissions and connectivity. However, these Auckland-wide considerations need to be balanced with the existing and future needs of individual communities along the corridor, and the transport challenges faced in key sections of the network.
- 13 Our work with ATAP Partners, Kāinga Ora and MHUD has highlighted the importance of not losing sight of these pressures and priorities that are specific to the CC2M corridor. Partners agree that these are questions that further business case work should address.
- 14 There are also trade-offs relating to the level of commitment that can be given to delivering on the development opportunities unlocked by a scheme, and how affordable these are. Future decisions on project scope will need to reconcile the opportunities that are unlocked by a rapid transit solution with the level of identified need now and in the future, as well as the likelihood of these opportunities coming to fruition. In places such as Māngere and Mount Roskill, the nature, form and alignment of rapid transit will be a major determinant of how these areas grow and on the wellbeing of their existing communities.
- 15 Finally, Ministers and stakeholders should be prepared to deal with the important trade-offs between the form of the transit solution with the level of complexity and

cost of the Project (scale, disruption, consenting, land take, utilities etc.), and with how long construction may take.

- 16 Decisions on these trade-offs will have a significant bearing on the choice of mode of rapid transit, principally between a scheme that is partially segregated from general traffic (such as the light rail solution previously developed by Auckland Transport), and a scheme that is fully segregated, with elevated or tunnelled sections [REDACTED]
- 17 You may have strong views on these trade-offs and mode options. If so, we recommend addressing these at a political level with Auckland Council, including with the Mayor.
- 18 We do not recommend constraining Project development by specifying a preferred mode at this stage. Ministers can provide direction in the coming months on the short-listed options that come out of the first stage of a two-stage business case. This approach would enable Ministers to make staged decisions based on a robust comparison between options. Taking the time now to get the design and alignment right, in a process that follows international best practice and includes stakeholders in its development, will ultimately speed up delivery.

There are additional, practical considerations that will be key in assessing options to deliver the Project

- 19 There are other key considerations that need to be worked through when refining the scope of the scheme and which may act as constraints on the nature of any preferred solution.
- Alignment – There are multiple trade-offs relating to the alignment of the solution, particularly in relation to choices to serve Dominion Road or Sandringham Road, and choices for the route at Māngere. These will need to be worked through having regard to wider social, economic, engineering and transport planning perspectives and priorities.
 - Cost and affordability – we do not have robust cost estimates for the Project. The operational and capital costs will have a significant bearing on decision-making.
 - Construction feasibility and complexity – technical assessments will be needed to understand the complexity of construction and operational impacts, including in relation to utilities, property, the effects on amenity or the built environment, geotechnical considerations and disruption to businesses and commuters.
 - Procurement – the capability within New Zealand to deliver the Project (and access to international supply chains), the complexity of the programme and the capacity of supply chains could have a significant bearing on the scope of the scheme.
 - Timing – it is likely that larger more complex solutions will take longer to construct and become operational. We will need to consider opportunities for the staging or phasing of the Project, if necessary.

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- 20 The business case process is needed to work through all of these trade-offs and weigh up options to get to a project that is ready to take to market and be taken forward by a delivery entity. This requires a collaborative effort across ATAP Partners, Kāinga Ora and MHUD within a Programme Office.

The Programme Office can work through what a delivery entity should look like, building on our broad options and principles

- 21 Selecting a preferred delivery entity that will be responsible for the delivery of the Project will be one of the most significant decisions to be taken by Ministers. It will involve a series of choices, including considering the degree of Ministerial influence that is needed, degree of independence that the entity should hold, and the nature of the involvement of Auckland local government entities.

- 22 These are significant matters, and our advice is that delivery entity decisions are taken on a form follows function basis. The decisions should be taken once there is further clarity on project scope (including clarifying the roles of partner agencies in supporting the Project) and on how the Project will be funded and financed. Accordingly, we recommend that further work on delivery entity form is progressed over the next stage of the Project, with decisions taken in 2021.

- 23 However, an initial set of delivery options has been developed, informed by cross-agency consultation. Given the unique and complex demands of the Project, and its unprecedented scale in New Zealand, there is a strong case to establish a new entity with a single delivery focus. The options are:

- a new Crown entity
- a Crown company (Schedule 4A of the Public Finance Act)
- a joint venture arrangement may also have merit, and there are different ways this could happen (e.g. a joint venture between the Crown – represented by either Waka Kotahi or a new entity - and Auckland local government agencies).

- 24 An additional option could be designating Waka Kotahi as the delivery entity.

[REDACTED] his is for many of the same reasons we consider a new entity is needed for the Project.

- 25 No existing entity in New Zealand has the required capabilities to deliver the Project, and there will need to be a significant capability build under any option.

- 26 We have developed the principles and considerations (below) that can be used to inform more detailed decisions on entity choice and governance arrangements. Your feedback on these principles and considerations would be welcomed.

- There is a strong case to separate functions relating to transport and urban development. In effect, this suggests that the delivery entity should have a mandate to focus on delivery of the transport project and should partner with other entities for urban development outcomes.

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- The entity needs clear expectations and incentives to work constructively with other partners and stakeholders, and vice versa.
- The delivery entity should have clear, undiluted, accountability for delivering the Project's outcomes.
- Governance arrangements should reflect the decision-making roles and responsibilities across the system.
- Entity and governance decisions should reflect the allocation of capital, operational and associated costs of the Project across its life, and should be considered in conjunction with the commercial model and procurement strategy for the project.
- The entity will need a stable operating environment, so that it can plan and deliver the Project with certainty, and it can manage its relationships with stakeholders and communities. In effect, this means that it will need a degree of operational autonomy.
- Significant system and entity capability will need to be built up to deliver the Project outcomes.
- There may be a case to establish an enduring entity to deliver large scale projects in New Zealand, beyond the CC2M corridor. This reflects that the Project is one stage of a broader rapid transit network programme, therefore capability for future delivery beyond the Project should be considered when making decisions about delivery entity.

While we do not have robust cost estimates, we know the Project will be high cost

- 27 ATAP 2018 signalled Government's commitment to allocate \$1.8 billion from the National Land Transport Fund (NLTF) to leverage funding and financing to progress the CC2M and Northwest light rail corridors. The NLTF allocation was "seed funding" for the Project and was not intended to cover its full costs.
- 28 A key lesson from the City Rail Link project is that we will have to understand and properly plan for the consequential investment that will be needed to fully realise the benefits of the Project, including in the transport network as well as other horizontal infrastructure such as water. This is essential for accurate costing.
- 29 Even before we have a robust cost estimate and detailed business case, we know that the Project's capital and operating costs will be large. It will require significant amounts of funding, and likely financing. [REDACTED]

Multiple funding and financing sources are likely to be needed but the Government's appetite and other factors will affect the final mix

- 30 A project of this scale, with objectives spanning transport and urban development, is likely to require new approaches to funding and financing. Identifying the appropriate funding and financing arrangements involves considering who benefits from the investment (beyond just passengers), when they benefit (this will vary over a period of decades), and where the risks associated with construction and operation of the rapid transit solution will rest.
- 31 Overall, this points to a combined approach across Crown, NLTF, farebox, local government tools (to capture local/regional community benefit), private funding sources (to capture commercial/private business benefit) and new value capture mechanisms. The business case will need to identify the best mix of these for the Project, given factors such as forecast patronage, preferred cost per fare, and distributional impacts both along the corridor and across the city. These involve trade-offs, and decision-makers will need to make the case publicly for their choices.
- 32 Given the size and complexity of the Project, funding arrangements (sources of funds to meet capital and operating costs (including financing)) will need to be clear. We need to better understand the economic case for the Project, which may include productivity benefits, to justify Crown funding. This will be the first New Zealand transport infrastructure project that would have such a mix of funding and financing approaches applied (if new value capture tools are used), so building a strong economic case and reason for contributions will set good ground work for future, similar projects.

We consider that new revenue sources will be needed for this project

- 33 Depending on appetite and feasibility, operating revenues could include farebox, commercial opportunities (which may require quite a proactive role for the Government in land use planning to realise the benefits from private sector development partners), local government contribution, and a level of operating subsidy from the NLTF (as is standard with public transport projects).
- 34 Officials' view is that the project will also require new sources of revenue to support the capital and/or operating costs of the Project, such as value capture mechanisms. There is a strong policy rationale to pursue broader methods to fund infrastructure projects to more closely match those who benefit with those who pay.

- 35 We note that while there are good policy reasons to investigate value capture mechanisms, research shows that they have proven challenging to implement. Considerations include the nature of these new revenue sources, the ability to quantify the benefits and identify beneficiaries, the quantum and reliability of revenue streams, the role of different agencies, actions needed to capture value and collect any revenue, the timeframe of over which revenue will be received, and any

distributional impacts. These considerations will be fully explored through the business case and associated policy work programme.

- 36 Officials will need a clear direction from the Government and Auckland Council that they wish to pursue new value capture/sharing mechanisms as revenue sources for this Project. This will require a clear communication from decision-makers when making further announcements on the Project that value capture is being investigated, including to send a clear price signal.

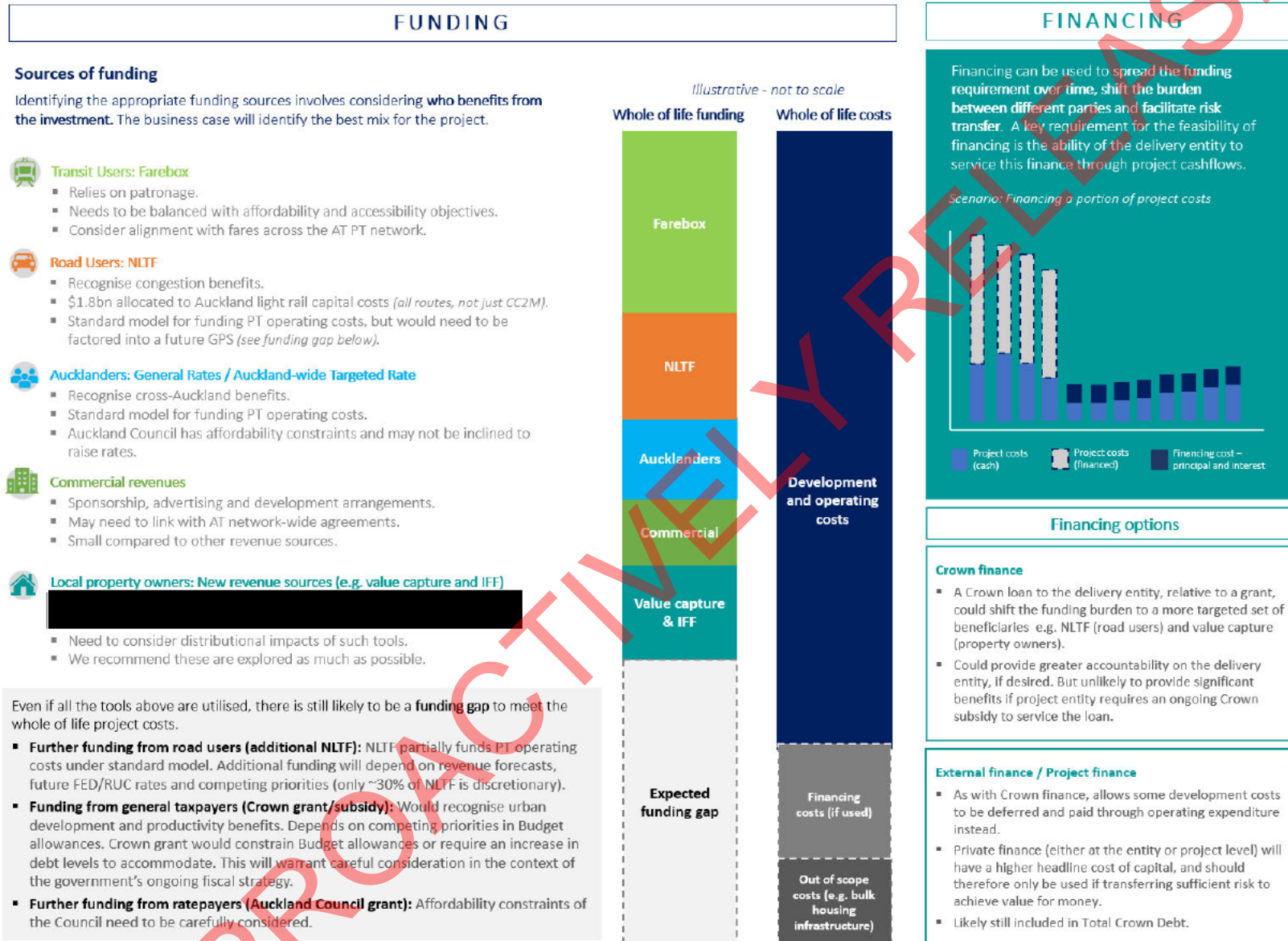
Even with new revenue sources, there will remain a significant funding shortfall requiring Crown support

- 37 As Figure 1 overleaf illustrates, even if all of the revenue sources above are used to their full potential, there will likely remain a funding shortfall, requiring substantial central government support. Any such capital contribution, whether from Budget allowances or the NLTF (beyond the initial NLTF seed funding of \$1m.8 billion), will involve trade-offs, either within the transport portfolio or wider government priorities:
- Additional NLTF funding would require reprioritisation of other transport projects or commitments, or an increase in Petrol Excise Duties and Road User Charges.
 - A Crown grant would constraint Budget allowances, or would require an increase in debt levels.
- 38 These choices will warrant careful consideration in the context of the Government's ongoing fiscal strategy.
- 39 Further to all of this, there will need to be clear parameters for a negotiating approach with Auckland Council on funding and financing for the Project, including operating costs, use and development of new revenue sources such as value capture tools, and ownership upon construction completion.

Debt financing could be used to smooth costs over time

- 40 Given the high costs involved, and the likely incidence of expenditure and revenue (high upfront capital costs) from the Project, some form of debt financing (either government debt, a Crown loan facility or project financing) is likely to be needed.
- 41 Further work through the business case process will consider whether project financing is appropriate for the Project (rather than a Crown loan facility), including whether this will provide value for money and help to manage risk. If using a public service delivery model, it may be difficult to transfer risk to the private sector via financing, in which case a Crown loan is likely to be simpler and more cost effective.
- 42 A key consideration will be the proportion of non-Crown project funding (e.g. NLTF, local government funding tools, new revenue sources such as other value capture mechanisms, farebox revenue, and other commercial revenue) supporting the Project. This funding needs to be sufficient to support any project specific debt financing.

Figure 1: Potential funding and financing sources and considerations



The delivery and operation of the Project is likely to require a series of legislative, regulatory and policy changes

- 43 Alongside our work to identify the work required on project scope, delivery entity and funding and financing, we have also developed an understanding of the key legislative and regulatory changes that will need to be worked through as part of a comprehensive policy work programme. Some of these are high priority (for example, land rights, future ownership, utilities) as decisions made in respect of these issues will inform what is included in the business case and project scope, so Ministers will need to make choices early on.
- 44 However, the majority of the issues will arise irrespective of the preferred technical solution. For these issues, work can begin as soon as we have approval and funding to proceed.
- 45 We know that existing legislative and regulatory settings in New Zealand are not configured to accommodate a scheme such as CC2M. Multiple pieces of legislation will likely need amending, as they were not developed for such a large and complex brown-field project of this scale and nature.
- 46 A significant policy work programme will be needed to evaluate and deliver amendments to both primary legislation and regulatory settings. Getting such changes through Parliament could be controversial and will likely touch on many Ministers' portfolios. The impact of this work will need to be factored into the scope and staging of future work.
- 47 We have identified a number of key policy and legal issues that will need to be taken forward alongside technical work to develop the scheme itself. These are most likely to relate to:
- acquisition of land and rights of use
 - the roles of agencies in supporting urban development, and the nature of partnerships between those agencies
 - consenting processes
 - the framework for managing necessary changes to utility networks value capture mechanisms
 - iwi and community involvement, including having regard to the Cabinet Guidelines in CO (19) 5, for policy makers to consider the Treaty of Waitangi in policy development and implementation
 - funding and financing, including any possible changes to the Land Transport Management Act's funding framework
 - asset ownership
 - entity form, including possible establishment of a new delivery entity

- system operation and ensuring that there is role clarity for agencies with existing roles in the public transport system
- rail regulation.

48 The necessary package of policy and regulatory changes should be designed to support the certain delivery of the Project, but there is also an opportunity to design these to provide a foundation for an enduring framework for future rapid transit projects.

We know that success of the Project relies on strong partnerships and bringing stakeholders on the journey

49 Sustained and genuine partner, stakeholder and community engagement will be crucial to achieving successful outcomes for the Project. Under-investment in this aspect of the Project risks adding time and cost to delivery, including causing significant delays to the consenting process.

50 CC2M rapid transit is not a new project. It has a patchy history of engagement led by different parties. Previous engagement by Waka Kotahi started and then stopped as the Parallel Process put restrictions on engagement for probity and confidentiality reasons. Agencies whose operations would be impacted by the Project, such as Auckland Transport and Kāinga Ora, had limited access to information about the proposals.

51 Despite limited engagement, the Project has a high profile due to media coverage before and during the Parallel Process and statements by political parties in the lead up to the 2020 election. This has led to high awareness of and interest in the Project but very limited stakeholder engagement, resulting in low social licence. This has been emphasised in our meetings with stakeholders who comment that there is a poor understanding of the Project's outcomes (it is still seen by many as linking the airport and the CBD), and that greater openness and transparency is needed with communities to build support. A key immediate goal of stakeholder engagement will be to build the Project's social licence to operate.

52 Continued engagement will be needed across all phases of the Project from the initial period during which the Government makes decisions and refines the scope, all the way to the rapid transit service being in operation.

53 The amount of work required should not be underestimated, nor the sheer number of stakeholders involved. Future engagement will need to cover everything from meetings with Boards, chief executives and special interest groups, through to town hall style events with communities, and conversations with individual property owners. Agencies such as Auckland Council, Auckland Transport and Kāinga Ora have existing relationships with stakeholders and communities along the corridor. Where possible, and appropriate, the Project will leverage existing relationships and coordinate engagement activity to avoid consultation fatigue and to show connections between the work of various agencies.

There are Crown-Māori responsibilities to fulfil, which will need to be reflected in the Project's engagement approach

- 54 As Treaty partners, the Crown and Māori have a special relationship. The Māori engagement approach proposed for the Project reflects best-practice advice from Te Arawhiti and gives mana whenua the status of a partner in the Project.
- 55 Given its scale and duration, the Project represents a significant opportunity to make a step change in how the Crown and Iwi work in partnership on major projects by embedding practices that move from engaging Iwi to empowering Iwi.
- 56 Our approach at this early stage is to work with all Māori entities with interests along the corridor to understand the opportunities, aspirations, issues and challenges they see arising from the Project, and seek to reflect these in the project scope as appropriate. This should also help to identify opportunities for Māori businesses to participate successfully in procurement processes, commercial opportunities for Māori, and significant employment of Māori in quality jobs.
- 57 The Project needs to establish processes for working with mana whenua as Treaty partners over the life of the Project as it will impact:
- Treaty settlements, potentially including rights of first refusal and activity in the marine and coastal areas where the route crosses the Manukau Harbour at Onehunga/Māngere
 - matters of national importance under the Resource Management Act, specifically the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, waahi tapu, and other taonga.
- 58 Again the resource required for engagement that fulfils Treaty obligations should not be underestimated. Officials have initiated discussions with the 19 mana whenua entities in the Auckland region, on the basis that it is best to engage early and to establish good relationships from the outset.

A coordinated, phased and cross-agency approach is needed to drive the Project forward

- 59 While the above shows that there has been considerable investment in research and analysis into the need for a rapid transit system in Auckland, and on the CC2M corridor as the first priority, there are a number of decisions that need to be taken to get the Project to a point of investment readiness. This would have been required, even if the Parallel Process had chosen a preferred delivery partner. A period of a year or more would have been needed to resolve the questions set out in this briefing and further develop the supporting policy and legislation required for the Project to succeed. The preferred delivery partner would have set-up a, or made use of its existing, programme office, alongside a project-specific office for CC2M.
- 60 In addition to the further work to establish a robust business case for the Project, there will be a number of other work areas that need to be progressed once we receive Cabinet approval to proceed. Some of these will support the business case, design development and engagement processes, and others will be necessary to ensure that policy and regulatory settings are fit for purpose for the Project. Key work areas will include establishing an enduring delivery structure and governance

arrangements, and progressing the significant legislative and regulatory work programme.

- 61 These matters can be resolved through an iterative and phased process, recognising that major infrastructure projects of this scale and complexity require regular decision points to ensure that they are set up well, right from the beginning. This process is consistent with international best practice for projects of this scale, and is designed to give Ministers and Auckland stakeholders assurance that the Project will be successful and that its risks can be appropriately managed.
- 62 Firstly, we recommend that a dedicated, skilled, Auckland-based CC2M Programme Office is established to lead the next phase of the Project. The proposed Programme Office approach is an orthodox approach for a project of this nature and complexity. It will allow a structured process that asks the necessary questions, includes the right people and does so with a sense of purpose and accountability. A key benefit of establishing a Programme Office is that it would become the visible face of the Project, and would have a strong and focused mandate to drive the Project forward.
- 63 We recommend that the Programme Office incorporates assistance and expertise from partner agencies, including Auckland Transport, Auckland Council, Waka Kotahi and Kāinga Ora. This is also important from the perspective of building a continued collaborative approach, where agency expertise is successfully used to support the Project. However, a key feature will be that all agencies understand that by putting in resources, those individuals are part of a 'One Team' culture that is focused on the success of the Project. Due to the size and complexity of the project, the Programme Office will also need to bring in a significant level of resource and technical expertise from external sources, including international consultancies and organisations with expertise in delivering light rail.
- 64 The phased, forward work programme would have the following key milestones:
- **Within three to six months of approval to proceed** – you will see significant progress on the strategic and economic parts of the indicative-level business case. Governance will be in place. Agreements to establish the Programme Office will be set, and substantial progress made to resource the Programme Office. Initial stakeholder and Māori engagement will also be underway. Initial priorities for the legislative and regulatory work programme (to enable project delivery) will be identified and confirmed.
 - **Within 18 to 24 months of approval to proceed** – you will see significant stakeholder and public communications programme embedded, and advancement of the legislative and regulatory programme. There will have been substantial progress on the detailed business case, which could include early work such as land acquisitions and geotechnical and utility investigative works. Key decisions on delivery entity undertaken, and the entity either in place or in transition.
- 65 Throughout this period you will be kept regularly informed, and your input will be needed at key decision points and Project stage gates. We propose that a Ministerial Advisory Group is set up to make strategic decisions as required on the Project.

The Programme Office would be the 'workhouse' of the Project and lay the foundations for the delivery entity

66 The key responsibilities of the Programme Office would include²:

- acting as the public face of the Project to build social licence during the business case phase
- producing a business case that can be refined by the delivery entity
- establishing partnering arrangements with the relevant stakeholder agencies and Māori
- developing and implementing a communications plan including delivering a public information campaign
- developing and implementing an extensive programme of stakeholder and community engagement and Māori engagement
- managing development of the Project until the delivery entity is established
- identifying key policy and legal implications and challenges associated with necessary project components, so they can be resolved (many implications will be broader than the Project so will need to be considered by other responsible parties)
- initiating early works on technical design and engineering, land acquisition, urban development opportunities and consents, so that a consentable scheme can be confirmed.

67 Once the form of the delivery entity is decided, the Programme Office will either transition into it, or assist in the stand-up process. This would be the case whether the delivery entity is newly created, a joint venture between agencies, or formed within an existing agency.

68 The tasks and responsibilities set out above are subject to Ministerial approval and will be delivered in collaboration with partner agencies and other stakeholders. The Programme Office's workstreams and staffing will be structured around these outputs.

69 We propose that the Programme Office be 'housed' within the Ministry of Transport, with some presence in Wellington. This reflects that the Office's leadership will need direct lines of communication with Ministers, and will need to embed a strong focus on the Project's outcomes in its work. Locating the Office in a policy agency also allows it to have close relationships. Housing the Programme Office within a Ministry allows for a straightforward process of transferring resources to a delivery entity, when it is ready to be stood up. It will also help embed outcomes in the delivery entity from the outset.

² Note, the Programme Office would not undertake all these directly, much of its role will be to coordinate other parties (and joint-working) and ensure the programme maintains momentum.

Governance of the Programme Office

70 It will be important to establish a high-quality governance and assurance structure to oversee the work of the Programme Office. Officials are currently developing some high-level models for this structure, with the following key features.

- A Ministerial Advisory Group, attended by Auckland Council - to provide political oversight and to consider major points of strategy, prior to Cabinet consideration.
- A Chief Executives Sponsoring Group - to provide strategic oversight, sector alignment, and a focus on outcomes.
- A Programme Board - responsible for driving the Project forward, executive oversight and assurance, risk management, objectives and benefits are realised, and that supporting agency work is aligned.
- The appointment of a Senior Responsible Officer and Programme Director – who will report to the Secretary for Transport.

71 Subject to your agreement to establish the Programme Office, we will continue to refine the governance and assurance model, including membership and terms of reference, working in close collaboration with our partner agencies.

If you agree, we will develop a Cabinet paper to set out the next steps for the Project, including establishing a Programme Office and confirming funding

72 If you agree with our approach to set up a Programme Office to take forward the Project, we will provide you with a Cabinet paper seeking approval to progress. This will include how to fund the Programme Office, which we currently suggest funding using Section 9(2)(c), which allows the Ministry to utilise National Land Transport Funds, with the agreement of the Minister of Finance and the Minister of Transport. This will be subject to detailed costing being carried out.

73 Based on other major projects of this scale (nationally and internationally), we anticipate that the Programme Office and development of the Project may require a [REDACTED] for it to develop the business case, engage with communities and stakeholders, and to assist with the transition to the delivery entity structure. Further costings will be required.

74 A significant driver of costs will be technical advisory support. In addition it is possible that some of the funding will be needed to allow partner agencies such as Auckland Transport and Auckland Council to participate in the Programme Office given their current financial constraints resulting from Covid-19.

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ANNEX 1: BACKGROUND

- 75 This annex sets out background to the need for rapid transit in Auckland and how the City Centre to Māngere (CC2M) Project (the Project) came about.

To realise future growth opportunities, Auckland needs the right transport system

- 76 Auckland's significant future population growth creates opportunities to increase productivity and help improve the prosperity of Auckland and New Zealand. Around 1.6 million people live in Auckland and this is expected to grow by around 730,000 people over the next 30 years.³
- 77 Population growth supports greater diversity of economic, social and cultural opportunities. To be successful, people from all parts of Auckland need to be able to get where they want to go, more easily, safely and sustainably. A transition towards a rapid transit network for Auckland will be central to driving productivity, reducing the environmental impact of transport, reducing deaths and serious injuries on the network and enabling sustainable patterns of urban development.
- 78 Improving access depends on the entire transport system being managed and developed as an integrated whole, across different networks and different modes. It also depends on shifting more journeys onto public transport and encouraging greater levels of healthy activities such as walking and cycling. This will ease congestion, reduce emissions and is a key plank of Auckland's transport vision.
- 79 Without this shift, continued population growth and urban development are likely to increase the severity and intensity of pressure on Auckland's natural environment. Auckland's continued dependency on private vehicles for travel constrains its ability to contribute to national emissions reduction targets.

Rapid transport is key to addressing Auckland's needs

- 80 Rapid transit forms the backbone of Auckland's public transport network. It can play a central role in achieving the mode shift required, join up with the rest of the network and support urban form.
- 81 A core benefit of rapid transit is that it can move people around unaffected by road congestion. Rapid transit efficiently moves large numbers of people through fast, frequent and high-capacity services along dedicated rights of way. This can dramatically increase the number of people able to travel between large parts of Auckland through a fast and reliable option that encourages people out of cars and reduces the impact of congestion on their lives.
- 82 Rapid transit improves accessibility and can deliver long-lasting access improvements to areas near rapid transit stops or stations. It is an important tool to enable densification, making areas along the corridor attractive for redevelopment. This will support Auckland to achieve a quality compact urban form.

³ In the short term there is a high level of uncertainty around a 'new normal' COVID world. Usual migration has already been severely affected and COVID adjustments have been made in these growth figures. Lower population growth than previously assumed is expected in the short term, returning to pre COVID assumptions over the long term.

83 Transport is also critical for enabling and delivering on the Government's COVID-19 economic recovery strategy. The development of rapid transit in Auckland will support confidence in the construction sector and the creation of jobs. This Project could be an anchor to stimulate the economy, retaining and developing expertise in New Zealand. There will also be long-term economic benefits from the urban regeneration created.

An immediate focus is the City Centre to Māngere corridor

84 ATAP recommends transport investment priorities to reflect the Government's and Auckland Council's shared direction for transport in Auckland. The parties that developed ATAP (known as ATAP Partners) are Auckland Council, Auckland Transport, KiwiRail, Waka Kotahi, Ministry of Transport, the Treasury and Public Service Commission (at the time called State Services Commission).

85 The update to ATAP in April 2018 reflected a focus on mode shift – getting people into alternate modes of transport to reduce single occupant vehicle travel. One third of ATAP investment intentions were for rapid transit. The Project was identified as a rapid transit project for the 2018-2028 decade. Within ATAP the project was called Auckland Light Rail, showing acceptance of the earlier decisions made by the Auckland Transport and Waka Kotahi Boards, which recommended light rail over bus and heavy rail options.

86 Work is currently underway to prepare investment options for ATAP 2021-31, retaining the overall intent for transport investment that was set out in ATAP 2018. Seed funding of \$1.8 billion for light rail will continue to be included in ATAP for future work.

87 Cabinet has prioritised progressing light rail from the City Centre to the airport in the next decade [DEV-18-MIN-0059 refers], referred to as the Project. The CC2M corridor is considered to be of national significance because it includes New Zealand's largest and most productive commercial centre (the city centre), the country's primary gateway to the world (Auckland International Airport), and a growing employment centre in the airport and its surrounds. This will still be the case when COVID-19 border restrictions ease.

88 Around 17 per cent of Auckland's population growth and 33 per cent of its employment growth is expected to occur along the corridor over the next 30 years.

89 Rapid transit shapes urban form and rapid transit along the CC2M corridor is expected to enable high density development along the route, supporting good amenity and liveability for communities. Auckland Council has identified, and enabled through planning, locations along the CC2M corridor for high growth. Development has been occurring along this corridor with the expectation of the Project being delivered, although given project uncertainty, the development hasn't reached its potential.

90 The CC2M corridor contains substantial areas of publicly owned land. Māngere and Mt Roskill are in Kāinga Ora's Auckland Housing Programme, the largest urban development programme in New Zealand's history. Up to 20,000 new homes are expected to be developed in these two locations over the next 10-15 years. The Project is one of the keys to unlocking these developments.

- 91 Over the next decade, public transport use in Auckland is projected to grow strongly, increasing the already significant pressure on bus services. Dominion Road is Auckland's third busiest bus corridor, carrying around 12,500 trips per day.⁴ Buses from the central isthmus, the North Shore and the northwest are channelled into a few corridors in the city centre which are constrained for space and turnaround opportunities. There are also frequent intersections and bus stop capacity limits. These constraints will create major challenges in increasing bus services to meet demand.
- 92 The CC2M corridor includes several communities that face high socioeconomic deprivation with poor access to economic and social opportunities, and housing. Improving access to labour markets and education is particularly critical to boosting Auckland's economic productivity and overall prosperity. Businesses need a wide choice of potential employees. Similarly, workers need a wide choice of potential jobs within a reasonable commute time. Rapid transit has the potential to address social disparities in access found along this corridor.

Current project status

- 93 Waka Kotahi was commissioned by Cabinet develop a single stage business case in May 2018 [DEV-18-MIN-0059 refers]. Its design was based on the street-integrated light rail solution that had been earlier developed by Auckland Transport and that had been socialised with Auckland stakeholders. While Waka Kotahi made significant progress, its draft business case was not approved by its board, and its incoming Light Rail Director noted that the business case could be further improved, and that there was an opportunity to put forward an enhanced solution. As part of this initial work, Waka Kotahi engaged with the market to ascertain interest and capability and carried out some engagement with other key stakeholders such as utilities, the airport and iwi.
- 94 In April 2018, NZ Infra (a joint venture between the New Zealand Superannuation Fund and Canadian institutional investors CDPQ Infra) approached the Government with an unsolicited option for an alternative delivery and financing approach to the Project. Later in 2018 the Minister of Transport sought further advice on the NZ Infra approach, recognising that the two models were very different approaches to delivering the Project.
- 95 In June 2019, Cabinet directed the Ministry of Transport to run a Parallel Process over four months (also known as the twin track process) with Waka Kotahi and NZ Infra so their options could be evaluated against a common set of criteria and Government could choose a preferred delivery partner or decide on an alternative course of action. The Secretary for Transport presented his advice to the Minister of Transport and extensive cross-party consultation took place over May 2020. However, the three Government parties were unable to reach agreement on a preferred proposal. Cabinet also noted that in the current environment of economic recovery there were also elements of both proposals fundamental to the commercial arrangements that were not acceptable to the Crown. As a result, Cabinet formally terminated the proposal process and asked for optimal arrangements for public service delivery to be presented to the new government following the 2020 general election.

⁴ This is based on 2019 data to remove the considerable effects of lockdowns on bus patronage.

96 Although the Parallel Process ended without the Government determining a preferred delivery model and partner, the Project did make significant progress over this time. In particular, a strong understanding was built on the fitness for purpose of the current policy and regulatory frameworks that are needed to facilitate a project of this scale and complexity.

Collaborating around future work

97 In deciding to end the Parallel Process, Cabinet directed the Ministry and the Treasury to work in close collaboration with ATAP agencies, MHUD and Kāinga Ora in the development of the advice contained in this report in relation to a public service delivery approach. In line with this, our engagement has been undertaken at both a technical and leadership level, including:

- technical input into the principal workstreams throughout September and October, covering project scope, delivery entity and funding and finance
- a cross-agency workshop held in late September
- a series of bilateral meetings with senior officials from each agency throughout October
- discussion on our emerging findings at the ATAP Steering Group and Governance Group meetings and with the Board of Auckland Transport in October.

98 This engagement has been valuable in informing the advice contained in this report. We understand from this engagement that ATAP agencies are committed to working together to delivering a rapid transit solution for the CC2M Corridor, which remains a priority for Auckland as outlined in ATAP.

99 A collaborative effort is needed to ensure successful delivery, and retaining the agreed project outcomes will ensure an appropriate balancing of different priorities across the ATAP agencies. Going forward, these agencies will need to collaborate closely around a future work programme, guided by the business case process, drawing on the expertise of individual agencies and the analysis that has been undertaken by different agencies to date.

ANNEX 2: PROJECT SCOPE

100 This annex gives further detail on the agreed characteristics of a rapid transit solution, and outstanding areas of project scope to be worked through using the structured business case model.

There is still work to do to refine the scope of the project

101 The project scope section provides an overview of the work to scope the CC2M transit solution. This section outlines the choices available, an analysis of the trade-offs, and the associated risks.

102 The purpose of our work has been to:

- identify the core characteristics of a CC2M transit solution, based on the agreed project outcomes and the functional requirements of different agencies. These are the things the scheme must achieve.
- identify the trade-offs and risks associated with decisions around mode, route alignment, network integration and urban development.
- outline a recommended approach to working through these trade-offs to inform future decision making.

103 Our work on project scope has been collaborative, and has drawn on the expertise of officials in ATAP agencies as well as specialist engineering and transport planning advice from consultants.

104 It draws on earlier business case and project development work (both the Intellectual Property that has been acquired from Waka Kotahi following the Parallel Process, and previous iterations of the scheme), as well as the joint assessment of multiple criteria undertaken collaboratively with Auckland Council, Auckland Transport and Kāinga Ora.

105 We have identified a series of decisions that are required to refine the detail of the scheme over time. You may choose to make some of these decisions now, in advance of further analysis, notably in relation to the choice of mode (light rail or light metro). However, there are risks associated with these decisions which are outlined in our analysis.

106 There are other decisions that should not be made at this stage without further design development and analysis, such as in relation to detailed route alignment, station location, and design. We recommend that decisions relating to these features are only made through a business case process that would draw from extensive engineering and design work, environmental assessment, transport planning, and stakeholder and community engagement.

The agreed outcomes for the Project play a role in refining project scope, but trade-offs will need to be made going forward

107 In 2019, building on ATAP, the Waka Kotahi-led business case work, and the Auckland Plan 2050⁵, the Ministry of Transport led a collaborative process, working with partner agencies, to develop an outcomes framework to support the development of the Project. The outcomes are “solution agnostic” and provide a framework for understanding agencies’ objectives and functional requirements.

108 The framework contains four key outcomes with their weightings.

- Improved access to opportunities through enhancing Auckland’s rapid transit network and integration with Auckland’s current and future transport network (40%).
- Enabling of quality integrated urban communities, especially around Māngere, Onehunga and Mt Roskill (30%).
- Optimised environmental quality and embedded sustainable practices (15%)
- A high quality service that is attractive to users, with high levels of patronage (15%).

109 The key outcomes identify what ATAP Partners have agreed the scheme should achieve. Given the good collaboration involved in agreeing the outcomes, officials agree that they should be retained and have an enduring role in determining project scope. They provide a guide to the appropriate weighting of considerations (such as balancing speed with accessibility).

110 The outcomes have been weighted collaboratively by ATAP Partners. However, there are tensions that exist within the outcomes framework, especially in relation to ‘access and integration’ and ‘urban and community’. The future development of project scope will need to be steered carefully to deliver against these outcomes in the right way.

The priorities of different ATAP agencies reveal the nature of the trade-offs that need to be made

111 Cabinet directed the Ministry and the Treasury to work collaboratively with ATAP Partners, Kāinga Ora and MHUD in the development of this advice. To this end, we asked Auckland Council, Auckland Transport, and Kāinga Ora to share their priorities for the scheme from the outset of our work. While this worked within the agreed outcomes, our work focussed at a more detailed level on the current and future challenges that the scheme must respond to.

112 Insights from this assessment have revealed that a significant trade-off exists between the focus on supporting general intensification along the corridor (much of which has already occurred in anticipation of a scheme) and enabling more targeted growth nodes in fewer higher density hubs around stations. This relates to the alternative roles of a scheme as one that primarily supports existing and planned growth along the corridor, or one which enables a new pattern of urban development

⁵ Auckland’s long-term spatial plan.

across Auckland. While partners do not have a unified or clear-cut view on this, they have stressed the importance of considering the implications of choices that resolve this and other trade-offs.

- 113 It will also be important to ensure that investment of this nature delivers positive multi-generational outcomes for Auckland as a whole. For example, it will be important to ensure that the solution forms part of a rapid transit network that transforms access across the city and helps tackle some of the most significant challenges that Auckland faces in terms of congestion, emissions and connectivity. These Auckland-wide considerations, however, need to be balanced with the existing and future needs of individual communities along the corridor, and the transport challenges faced in key sections of the network.
- 114 Our work with ATAP Partners has highlighted the importance of not losing sight of these pressures and priorities that are specific to the CC2M corridor. ATAP Partners agree that these are questions that further business case work should address.
- 115 There are also trade-offs relating to the level of commitment that can be given to delivering on the development opportunities unlocked by a scheme, and how affordable these are.
- 116 Working through these trade-offs will require further technical assessment and design development as part of a business case process, and will need to be informed by the views, aspirations and desired outcomes of all stakeholders and Treaty Partners.
- 117 We anticipate that, in order to progress, resolution will ultimately need to be reached on a number of areas:
- The balance of emphasis being placed on improving access and integration across Auckland as part of a wider rapid transit network, as opposed to more specifically meeting the current and future needs of the corridor and its communities.
 - The sort of city shaping function that the scheme should serve – general intensification along the corridor or growth focussed around a smaller number of higher density hubs at stations
 - The level of commitment given to delivering on the development opportunities unlocked by the scheme, and how affordable this is
 - The level of capacity required to meet forecast patronage across Auckland
 - The level of complexity (scale, disruption, consenting, land take, utilities etc.) that the Government and stakeholders are prepared for.

There are core characteristics that any solution will need to have

- 118 Notwithstanding these strategic choices, the significant amount of work that has been undertaken by agencies previously, the key outcomes, the intellectual property we have acquired from Waka Kotahi following the Parallel Process, and the engagement we have had with agencies over the past weeks, all assist in identifying the core characteristics that any scheme must have.

- 119 Figure 2 outlines the areas of certainty that meet stakeholder requirements. These elements should help develop a basis for future optioneering.
- 120 We know that there is a strong expectation and desire for the scheme to build on Auckland's rapid transit network and drive greater use of public transport and active modes while alleviating the bus capacity issues in the city centre. This will support access to employment opportunities, and other services and facilities and improved travel times for key journeys.
- 121 The agencies agree that the scheme must drive mode shift/behaviour change to public transport and active modes. The scheme must provide equitable access to communities along the route (particularly south of the isthmus) and is expected to enable high density development, and support good amenity and liveability for communities along the route.
- 122 There is also broad agreement that the scheme should integrate with town centres in a way that drives quality streetscape and viable redevelopment. Auckland Council, Auckland Transport and Kāinga Ora all want to see transformative residential intensification along the corridor, and investment that makes deprived areas more attractive for investment and development (while managing the risk of pricing out or displacing existing communities). Where possible, the scheme needs to support other local and central government in targeting such investment.

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But there are still alternate views on the mode of transport, which we explored through a structured process with stakeholders

- 123 A clear message we received from all parties has been the importance of considering the impact of different options before a preferred mode is agreed. Stakeholders agreed that, in developing a major and complex project of this nature, it is important not to be constrained by a pre-determined view of solutions.
- 124 There was agreement that the views of all stakeholders need to be obtained through a robust process where they can be addressed systematically. Constraining project development activities without following a staged investment and business case gateway process would be inconsistent with international best practice, i.e. choosing a mode without investigating the best solution to the problem.
- 125 In September and October 2020, we undertook a process that allowed for the comparison of Light Rail and Light Metro solutions.⁶ This was about enabling the agencies to advance the discussion rather than looking at a solution or making a recommendation about mode. This enabled us to get buy-in from ATAP Partners and build good will for the project.

■ [REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

■ [REDACTED]

⁶ Light rail is the name given to a range of options including trams, also known as street cars, which run on city streets, and light metro which runs on dedicated tracks separate to street traffic.

[REDACTED]

■

[REDACTED]

We found that there are significant trade-offs when making decisions on mode

- 129 Our assessment has revealed that a primary trade-off is whether the scheme is designed to improve access and integration across Auckland (as part of the first phase of a longer-term approach to rapid transit), or designed to serve the needs of existing communities along the corridor. The choice is a strong determiner of which mode is most suitable.
- 130 Placing an emphasis on access and integration across Auckland suggests the need for a faster service, achieved through a fully segregated system with fewer more widely spaced stops. When considered as part of the wider rapid transit network envisaged through ATAP, this has the potential to be the first phase of a wider system that plays an enduring role in lifting the level of access and integration across Auckland.
- 131 Stakeholders have raised concerns, however, that vertical segregation and wider stop spacing could compromise the accessibility of the scheme because people are required to travel further to get onto the service, and may need more time to access elevated or underground platforms via escalators, lifts or stairs. Auckland Council raised concerns that a scheme that relies on elevated structures will hamper urban development potential and reduce the cohesion of communities along the CC2M corridor.
- 132 Conversely, a service with closer stop spacing could provide easier access to services along the CC2M corridor, but this could result in a slower service which means users cannot travel as far and therefore can access fewer destinations across Auckland. There are other factors such as route alignment, capacity and the interaction between scheme and the rest of the network that will affect journey times as well.

Key considerations for determining project scope

■

[REDACTED]

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135 The key considerations (discussed in more detail below) form the core aspects of the project scope question. They are:

- Transport network integration
- Urban development, growth and regeneration
- Route alignment
- The timing of delivery (2028 under ATAP)
- Feasibility of construction
- Procurement
- The cost of the project

136 The assessment drew out the priorities for ATAP Partners and includes our assessment of some key choices, with pros and cons. This includes what further work is needed, opportunities and risks. By highlighting these considerations and priorities, we are:

- supporting the development of investment objectives that will come out of a detailed business case
- highlighting the options and trade-offs that need to be made
- identifying the challenges of making firm decisions at this stage
- laying the foundations of a framework to be taken forward through a business case and process of evaluating different options.

137 Our assessment was not designed to identify a preferred solution, and a staged business case process is needed to fully assess the alternative options. We recommend, however, that our assessment informs the parameters for the future business case work.

Key considerations to be developed in future detailed investigations

Transport network integration

Summary

In the city centre, the scheme needs to be able to integrate with a future rapid transit network for Auckland and resolve bus capacity constraints. There are challenges associated with designing a scheme that does both.

The 'key journeys' along the corridor will be met to a greater or lesser degree depending on mode and other key choices.

- 138 A critical factor in the success of the scheme is its ability to resolve the capacity constraints in the city centre. Current bus capacity is constrained which effects the overall functioning of the public transport system. The scheme should be designed as part of an integrated network to replace buses that would otherwise travel into the city centre, and attract patronage away from bus routes that still travel to the city centre as part of their service pattern.
- 139 However, the interface with a future rapid transit network for Auckland (i.e. the ability of the scheme to provide a connection for future links to the North Shore and North-West) is a significant factor in determining project scope. Future assessment should be cognisant of the emerging priorities and likely mode choices for these corridors, helping ensure that a solution for the Project does not unnecessarily preclude seamless interchange with links to these corridors in the future.
- 140 This helps articulate how affording a higher weighting to the access and integration outcome above others influences the final form of the scheme, especially when considered from an Auckland-wide perspective. Positioning the Project as part of an ongoing programme of rapid transit network development, and emphasising its role in providing a major 'arterial' route within a wider public transport system, reveals a number of trade-offs needing to be made relating to urban development and community outcomes.
- 141 The key journeys are part of the key objectives framework, and were a requirement of the Parallel Process. The focus is on improved journey times for the key journeys in order to improve access to the labour market, employment areas, education and social and recreation opportunities.

Key Journeys

Airport to City Centre

Serves domestic and international travellers. Growth in passenger numbers is expected to continue and alternatives with a reliable journey time to the airport are needed. Feedback has been that there is a lower significance and relative importance of end-to-end trips. However, strong growth in the airport precinct is expected to continue, with passenger movements projected to double, exceeding 40 million by 2044. Current public transport options to the airport are limited and generally poor, which means most trips are made by car. Poor travel time reliability is a key issue. Prioritising end-to-end trips needs to consider:

- They are currently about 4% of journeys in the corridor
- Reliability of journey time to airport is important (relative to overall speed)

- The scheme could act as a backbone of wider rapid transit network (connections to Airport to Botany, Onehunga, city centre, North Shore and North-West) and therefore needs to provide good airport connections from these locations.

Mount Roskill to City Centre

Serves the corridor that is constrained by bus capacity, increases access to city centre for employment, education and entertainment

Māngere to Onehunga, and Onehunga to Mount Roskill

Provides for greater access to local employment, services and connection to the heavy rail network. Education trips are important between Mount Roskill and Māngere.

Māngere to Airport

Provides for greater access to local employment. Poor travel choice and access has been a key driver of deprivation in Māngere.

Urban development

Summary

The scheme can respond to zoning and the development that is already occurring in anticipation of a scheme, or be a driver of a new type of city development (that results in a new urban form for the corridor).

High quality urban environments around stops/stations should respond to the different requirements of the chosen mode, including the effects of stop spacing (such as the reduction in amenity or market attractiveness caused by elevated structures overshadowing the street between stops).

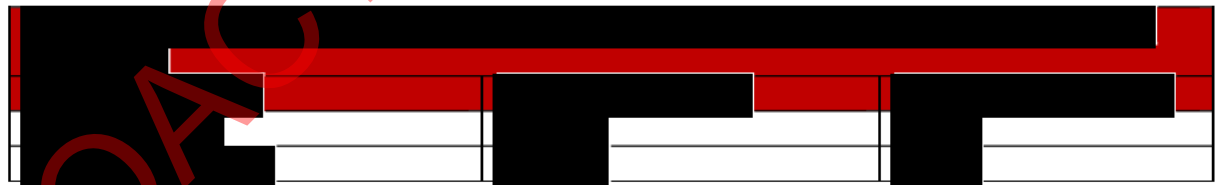
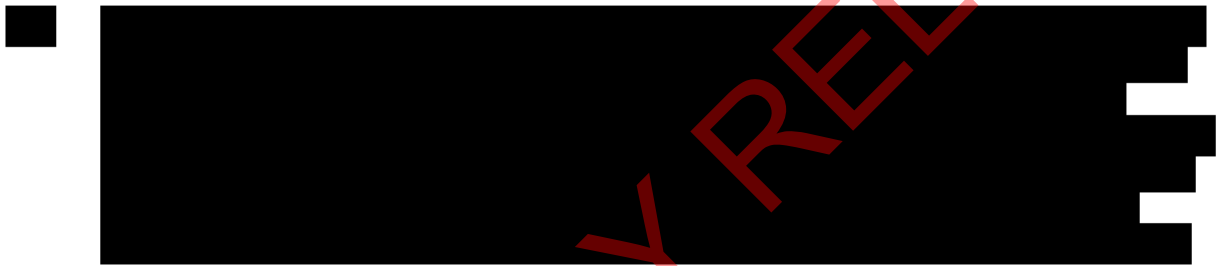
142 Stakeholders have identified significant growth potential in the corridor and the scheme needs to avoid missing opportunities to maximise growth potential (already occurring due to speculative development in anticipation of rapid transit) and playing 'catch-up' with development that has already occurred. There are advantages to leveraging off existing development, existing services and investment. Auckland Council have said that the spatial strategy for the corridor (and zoning) reflects an expectation for a scheme with frequent stops therefore a different approach would require an amended spatial strategy.

143 The scheme should provide for higher quality urban environments that are market attractive, and achieve a step-change in development, particularly in Māngere. Detailed design of any structures and stations will need to ensure that these environments enhance urban outcomes. The nature of urban development enabled by the scheme is influenced by its form which includes:

- realising development potential at a limited number of station 'hubs' versus spreading that potential across the corridor. The impact of stop spacing is of particular significance in this respect.

- the impact of different structures on community cohesion and development potential, depending on the density of development that is enabled, the size of the stations and how much of a severance is created by them
- avoid blighting or disadvantaging areas, or entrenching poor urban outcomes (as in the case of Māngere).

Route/alignment



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[REDACTED]

Constraints to consider in future detailed investigations

The timing of delivery

- 149 The scheme will be complex to deliver and require a lengthy construction period, including disruption to businesses and impact on utilities. It will be important to consider the ability to stage/phase the project, and how this could lessen the negative impacts. Earlier delivery of some sections by 2028 will provide significant benefits over waiting for the entire scheme to be operational at a later date beyond 2028.
- 150 The time taken to plan, design, consent, construct, test and commission the scheme has been based on a 2028 opening date (depending on the need to stage delivery and opening). Auckland will continue to grow between now and 2028, and the problems that the scheme is addressing will potentially have worsened. This should be factored into the planning and design of the scheme.
- 151 Staging of the project is dependent on the mode, alignment and level of segregation. This will affect what can be delivered in the 2028 timeframe. Light Rail aligns with timeframes proposed for a 2028 completion date. Light Metro options have greater risk though delivery is still thought to be possible.

Construction

- 152 There is a lack of New Zealand based expertise for the highly complex project needs of the scheme. International suppliers will be needed to supplement capability, or as lead contractors. There is risk associated with any need for tunnelling or elevated structures due to ground conditions. The conclusion from the RAG assessment is that all options will be difficult to construct.

Procurement

- 153 There are limitations on contract options because of the size of the project compared to what the New Zealand market can deliver. There are low levels of expertise in delivering this type of system, and limited market capacity in Australasia. This could lead to higher costs and competition for scarce resource.

154 However, through the stakeholder engagement and sharing of information publicly, we can signal likely timeframes to the market. This may enable some capacity to be built and potentially increase competition, and with that better value for money.

Cost of the project

155 At a high level, capital costs are expected to be significant. There are also costs associated with the embodied carbon in the structural elements. More detailed information on costs will be developed through the business case process. Ongoing operations will add to the overall operational costs of the Auckland rapid transit system.

Business case work to progress to next phase of project development

Completing an Indicative-level business case

156 An indicative-level business case will be prepared allowing for key choices about mode to be made before work is done to refine the details of the scheme. This will be prepared in collaboration with Auckland Council and the council family of organisations, as well as Kāinga Ora and others. Much of the work required for the strategic case of the indicative-level business case is already complete. The business case can draw on the work completed by Auckland Transport and Waka Kotahi in the earlier phases of investigation. The focus of the work will be on the economic case for the project.

157 An indicative-level business case will enable important decisions over mode and corridor alignment options to be investigated early to ensure a robust process is followed. This planning phase and short listing of options will ensure that the right decisions are made at the appropriate stage and allow for a logical and robust comparison of options.

158 To work through these choices, an optioneering approach is recommended through a business case process. This should be focussed on outcomes and clear investment objectives. This is needed to arrive at the best solution, allowing for:

- trade-offs and value for money to be worked through, as scheme design progresses
- risks to be properly assessed
- high levels of community, Māori and stakeholder engagement.
- Such a process is needed to provide Government and stakeholders with an investment ready solution, and to ensure:
 - abortive costs are avoided
 - stakeholders are aligned
 - the right solution is delivered.

159 Moving straight to a Detailed business case (DBC) without first considering an expanded short list at an indicative-level business case stage has risks for the Crown, which need to be balanced against any time or budget gains in programme. These

risks are difficult to manage and may lead to a perception of a lack of robustness that can erode support for the project.

160 Key risks include:

- perceptions of stakeholders/partners involved who have, through the RAG process, clearly expressed some preferences around mode that should be assessed in detail
- negative community engagement if a predetermined outcome is perceived
- potential rework could be required with additional costs and delay if key issues and questions are not resolved at an indicative-level business case level
- current planning legislation, and budget protocols, require a robust assessment of alternatives, which can be served by consideration of an expanded short list at indicative-level business case enabling subsequent business case and Resource Management Act 1991 processes to be aligned and accelerating the programme for this phase of work.
- the preferred option will not be as well developed, as through testing against other viable options this can serve to strengthen the final delivery and implementation of a project.

161 A clear and robust indicative-level business case of an expanded shortlist (including the options in Figure 3 and a Do Minimum) will manage these risks and can be delivered in a way that maximises the time available to deliver the project.

162 As outlined above, the strategic case for the scheme has been well established through multiple exercises over previous years. This includes:

- Auckland Transport Alignment Project
- significant and extensive work undertaken by both Auckland Transport and Waka Kotahi prior to the Parallel Process
- the work led by the Ministry to develop key project outcomes, as well as the Response Requirements Document used to guide the Parallel Process
- the Waka Kotahi proposal developed through the Parallel Process run in 2019.

Progressing to the detailed business case

163 The detailed business case (DBC) that follows will be structured around a specific mode, prepare the scheme for delivery and consider a number of issues in greater detail, possibly including: how best to enable growth at key nodes (such as Māngere), and understanding how different aspects of the scheme would perform and meet the agreed outcomes. This requires technical input that would gather more evidence about the design, build and operation of a scheme.

ANNEX 3: FUNDING AND FINANCING

165 This annex provides further detail on the following key aspects of the funding and financing advice:

- value capture and value sharing
- financing options for major infrastructure projects
- further detail on Crown fiscal strategy and National Land Transport Fund (NLTF) constraints is available through the Briefings to Incoming Ministers.

166 As noted above, our view is that multiple sources of funding will be required for the project, reflecting the very long term duration of the project and the benefits that may be derived by a range of parties beyond users.

167 For the purposes of this document:

- **funding** refers to how the Project is ultimately paid for over its life (i.e. the revenue sources of the Project)
- **commercial model** refers to the set of relationships, obligations, risks allocation and financial flows between different entities (including end users) involved in the Project
- **financing** refers to options to meet the capital requirements for the Project when the timing of project costs do not match the timing of funding. Financing costs must be met from the funding sources for the Project.

Value capture and value sharing

168 The term 'value capture' refers to a broad set of mechanisms to capture some of the value that is received by landowners who are positively impacted by the Project. This is distinct from the concept of 'user pays' (i.e. farebox revenue from patronage).

169 In the case of CC2M, the underlying idea is that the Project will increase the property value for an identifiable set of property owners close to the route. Under traditional funding mechanisms, this value uplift would be largely captured by the property owner, despite the owner not directly contributing any additional funding to the Project relative to other Aucklanders.

170 Some common principles of value capture mechanisms include:

- beneficiaries should contribute. The key challenge is determining who the beneficiary is, i.e. the infrastructure user or indirect beneficiary, and how the change / benefit can be measured robustly and then able to be collected.
- the incremental increase in the chosen measure of value is captured, not the value itself. It can, however, be difficult to positively identify cause and effect. Proving the counterfactual (i.e. what the underlying value would have been, without the new infrastructure), is inherently difficult.
- any value capture initiative should be assessed against the principles of equity, economic efficiency, sustainability and feasibility.

- setting the benchmark against which incremental value is judged requires robust analysis and modelling, and the stakeholders affected need to understand these mechanisms.

171 This process requires strong institutional experience, stakeholder engagement and policy frameworks to be in place if it is to be applied successfully.

172 Below are some examples of value capture/sharing that could be pursued through this project. We have included commentary on use of the Infrastructure Funding and Financing (IFF) Act 2020 here as well.

Option	Description and comment
Targeted rate to pay for specific works	<p>A targeted rate on catchment on properties where each property in the designated area is required to contribute a set amount tied to the cost of works.</p> <p>The intent is property owners who benefit contribute to the cost of the infrastructure. The designated area could be city-wide if the whole area is deemed to benefit (e.g. from network-wide positive effects of the infrastructure).</p> <p>Local government and Kāinga Ora currently have the power to raise rates in this way.</p>
Use of Infrastructure Funding and Financing Act (IFF)	<p>The IFF is wide and permissive, with potential application to housing, water, roading and public transport infrastructure. Community amenities can also be included to the extent they are part of a wider project.</p> <p>The IFF model establishes a new revenue source (a levy charged on certain property owners for around 25 years) and ring-fences this revenue so that it can be leveraged to finance the upfront development costs of infrastructure. Accordingly, IFF sets up a commercial model (a Special Purpose Vehicle) that provides a new funding source (the levy) and financing solution.</p> <p>It provides access to long term financing aligned with the term of the levy. The level of debt available under an IFF structure is significantly greater than that under the local government model (it is estimated that, under current interest rates, an IFF levy can be leveraged at approximately 12x debt to revenue or more, compared to a maximum of 2.7x currently available to Auckland Council). The levy is collected alongside other council rates and, like other rates, is ultimately secured against a ratepayer's property (through legislation). There is no financial recourse to the Council, although a central government support package is likely needed to support the Levy (to manage risk that would otherwise be borne by local authorities).</p> <p>Options for a project levy under the IFF might include:</p>

	<ul style="list-style-type: none"> - To set a levy across all of Auckland (similar to a targeted rate) to contribute to funding the Project - To set a range of levies for specific property owners in Auckland to recognise the benefits those property owners will experience from the Project (for example with reference to their proximity to CC2M stations).
Private sector development partnering	<p>The delivery entity partnering with private developers who will act as 'Master Developers' to deliver large-scale development precincts.</p> <p>While this approach would focus on land acquisition through private treaty negotiations, there may be need for some Crown compulsory acquisition to ensure developments are possible.</p> <p>The difference between private sector development partnering and Kāinga Ora's current approach to development could be a more arms-length arrangement, allowing developers greater freedom to develop as they wish (rather than as Kāinga Ora dictate) in exchange for the private developer taking on a greater level of development risk.</p> <p>This sort of value creation approach through urban development may be more suitable to pay for the urban development elements of the project rather than the light rail itself – especially if it is undertaken by Kāinga Ora.</p>

Example: Crossrail United Kingdom

- 173 Crossrail is a £17.8 billion, high frequency railway line to be delivered under a joint venture between the Department of Transport and Transport for London via a special purpose vehicle (SPV). The project spans over 150km, with 118km of railway, 42km of tunnels and required ten new stations, a further upgrade of 30 existing stations, and a fleet of 70 new trains with capacity for 1,500 people.
- 174 The project has utilised a range of value capture mechanisms, commercial and development arrangements, and wider funding sources to support the project. These include:
- **Community Infrastructure Levy:** £300 million through a levy on new developments within London. It is collected by local planning authorities and charged at differential rates based on location. There are exemptions and/or relief for certain types of development (e.g. social housing).
 - **Business Rates Supplement:** A supplemental rate on larger non-domestic properties in London. It is levied at a rate of 2% of rateable value for eligible properties and is expected to run for between 24-31 years.
 - **Negotiated contributions:** £420 million (3% of project value) funded using direct cash contributions from public authorities and other private sector beneficiaries:

- £70 million from Heathrow Airport to reflect the benefit to the airport
- £250 million from City of London Corporation (governing body of the City of London) to reflect the benefit from additional access to the City
- £100 million negotiated contributions from London area businesses.
- **Development rights:** £300 million (2% of project value) funded via payments made by private developers in exchange for development approval at transit adjacent sites. This includes £150 million in funding from Canary Wharf Group for the construction of the new Isle of Dogs station in exchange for planning permission for retail and parking space above the underground station.
- **Sale of surplus land and property:** £500 million (3% of project value) funded through the sale of excess land and property previously owned by TfL.

Financing

- 175 In theory, the Project could be 'fully funded' from the various sources described in the summary with no use of financing. This section explains the circumstances when financing may be beneficial to the Project.
- 176 If the Project were to be fully funded with no use of finance, then the timing of the funding sources (e.g. Crown grant, NLTF) would need to match the timing of the project costs. In practice this would mean that significant upfront funding would be required to cover the development costs (e.g. land acquisition, construction, purchase of rolling stock).
- 177 Alternatively, there are a range of financing options that could be used to meet the cash requirements for the Project when these do not match the available funding or when other potential benefits of alternative financing arrangements are sought. The use of private finance (specifically project finance) for major infrastructure projects is common in international jurisdictions, including for rail and metro systems. The key drivers for considering financing in the Project are below
- Rephase the timing of the funding requirement which can bring forward infrastructure projects that would otherwise be delayed due to funding constraints.
 - Shift the funding burden of the Project between different parties. For example, a public loan to the delivery entity (rather than a grant) could shift the burden from general taxpayers to a more targeted set of beneficiaries of the Project (e.g. NLTF, end users through farebox).
 - Facilitate the transfer of risks to the parties best able to manage them, particularly in a project finance structure which can potentially achieve a greater level of risk transfer than under traditional commercial models.
 - Create incentives for delivery of high-quality infrastructure and outcomes, through commercial structures that put private finance at risk for on-time on-budget delivery and ongoing service delivery and asset management.

- Create a framework for enhanced financial discipline and accountability, such as where private financiers provide additional due diligence and reporting requirements over the delivery entity.
- 178 A key consideration for the feasibility of any finance arrangement is the extent to which the Project generates sufficient cashflows to service debt and equity. In other words, funding sources must ultimately be sufficient to pay for the cost of the Project.
- 179 Importantly, this section is written from the perspective of the delivery entity, rather than the Crown. Any Crown grant provided by the Crown is likely to be borrowed through the Treasury, but would be a form of funding, rather than financing from the perspective of the delivery entity (given it would not be repayable).
- 180 We recommend the following categories of financing are considered through the business case:
- **Public finance:** Crown (or other public source) provides a loan to the delivery entity under agreed terms. Example: Crown lending to the NLTF to bring forward specific transport projects (e.g. Tauranga Eastern Link) paid back to the Crown over time.
 - **Project finance:** The delivery entity contracts with a privately financed Special Purpose Vehicle (SPV) to the delivery of some or all components of the project. This is discussed in further detail below.

Introduction to Project finance

- 181 Project finance typically refers to the use of private capital (i.e. debt and/or equity) raised by an SPV that contracts with the delivery entity for the delivery of some or all components of an infrastructure project. The SPV services this finance through ring-fenced project cashflows on a non/limited recourse basis. In most models, assets remain under public ownership at all stages.
- 182 The use of project finance is closely linked to the procurement and commercial model – common project finance models include:
- **Design-Build-Finance-Maintain (DBFM):** The delivery entity enters into long-term (typically at least 10 years) contract with an SPV for the design, construction, financing and maintenance of an asset. The delivery entity retains ownership of the assets and grants rights to the SPV under a long-term lease or license, with the operations managed by the delivery entity (or outsourced). Most existing New Zealand PPP projects are examples of the DBFM model.
 - **Design-Build-Finance-Maintain-Operate (DBFMO):** As above, but the SPV is also responsible for the delivery of operations over the contract term. Auckland South Correctional Facility PPP is a New Zealand example of the DBFMO model.
 - **Design-Build-Finance (DBF):** The delivery entity enters into a contract with an SPV for the design, construction and financing of an asset. The bulk of the payment to the SPV is not paid until construction is complete (unlike a typical Design-Build contract where payments would be made at milestones during

construction). This model has not typically been used in NZ. It is however common in some overseas jurisdictions such as Canada, has been utilised for components of light rail/metro projects.

- **Build-Own-Operate-Transfer (BOOT):** A model similar to DBFMO, but where the SPV owns the asset during the contract period. The other key distinguishing characteristic is that the SPV is entitled to charge consumers to use the infrastructure (e.g. tolls, user fees) which is used to repay project costs. This model has not typically been used in NZ, but is common in the United States.

183 There are a small number of other examples in New Zealand, such as the Crown Infrastructure Partner's (CIP) Milldale transaction which utilises debt provided by ACC to finance roading and water bulk infrastructure. As discussed earlier, the recently passed IFF Act provides tools for local government to utilise private finance for infrastructure projects without putting pressure on council balance sheets.

Project finance principles and considerations

184 The table overleaf sets out some of the key criteria for considering the suitability of a project (or component of a project) for project finance.

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Table 1: Key considerations for project finance

185 Project criteria	186 Comment
Scale and complexity of the project	Project finance is typically most suitable for large and complex projects which have sufficient scope for innovation, can absorb the higher transaction costs of project finance and attract sufficient market interest.
Opportunity for risk transfer	A feature of project finance models is that they typically achieve a greater level of project risk transfer, supported by the upfront identification, quantification and allocation of risks to the party that is best able to manage them. Where the procurement involves significant risks that cannot be identified in advance, a project finance model may not be appropriate.
Durable service outcomes and asset quality	Project finance models tend to have less flexibility for significant changes to service scope and design than other procurement approaches. They typically involve long-term contracts and have a more restrictive structure to prevent change in the risk profile for lenders. The scope of the required asset and service should be easily specified and durable over the contract term.
Whole of life considerations	While not required under all commercial models, project finance typically includes an ongoing maintenance and/or operations role during the contract term. This can incentivise a whole of life perspective through the integration of design, construction, maintenance and refurbishment costs. The benefits of a project finance structure are likely to be more significant where there an ongoing role for the SPV.

187 In addition to the above project specific factors, there are number of broader considerations and issues that are typically considered in the use of project finance models.

188 Differences in the cost of public and private finance

- Under a typical project finance arrangement, the total cost of capital is represented through both the interest paid on the project debt and an equity return for the equity providers. The SPV will almost certainly have a weaker credit profile than the government therefore, its combined cost of capital will exceed the government's borrowing rate. It is important, however, to consider that this is not a like-for-like comparison and there are several distinguishing factors that must be considered.
- The cost of private debt in project finance is typically based on a lender's assessment of the risk of cashflows associated with the specific project (i.e. they do not have contractual recourse to the assets of the Crown or the equity providers in the event of a default). Therefore, project finance is likely to come at a premium compared to solutions which have direct equity and/or Crown support. However there is one view that, given recent experience in NZ, in reality the contracted risk allocation may not ultimately hold. Therefore the

premium for project financing may not be warranted. While there are international examples where the government have provided additional support for failing private financed infrastructure projects, there are also examples where equity and lenders have taken losses. Under conventional government funding, the Crown borrows against its whole balance sheet. This reduces the risk to the lender and reduces the cost at which debt providers are willing to lend.

189 Treatment of private finance on the Crown balance sheet

- An impetus for the use of project financing for infrastructure in overseas jurisdictions has historically been to keep such projects from contributing to public sector debt. For example, it has been estimated that 90% of privately financed capital investment in the UK is off-balance sheet. This has not, however, been the case in New Zealand.
- For the existing PPP projects in New Zealand, these are counted on the Crown balance sheet. The exclusion of PPPs from the Crown balance sheet is not a feature of the NZ model and was not a motivation for its development. The typical accounting treatment of privately financed delivery entities was partially the catalyst for the development of the IFF model. The particular features of the IFF model, including a Government Support Package for certain tail-end risks, mean that the debt raised through the IFF framework does not contribute to local government debt-to-revenue ratio constraints.

190 Market appetite

- In order to ensure there is adequate competitive tension, there must be a sufficient number of suppliers (including financiers) interested in participating in a project finance procurement. There has been increasing reluctance in the New Zealand construction market for fixed price contracts (common in project finance models) and a lack of a wider pipeline of project finance projects. The market interest would need to be tested further through a market sounding.

191 Higher procurement costs

- Project finance agreements usually consider a broad range of issues that wouldn't typically be required in a simpler procurement method (e.g. performance-based payment mechanism, hand-back conditions). Given these relatively complex contracting arrangements, project finance models tend to have higher procurement and legal costs than conventionally funded projects.

Suitability of project finance for CC2M

192 The potential role for project finance is closely linked with the specific characteristics of the components to be procured. In other words, project finance should not be considered in the abstract without a clear view on what is trying to be achieved. We recommend that the use of project finance and the selection of the optimal procurement arrangements (including contract packages) is considered as part of the procurement strategy.

193 The procurement strategy will need to:

- define the set of project components that must be procured (e.g. utilities relocation, civil works, supply of rolling stock etc.)
- define a set of packaging principles to determine which components should be integrated together into a contract package and which should be procured separately. For example, these principles would likely take account of:
 - *interface and risk transfer*
 - *market appetite and capacity*
 - *solution quality*
 - *flexibility and procurement complexity.*
- determine the optimal contracting model for the delivery of each contract package. This requires the assessment of the package characteristics against the criteria for the use of different procurement models, including models that incorporate project finance (e.g. DBFM).

194 While the above analysis will be completed as part of the business case process, the following project specific factors are likely to influence the suitability of project finance:

- the protection and relocation of utilities as well as tunnelling typically involved a high degree of unknown or uncontrollable factors, which may make project finance less suitable due to the inability to contract away the risk
- depending on the nature of the procurement packages, there are likely to be fewer benefits in using long-term project finance arrangements which do not include ongoing operations and/or maintenance responsibilities.

Examples

195 The table overleaf provides examples of procurement models utilising project finance in recent light/rail metro projects.

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Table 2: Examples of procurement models using project finance

Project	Description	Project finance
Gold Coast Light Rail (GCLR)	<p>The GCLR network is a single 20km line connecting 19 stations. The first stage opened in 2014, with the 7.3km stage 2 extension opening several months ahead of schedule in December 2017 in time for the Commonwealth Games.</p>	<p>The two stages were delivered as follows:</p> <ul style="list-style-type: none"> • The GoldLinQ Consortium entered into an 18 year PPP contract with the Queensland Government to design, build, finance, operate and maintain the first stage of the network. • The Queensland Government extended GoldLinQ's operations and maintenance contract to the second stage and requested the SPV to competitively procure a design and construct sub-contractor. The construction sub-contractor from the original delivery consortium was not successful in the tender for stage two works.
Canberra Light Rail	<p>The Canberra Light Rail network is a single 12km line connecting 13 stops.</p>	<p>The first stage of the project was procured through a PPP model over a 20 year concession. The Canberra Metro consortium were awarded the contract to design, build, finance operate, maintain and supply light rail vehicles.</p> <ul style="list-style-type: none"> • The PPP contract includes all aspects of the project in a single integrated contract. • The Canberra light rail is a relatively small system with significant sections located in wide grass street medians. Given this, it is a less complex build than Sydney light rail with regard to utilities and stakeholder issues.
Sydney Light Rail	<p>The Sydney CBD & South-East Light Rail is a new Sydney light rail network featuring a 12km route with 19 stops connecting the CBD with South East Sydney locations. The original construction cost was estimated to be approximately AUD\$2.1 billion.</p>	<p>The work was delivered through two packages:</p> <ul style="list-style-type: none"> • A PPP contract was awarded to ALTRAC Light Rail consortium in 2015 for the financing, design, construction, operation and maintenance of the Sydney CBD & South-East Light Rail, along with the operation and maintenance of the existing Inner West Light Rail. There is no shared running between the lines. <p>A limited early works package delivered by a Managing Contractor. This work included relocating buried utilities such as water, telecommunications, gas and electricity cables and pipes, and initial work around Moore Park including the demolition of Olivia Gardens apartments.</p>

ANNEX 4: POLICY AND LEGAL MATTERS

- 196 This annex provides further detail on the extensive policy and legislative decisions and work still required.
- 197 We know that existing legislative and regulatory settings in New Zealand are not configured to accommodate a scheme such as CC2M. These are not suited to the delivery of a large and complex brown-field project of the scale and nature of CC2M.
- 198 A significant policy work programme will be needed to evaluate and deliver amendments to both primary legislation and regulatory settings. Getting such changes through Parliament could be controversial and will likely touch on many Ministers' portfolios. The impact of this work will need to be factored into the scope and staging of future work.
- 199 Work done to date in respect of the development of the Auckland Light Rail project has identified several key policy and legal issues that need to be considered as part of the future work programme. Table 3 identifies these key issues as well as the key partners that the Ministry should engage to work through each issue.
- 200 There will be a number of high priority policy and legislative issues that need to be addressed to inform the business case and project scope. The majority of the issues will arise irrespective of the preferred technical solution, so work could begin on them in parallel.
- 201 The issues identified in table 3 are complex and contemplate some potential step-changes in the existing land transport legislative framework. For example, amendments to the Land Transport Management Act 2003 to facilitate the use of funding from the National Land Transport Fund for the project may have wider long-term implications for the funding of future transport projects in New Zealand.
- 202 Resolution of the key issues will be fundamental to how the project will be delivered. Therefore, early engagement and decision making on the key issues is necessary in order to facilitate development of the business case, the delivery entity and the scope of the project. For example, it will be important to determine early on how the broader urban development aspects of the project will be delivered alongside the transport project, as this will have a bearing on the appropriate form of delivery entity, the extent of powers and rights the entity will require and how the entity will be resourced.
- 203 Similarly, it will be important to consider which parties will ultimately own and operate the project assets and infrastructure post-completion, as this will influence which parties will need to be involved in the governance structure and partnership arrangements applicable to the delivery entity. This is a key lesson learned from the City Rail Link Project, where post-completion arrangements were not determined upfront. This meant that the parties who are ultimately expected to own and operate the City Rail Link assets (Auckland Transport and KiwiRail) were not included in the initial governance structure for the project and subsequently became involved on a "delivery partner" basis.
- 204 From a local government perspective, the intention is for Auckland Council / Auckland Transport to be represented in the Programme Office and be actively involved in discussions that take place in respect of the key issues. This will be important where changes to the status quo are contemplated, for example any decisions in relation to

which party will operate the project assets and infrastructure long-term (noting that Auckland Transport's current expectation is that it will undertake this role).

Legislative Considerations

- 205 The legislative framework for the delivery of major land transport projects in New Zealand is not resolved and consolidated (as compared to other jurisdictions, such as the United Kingdom). The delivery of the Project will require the Government to make changes to relevant legislation across multiple portfolios, in order to facilitate the delivery of this complex project. While the extent of the legislative change required will ultimately depend on the proposed scope of the project, expected amendments to primary legislation will, for example, include the Railways Act 2005 (to accommodate the technical solution) and the Land Transport Management Act (to allow access to the National Land Transport Fund). Further amendments are likely to be needed to facilitate land acquisition, urban development, utilities, governance, operational, funding / financing and value capture mechanism aspects of the Project. There are important questions still to resolve in terms of the sequencing of any legislative amendments.
- 206 This raises the questions of how best to deliver such legislative change, and whether the opportunity can be taken to develop more enduring system setting to enable other projects in the future.
- 207 Based on our understanding of current policy settings, two possible scenarios for legislative change have been considered:
- a "CC2M Project Bill" that focuses solely on affecting the legislative change required to enable the delivery of the Project
 - a broader "Mass Transit Projects NZ Bill" that could support the delivery of mass transit projects in New Zealand.

CC2M Project Bill

- 208 A CC2M Project Bill could be a specific piece of legislation that amends primary legislation for the specific purpose of enabling delivery of the Project. Amendments would most likely be limited to the extent necessary to facilitate delivery of this particular project, and the legislation would not be capable (at least initially) of being utilised for other projects.
- 209 The narrow focus of a Project Bill approach has both pros and cons, which will need to be worked through in greater detail. The primary benefit is that keeping the number of amendments to primary legislation to a minimum (and not seeking to introduce a legislative step-change) significantly reduces the breadth of issues that need to be considered and debated; this should therefore expedite the process for passing the Project Bill into law and enable delivery of the Project itself to commence earlier. However, such a Bill would be highly complicated, multi-faceted, and could have controversial aspects. This has significant time implications for all aspects of its development, from policy, to Bill drafting, and then the move through the parliamentary stages.

210 The primary drawback is that any beneficial features of the new legislation will be limited to the Project, and would not be capable of application to further projects throughout New Zealand without further primary legislation.

211 While uncommon, project-specific legislation has been used before in New Zealand. For example, the National War Memorial Park (Pukeahu) Empowering Act 2012, the Point England Development Enabling Act 2017 and the Riccarton Racecourse Development Enabling Act 2016 were all enacted to facilitate the delivery of specific projects.

Mass Transit Projects NZ Bill

212 There may be an opportunity to consider how legislation would provide for a more streamlined delivery of future projects of this nature in other parts of the country in the future.

213 A Mass Transit Projects NZ Bill could, for example, deliver new legislation that is capable of application to further mass transit projects throughout New Zealand without further primary legislation. This could give more certainty as to how future projects will be assessed and delivered, and therefore aid the development of a pipeline of further mass transit projects.

214 The primary drawback relates to complexity, and the extent to which the Government is prepared to take forward more significant legislative reform which could delay and complicate the delivery of the CC2M project specifically. Indeed, the creation of a far reaching new legislative framework would require extensive consideration, consultation and debate, and therefore draw out the process for passing legislative amendments. This would delay the introduction of the legislative amendments needed to facilitate delivery of the C22M Project.

215 Further consideration of the Mass Transit Projects NZ Bill approach should include consideration of lessons learned from previous similar legislation, in particular the National Development Act 1979. This Act was broad in scope and essentially allowed the acceleration of projects believed to be in the national interest by suspending the operations of a number of major statutes and providing for consents for major projects to ultimately be granted by Ministers. While this legislation facilitated the accelerated delivery of projects, the suspension of otherwise applicable legislation to major projects was controversial and the Act was repealed by the next Labour government in 1986 and ultimately led to introductions of the Resource Management Act 1991. The introduction of an enduring framework will therefore need to be developed with these considerations in mind to ensure its success.

Proposed next steps

216 A significant policy work programme will be developed to further identify, assess and potentially package future legislative amendments. As part of this, the alternative scenarios explored above, and others, will be explored in detail. If the CC2M Project Bill is determined to be the preferred option, we consider that it would still spark a wider discussion on an enduring framework, with such discussion (and subsequent legislation) continuing to develop in parallel.

Table 3: Key Policy and Legislative Considerations

217 This table identifies the key policy and legal issues that Cabinet will need to consider in respect of the delivery of light rail in Auckland. Some questions only need to be answered if a specific scheme is chosen. Work can begin now though the priority in which to address the issues is indicated in the table. As with all parts of the Project, the issues will need to be worked through with the key partners indicated in the table.

Issue	Key Considerations	Project / Scheme Specific	Priority (High / Mid / Low)	Key Partners
Urban Development	<p>The Project could involve both urban development and public sector land transport.</p> <p>Does a packaged land transport and urban development project require a delivery partnership between relevant central / local government entities?</p> <p>What role should Auckland Council / local government entities have in relation to the urban development aspects of the Project?</p>	Project-specific	High	Auckland Council / Kāinga Ora
Land Rights	<p>The delivery entity will require control over the CC2M corridor and appropriate protection of its rights to use the relevant land for the agreed term of the project.</p> <p>What rights will the delivery entity require / be granted in respect of land for the Project? Amendments to primary legislation may be required depending on the type of delivery entity selected.</p> <p>Is the Crown willing to empower a single delivery entity to acquire land for both: (i) land transport; and (ii) urban development, or is the preference to separate these land acquisition powers between partner agencies?</p>	Project-specific / Scheme-specific	High	Auckland Airport / Auckland Council / CRL / Kāinga Ora / KiwiRail / Waka Kotahi

PROHIBITED

Issue	Key Considerations	Project / Scheme Specific	Priority (High / Mid / Low)	Key Partners
Governance	<p>The delineation between Ministerial and Board responsibility for the public sector delivery entity is an important consideration. Different statutory entities have specific governance regimes provided for in legislation.</p> <p>What level of governance and controls does the Crown require in respect of the delivery entity? Contractual arrangements may be required where statutory governance regimes do not fully provide the required level of governance.</p> <p>What level of governance and controls will Auckland Council / Auckland Transport have in respect of the delivery entity? Local Government Act considerations may apply depending on the level of control / shareholding given to local government.</p>	Project-specific / Scheme-specific	High	Auckland Council / Auckland Transport / Kāinga Ora / Treasury
Operational	<p>Central government involvement in a public sector land transport project in Auckland will require consideration of the existing public sector framework and the roles played by local government entities under this framework. Various changes to the Land Transport Management Act 2003 (LTMA) may be required to deliver Auckland Light Rail.</p> <p>What role will Auckland Transport play with respect to Auckland Light Rail?</p> <p>Is the Crown willing to amend the LTMA to accommodate an operator of Auckland Light Rail other than Auckland Transport (or AT's appointed operator)?</p>	Project-specific	High	Auckland Council / Auckland Transport / Waka Kotahi
Utilities	<p>The Project will involve the relocation of utilities in Auckland and therefore require close co-ordination with and co-operation by utility providers.</p>	Project-specific	High	Auckland Council / Utility providers

Issue	Key Considerations	Project / Scheme Specific	Priority (High / Mid / Low)	Key Partners
	<p>To what extent is the Crown willing to reconsider the existing utilities framework to accommodate the delivery of Auckland Light Rail? Amendments to primary legislation may be required to achieve this.</p>			
Ownership	<p>Post-completion ownership of project assets is an important consideration for the Project.</p> <p>Does the Crown expect that the delivery entity will assume ownership of the project assets post-completion, or should ownership transfer to an existing central or local government entity (e.g. Auckland Transport, KiwiRail or the Waka Kotahi).</p> <p>Does the Crown envision that an existing central or local government entity will own the Project assets post-completion?</p>	Project-specific / Scheme-specific	High	Auckland Council / Auckland Transport / KiwiRail / Treasury / Waka Kotahi
Funding / Financing	<p>The Ministry and Treasury are considering a number of potential funding and financing mechanisms that may be applied to the Project.</p> <p>What are the Crown's core funding objectives for the Project?</p> <p>Is the Crown willing to amend the LTMA to facilitate use of funds from the National Land Transport Fund?</p> <p>What level of local government contribution to funding does the Crown expect for the Project (if any)?</p>	Project-specific	Mid	Auckland Council / Auckland Transport / Treasury / Waka Kotahi
Consenting	<p>The consenting process under the Resource Management Act 1991 (RMA) for the Project will be involved and is likely to interface with existing designations and treaty rights.</p> <p>Is the Crown willing to amend and/or streamline the RMA consenting process for the Project? Amendments to primary legislation may be required to achieve this.</p>	Project-specific	Mid	Auckland Council / Waka Kotahi

Issue	Key Considerations	Project / Scheme Specific	Priority (High / Mid / Low)	Key Partners
Value Capture Mechanisms	<p>Value capture mechanisms are a potential source of funding for the Project.</p> <p>Are value capture mechanisms an acceptable funding tool for the Project?</p> <p>Is the Crown comfortable with utilising value capture mechanisms on a third party development basis? Amendments to primary legislation may be required to enable this.</p> <p>Is the Crown comfortable with utilising value capture mechanisms on non-development basis? Amendments to primary legislation may be required to enable this.</p>	Project-specific	Mid	Auckland Council / LGNZ / Treasury
Iwi / Community	<p>Appropriately managing iwi / community involvement is a key consideration for the Project.</p> <p>What level and type of iwi / community involvement does the Crown require for the Project generally?</p> <p>Does the Crown envision a role for iwi / community involvement in relation to the public sector delivery entity more specifically?</p>	Project-specific	Mid	Auckland Council / Auckland Transport / Mana Whenua Kaitiaki Forum and other manu whenua and mataawaka representatives / Kāinga Ora
Rail Regulation	<p>Depending on the technical solution adopted, New Zealand's existing rail regulatory framework may not be fit for purpose.</p> <p>Amendments to primary legislation (and associated rules and regulations) may be required to accommodate the selected technical solution – e.g. automated light metro systems are not currently contemplated by the rail regulatory framework.</p>	Scheme-specific	Low	Waka Kotahi

Issue	Key Considerations	Project / Scheme Specific	Priority (High / Mid / Low)	Key Partners
	Does the existing role of Waka Kotahi as rail regulator impact on its potential involvement in the delivery entity for Auckland Light Rail?			
Applicability of existing Legislation	<p>The legislative framework for the delivery of major land transport projects in New Zealand is not resolved and consolidated (as compared to other jurisdictions, such as the United Kingdom).</p> <p>The delivery of the Project will involve a full review of the legislative landscape and amendments may be required across various pieces of primary legislation.</p> <p>To the extent legislative amendment is required, is the Crown's preference for a project-specific piece of legislation or a piece of legislation that could apply generally to the delivery of major land transport projects?</p>	Project-specific	-	-

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ANNEX 5: STAKEHOLDER ENGAGEMENT

218 This annex sets out the approach for engagement and immediate actions to establish the engagement function, build social licence for the project, and gain input from priority stakeholders.

Stakeholder Engagement Approach

219 Sustained and genuine partner, stakeholder and community engagement will be crucial to achieving successful outcomes for the Project. Under-investment in this aspect of the project risks adding time and cost to the delivery, including causing significant delays to the consenting process.

220 Australian National University research estimates the cost of community discontent (delays, project cancellations, on costs such as salaries, clean-up work and so on) is around \$30 billion over the last 12 years across the Australian infrastructure sector. This can be mitigated by building social licence for a project.

Engagement context

221 CC2M is not a new project. It has a patchy history of engagement led by different parties which needs to be considered when developing an engagement approach to take the project forward. Below we have identified some of the contextual factors that will shape our engagement.

Previous engagement started then stopped	Prior to the Parallel Process, Waka Kotahi met with stakeholders including business associations, local boards, Māori, special interest groups, utilities and industry associations in the period between August and December 2018 to inform the development of its business case. Attitudes to the project were largely neutral with groups waiting for more detailed information. The engagement with these groups was ended to allow the Parallel Process to run its course. We need to resume this engagement and acknowledge previous contributions.
The Parallel Process created a challenging engagement environment	The Parallel Process run from mid 2019 to mid 2020 necessarily put restrictions on engagement for probity and confidentiality reasons. Respondents were only able to engage with a narrow set of 'pre-approved' stakeholders as required to develop their proposals. They were not able to engage with communities or Māori. Also, agencies whose operations would be impacted by the project, such as Auckland Transport and Kāinga Ora had limited access to information about the proposals. This period was very challenging for all the agencies involved. One of the priorities in developing the current advice has been to take a wholly collaborative approach with partner agencies in order to build these relationships and ultimately deliver better advice.
The Project has a high profile	Despite limited engagement, the Project has a high profile due to media coverage before and during the Parallel Process and statements by political parties in the lead up to the 2020 election.

High interest and stakeholder desire for engagement	During the Parallel Process a number of stakeholder groups expressed concern that irreversible decisions might be being made without consultation. The Ministry and Minister met with these groups, but they remained concerned about the lack of engagement.
The project has low social licence	This situation where there is high awareness of and interest in the project but limited stakeholder engagement has resulted in low social licence for the project. This has been emphasised in our meetings with stakeholders who comment that they do not consider the social licence for the project has been established. A key immediate goal of stakeholder engagement will be to build the project's social licence to operate.
There is a poor understanding of the outcomes	There is some confusion about the purpose of the project. A prominent view is that the project is solely about creating faster journey times to the airport. Although the project outcomes were made public during the Parallel Process, more could be done now to raise understanding of these outcomes.
Construction fatigue	There are numerous projects underway in Auckland, especially in the central city. Multiple projects are carrying out engagement with stakeholders and this is causing confusion and consultation fatigue. Projects in the construction phase are impacting the ability to move around the city and are also disruptive in terms of causing noise and vibration. There has been significant coverage of the issues facing business owners affected by CRL.
COVID 19	COVID 19 has changed the way projects engage with communities. The Project will draw on emerging practices including increased use of digital engagement tools.

Engagement purpose

222 Given the engagement context outlined above, the purpose of engagement is to:

Build social licence	Build the social licence to operate, which requires legitimacy, trust and credibility. Without social licence it will be difficult to successfully deliver the project, and carries reputational risk.
Share information	Ensure partners, stakeholders and communities have easy access to project information so they understand the benefits of the project and how it may impact them.
Gather a range of views and perspectives	Understand different views and perspectives to get clear on what partners, stakeholders and communities value and why.
Improve proposals	Improve proposals and decisions by benefiting from the knowledge, insights and expanded set of ideas from a broad range of partners, stakeholders and community members.

Problem solve	Capture and address issues raised by stakeholders before they impact on timelines and costs and well ahead of the formal consenting process.
Build relationships and trust	Build relationships so there is trust and partners, stakeholders and communities feel informed and empowered to participate fully in the engagement process.

Engagement principles

223 The following principles will guide all our engagement with partners, stakeholders and communities:

Proactive	We will provide information as it is available rather than waiting for stakeholders and communities to ask for information or form their own assumptions.
Co-design	We will co-design engagement methods with our partners, stakeholders and communities to ensure our approach is fit for purpose.
Reliable and timely	We understand that uncertainty about change can be stressful so we will mitigate this to the extent we can with timely and accurate information and by addressing misinformation.
Customised	We acknowledge in order to gain the best input from communities we will need to tailor our approach to particular communities to make it relevant and accessible.
Clear purpose	The purpose of each engagement will be made clear (to understand what a stakeholder or community values and why, to expand the set of options, to gain feedback on aspects of the proposal).
Clear scope	The engagement scope will be made clear, i.e. what elements of the project are non-negotiable and why, and what elements are open to feedback.
Responsive	When we engage with a stakeholder group or individual we will close the loop by informing them how the information we gathered was used.
Respect and empathy	Sometimes engagement may be challenging and involve competing interests and views, but at all times we will engage in a respectful and empathetic way.
Inclusive	We will include the broadest possible range of partners, stakeholders and communities in our engagement and ensure that all impacted parties have an opportunity to have a say. We will encourage participation through appropriate methods (diversity and inclusion).
Integrated	Where possible we will coordinate with other agencies and major projects to provide comprehensive information to stakeholders and avoid consultation fatigue.

Continuous improvement	We will measure the effectiveness of our engagement plan regularly during implementation. We will make improvements based on this feedback. This is particularly important given the long term nature of the project.
Enduring	We will invest in building strong and trusting relationships with a view to engaging over the long term.

Engagement across project phases

224 The Project is highly complex and will evolve through phases in the coming years. The engagement purpose and degree of involvement by different partners, stakeholders and communities will change over this time. Below are the four broad phases we expect.

Initial phase	The period during which the Government makes decisions and refines the scope for the project. Engagement lead: Ministry of Transport
Transitional phase	The period when a technical brief for the project has been prepared and establishment of a delivery entity is underway. Engagement lead: Programme Office
Delivery phase	The period when the delivery entity is established and runs through design and construction until the project is operational. Engagement lead: Delivery entity
Operational phase	This phase starts when the project is operational and is ongoing. Engagement lead: Operational entity

Pre-engagement activity

225 Once Ministers confirm they wish to move ahead, and Cabinet agreement is confirmed, we would undertake to create a common understanding of the Project. Early, proactive communications will place the project in control of the messaging and start to build social licence. Early activities include:

- **Benchmark knowledge and attitudes** - we recommend carrying out quantitative and qualitative research to gauge levels of understanding of and attitudes towards the project among stakeholders, communities/businesses along the corridor and Aucklanders in general.
- **Deliver a high-impact public awareness-raising campaign** - we recommend implementing a broad-reaching awareness campaign to explain: the project outcomes and benefits; the high level scope of the project; and when and how stakeholders and communities will be able to have a say.
- **Reframe the project** - the name Auckland Light Rail encourages a focus on the mode rather than the outcomes or benefits. Other complex projects have names which more accurately describe the desired impact, for example Let's Get Wellington Moving. We would suggest this as an early action and prior to an awareness campaign.

Partners, stakeholders and communities

226 The stakeholder groups the project will engage with are summarised below. This is not intended to be an exhaustive list, but to indicate that there is a broad range of stakeholders, representing a range of interests in the project. Managing these relationships throughout the life of the project will be a significant piece of work. Māori partners and stakeholders are identified in the Māori Engagement Approach section.

Central and local agency partners	Key crown & CCO stakeholders	Utilities / related projects	Major organisations on corridor	Market	Special interest groups	Communities, neighbourhoods, and individuals
<ul style="list-style-type: none"> • Auckland Council • Auckland Transport • Kāinga Ora • Kiwirail • Ministry of Housing & Urban Development • Waka Kotahi 	<ul style="list-style-type: none"> • Auckland Forecasting Centre • The Department of Internal Affairs • InfraCom • Land Information New Zealand • Ministry of Business, Innovation and Employment • Ministry for the Environment • Panuku • Te Arawhiti • Treasury 	<ul style="list-style-type: none"> • Spark • Vector • Vodafone • Watercare • CRL • All concurrent major public and private infrastructure projects on or near the corridor 	<ul style="list-style-type: none"> • Auckland Airport • Auckland Hospital • Learning Quarter • Other sensitive receivers 	<ul style="list-style-type: none"> • Association of Consulting Engineers New Zealand • Infrastructure NZ • Potential suppliers 	<p>Including:</p> <ul style="list-style-type: none"> • Automobile Association • Chamber of Commerce • Amotai • Bike Auckland • Cycle Action Network • Disability groups • Employers and Manufacturers Association • Generation Zero • Property Council • Road Transport Forum • Women in Urbanism 	<ul style="list-style-type: none"> • Community groups • Local Boards • Local business associations • Property owners • Renters • Schools • SME businesses

ANNEX 6: MĀORI ENGAGEMENT APPROACH FOR THE PROJECT

- 227 This annex sets out the approach to Māori engagement on the Project, and fulfilling Treaty obligations.
- 228 As Treaty partners, the Crown and Māori have a special relationship. In particular, the Treaty of Waitangi has significant constitutional importance for New Zealand. It established a foundation of partnership, mutual respect, cooperation, and good faith between Māori and the Crown. The Māori Engagement Approach proposed for the Project reflects best-practice advice from Te Arawhiti ⁷ and gives local mana whenua entities the status of a partner in the project.
- 229 Te Arawhiti advise that, the process of genuine engagement with Māori by the government is:
- an acknowledgement of their rangatiratanga (self-determination) and status as Treaty partners
 - an acknowledgement that mātauranga Māori (knowledge/way of being) makes an important contribution to solving policy and practical problems
 - an acknowledgement that Māori have the resources and capability to contribute
 - an acknowledgement that some issues affect Māori disproportionately and they are therefore better placed to develop the solutions.

The Project gives the opportunity for a step-change in engagement

- 230 The Project, given its scale and duration, represents a significant opportunity to make a step change in how the Crown and Iwi work in partnership on major projects by embedding practices that move from engaging Iwi to empowering Iwi.
- 231 A key first phase for engagement will be to establish expectations for how work on the Project will involve Māori in detailing the design, construction and operation of the project.
- 232 Our approach at this early point in the project is to work with all Māori entities with interests along the project corridor to understand the opportunities, aspirations, issues and challenges they see arising from the project, and seek to reflect these in the project scope as appropriate. An output from this stage of engagement could be, depending on the preference of Iwi, a *Statement of Māori Aspirations*, which could bring together the advice from all participating Māori entities. Bringing all of the advice together into a single statement would make it easier for Māori entities and the Project to ensure aspirations, issues and opportunities are translated into the project brief, and to understand what is being set aside.
- 233 Our approach will also be to establish processes for working with mana whenua entities as Treaty partners over the life of the project because the project will impact:

⁷ <https://tearawhiti.govt.nz/assets/Māori-Crown-Relations-Roopu/6b46d994f8/Engagement-Guidelines-1-Oct-18.pdf>

- Treaty settlements with mana whenua entities, potentially including rights of first refusal and activity in the marine and coastal areas where the route crosses the Manukau Harbour at Onehunga/Māngere
- matters of national importance under the Resource Management Act (the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, waahi tapu, and other taonga), acknowledging this relationship is with mana whenua entities because it is their taonga etc. that is being impacted by the project.

234 We will work with mataawaka entities across the life of the project to keep them informed on progress and in delivery of any identified outputs that require ongoing mataawaka input.

235 Scope to provide for Treaty partner expectations should be reflected in the brief to the Programme Office. The detail will be resolved with the delivery entity to ensure an integrated approach. Expectations may include:

- opportunities for Māori businesses to participate successfully in the procurement processes and for significant employment of Māori in quality jobs
- commercial opportunities for Māori Involvement in the governance of the project, reflecting their status as the local Treaty partners.

Engagement context

<p>Limited past engagement</p>	<p>To date the Project has had limited engagement with Māori entities. During the Parallel Process, Waka Kotahi and NZ Infra were unable to engage with Māori entities as this role was to be given to the preferred delivery partner when chosen. Prior to the Parallel Process Waka Kotahi conducted two hui in November and December 2018. Iwi were neutral toward the project but expressed an interest in receiving more detail. Key themes which emerged at the hui were:</p> <ul style="list-style-type: none"> • Environmental • Social/people/community • Visual impact and landscape • The route and locations • Design, streetscape, amenities • Housing and gentrification • Communication and engagement • Process and decision making • Cultural heritage
<p>Recent and proposed engagement</p>	<p>The Ministry provided a briefing on the project to the co-chairs of the Tāmaki Makaurau Mana Whenua Forum (a forum of all 19 mana whenua entities with interests in the Auckland region) on 22 October and has written directly to Iwi entities offering individual briefings. The Ministry is currently identifying mataawaka entities to work with.</p> <p>The Ministry will continue to lead this engagement until a Programme Office is established. The Programme Office and</p>

	then finally the delivery entity will lead Māori engagement through to the end of the implementation; except that it might be necessary for a specific government entity to lead any Treaty related engagement throughout the project, for instance on rights of first refusal.
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Engagement principles

236 We have adopted the engagement principles developed by Te Arawhiti to guide Crown and Māori engagement.

Principle	Application to the Project
Build the relationship before focusing on the work	We will engage while the project is in its formative stages and ask Māori entities to determine how and when they wish to engage.
Plan together from the start	We will invite mana whenua entities to participate in the development of the delivery entity brief.
Value each parties' contribution and knowledge	We will acknowledge mana whenua's unique connection with the land and specialist knowledge.
Ensure outcomes are meaningful to all parties	The Project will deliver transport and urban design outcomes to communities along the corridor. Engagement aims to deliver better outcomes for Māori.
Be open, be flexible and accept risk	We will engage early and seek guidance on how Māori entities want to work with us to ensure their goals and outcomes are well understood. We will seek to understand and respond to risk.
Share decision-making	Using the IAP2 Spectrum of Public Participation we will ensure mana whenua entities will have significant input into the project. In some aspects of the project mana whenua will be empowered to make decisions, such as in the representation of mana whenua heritage and whakapapa.

There are extensive Mana Whenua and Maatawaka entities that we need to engage with. The final list is yet to be determined

Tāmaki Makaurau Mana Whenua Forum

237 The Tāmaki Makaurau Mana Whenua Forum (previously the Mana Whenua Kaitiaki Forum) has membership from the 19 mana whenua entities with interests in the Auckland region. While the Forum does not represent or act on behalf of the individual Mana Whenua groups with interests in the Auckland Council area, each maintaining their own mana motuhake, the Forum will come together to provide a collective view on appropriate region-wide matters and can make decisions on such matters.

238 The purpose of the Forum is to support Mana Whenua in their role as Treaty partner with Auckland Council and the Crown by partnering on all region-shaping decisions that require a collective voice.

239 Direct engagement with the relevant mana whenua entities will be most important and there is no requirement for the Ministry to engage the Forum in the project. However, there could be an advantage to both the mana whenua entities and the project:

- The project falls within the scope of the Forum's collective purview and will impact the region as a whole, and so all 19 mana whenua entities will be at least indirectly impacted
- Meeting the Forum will ensure consistent messaging across all mana whenua and provides a place to discuss any topics of general interest, such as procurement.

240 In determining who to engage with we have identified mana whenua entities that have:

- Treaty of Waitangi settlements in the project area because these inherently acknowledge mana o te whenua
- Self-nominated their status under the Resource Management Act (RMA). The RMA is the main enabling legislation for the project to get built. Section 6 of the RMA includes: recognise and provide for the following matters of national importance - the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, waahi tapu, and other taonga. Established practice is to let each mana whenua entity identify for itself where their ancestral lands, water, sites, waahi tapu, and other taonga are located, unless there is an obvious reason to query the nomination.

Other Māori entities

Independent Māori Statutory Board (IMSB)

241 The Ministry will inform the IMSB and seek its expert advice on the goals and challenges of Māori in Tāmaki Makaurau, noting it is not a mana whenua entity.

242 We are in the process of identifying Maatawaka entities to work with. That list will include the Manukau Urban Māori Authority (MUMA).

Engagement methods

243 To assist Māori entities to understand how the project might impact Auckland we will develop (bi-lingual) collateral that would include information on:

- the types of investment (mode) that might be made, route options and the relative strengths / weaknesses of each investment type
- the ways this type of investment can support housing and access to quality jobs and services, including ensuring stations are well located
- ways transport entities could work with Kāinga Ora and others to ensure an adequate supply of low-income housing
- the ways this type of investment might impact heritage, the environment and climate change

- how government might facilitate procurement to ensure Māori businesses access the capital spend and to ensure Māori access quality jobs
- how government might support Māori commercial aspirations, noting that this intention is embedded in the Kāinga Ora – Homes and Communities Act and the Urban Development Act.

244 This collateral would be high level rather than detailed advice and designed to facilitate discussion.

245 We will use a range of face to face and digital engagement methods, but we will co-design our approach with Māori to ensure they are appropriate and effective.

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ANNEX 7: DELIVERY ENTITY AND GOVERNANCE ARRANGEMENTS

246 This annex provides detail on the options for the delivery entity and associated governance arrangements of the Project. Many entity options and governance arrangements could feasibly deliver the Project outcomes. Each has advantages and disadvantages that need to be weighed up.

247 Using a structured set of questions cross-agency consultation took place with the following ATAP and partner agencies:

- MHUD
- Kāinga Ora
- Auckland Council
- Auckland Transport
- Public Service Commission
- The Infrastructure Commission: Te Waihanga

248 The questions provided a useful way to establish agency perspectives and priorities on delivery entity and governance matters, and through these discussions a set of key considerations have been identified. These considerations informed a set of principles and characteristics for the entity, and form a basis for further work to refine entity and governance arrangements.

249 It is important to note that some of these considerations partly overlap or reinforce each other, so should not be viewed as mutually exclusive. In summary, these considerations give rise to principles to guide future thinking about delivery entity and governance arrangements:

- there is a strong case to separate transport and urban development functions. In effect, this suggests that the delivery entity should have a mandate to focus on delivery of the transport project and should partner with other entities for urban development outcomes
- governance arrangements should reflect the decision-making roles and responsibilities across the system
- entity and governance decisions should reflect the allocation of capital, operational and associated costs of the Project across its life
- the entity needs clear expectations and incentives to work constructively with other stakeholders, and vice versa
- the delivery entity should have clear, undiluted, accountability for delivering the Project's outcomes
- the entity will need a stable operating environment, so that it can plan and deliver the Project with certainty, and it can manage its relationships with

stakeholders and communities. In effect, this means that it will need a degree of operational autonomy

- significant system and entity capability will need to be built up to deliver the Project outcomes
- there may be a case to establish an enduring entity to deliver large scale projects in New Zealand, beyond the CC2M corridor. This reflects that the Project is one stage of a broader rapid transit network programme, therefore capability for future delivery beyond the Project should be considered when making decisions about delivery entity.

1 – Establishing role clarity for the entity

There is a strong case to separate transport and urban development functions

Kāinga Ora has an important role to play in achieving the project's outcomes

Kāinga Ora are the logical agency to lead the urban development components of the project. It was recently set up as the Government's lead urban developer, with part of its role being to consolidate and build development capability in New Zealand. However, while it has the mandate, it would need to scale up its resourcing and capability to deliver urban development outcomes at a scale proposed in this project, and this could take several years. It is important that when it is being geared up to lead this development programme, its core functions and responsibilities are not compromised.

250 It is important, from the outset, to be clear on how the project's outcomes can be best achieved over the 30 – 50 year life of the project. The light rail project encompasses a range of objectives, including access, integration and urban development. It will be critical to determine (1) whether the delivery entity should have dual functions spanning light rail delivery and urban development, and (2) the nature of its involvement in urban development.

251 Cross agency feedback showed a preference for the entity to focus on delivering the transport asset, and for it to partner with other parties (notably Kāinga Ora) for urban development. The Ministry supports this preference.

252 There are two related reasons to separate these functions: the scale and complexity of the project is of an order of magnitude higher than any other infrastructure project tackled in New Zealand, and there are risks in the delivery entity having a dual focus on two very complex functions, particularly where New Zealand has limited capability and experience in both areas.

253 To maximise opportunities and mitigate challenges, it will be important that urban development expectations and arrangements are set early on. This is critical to achieve system wide outcomes and to assist other agencies' planning and delivery.

Splitting design and construction from operations is also a consideration

254 It will also be critical to determine if the entity will be responsible for light rail operations, in addition to planning, design and construction of the asset. Cross-agency feedback was less clear in terms of preference, but likewise to the point

above, presented a robust case for further work to consider the benefits of separating these functions. The Ministry favours further work on this point.

- 255 One benefit of separating planning, design and construction from operations is that it would allow more time to make optimal decisions around operational responsibilities, including on the long-term ownership of assets. However, delaying operational decisions could also create uncertainty for other entities, an outcome observed in relation to City Rail Link Limited (CRL). One risk of separating these functions is that a solely delivery focused entity may give less attention to longer-term project outcomes, or to the impacts on the wider network which is a key issue for Auckland Transport. This risk could be managed by creating a clear mandate and set of expectations. This is another lesson learned from the CRL experience.
- 256 Auckland Transport has indicated that it has a strong preference to be the long term operator of the Project, and has noted that if the delivery entity has this responsibility there is a risk of duplicating functions and creating a more complex network system. Auckland Transport has also noted that it has an existing role as the planner and operator of the public transport network across Auckland, and that accordingly it is best placed to manage network integration over the lifetime of the project.

Auckland Transport's case to be the service operator

- There is a case for it to be the service operator after construction is completed (noting ongoing light rail costs and risks)
- There must be seamless integration of the service with the rest of the network, and it is best place to ensure this happens
- It is best-placed to undertake high-quality and meaningful community engagement during planning and construction phases of the project
- It is the public face of the public transport system in Auckland, and has a strong interest in achieving positive community relations.

- 257 Funding considerations also support Auckland Transport's case, given that it is likely that Auckland Transport and Auckland Council will likely need to make significant contributions to operational expenditure and associated network and infrastructure costs. The long term ownership of assets will however have balance sheet implications for Auckland Council, and accordingly this will need to be carefully worked through in consultation with Auckland Transport and Auckland Council.

2 – Establishing clear governance arrangements that take account of decision-making roles and the long term nature of the project

- 258 A key message from cross-agency consultation was the importance of developing governance arrangements that reflect both the Crown's role and interest, and the responsibilities and interests of Auckland Transport and Auckland Council. From a principled perspective, governance should reflect the decision-making roles and responsibilities across the system. It is also important that governance decisions consider the long-term nature of this project, and who will be best placed to make these decisions at certain points in time over many years.

- 259 In Auckland Transport's case, it has clear levers and decision-rights which ultimately affect the success of the Project, including responsibilities for system integration and the wider public transport network. The Ministry agrees that there is a case for Auckland Transport to have a role in any governance arrangement.

260 Auckland Council should also be considered in any governance arrangement, although its role would differ to that of Auckland Transport - the expectation is that the Council would focus more on the urban development components of the project, including land acquisition and community accessibility, as well as any balance sheet implications for Council.

3 - Entity and governance decisions should reflect capital, operational and associated future costs

261 While funding and financing decisions are yet to be taken, if the Crown provides capital funding for this project, the Crown will also hold significant project risks. This will likely result in a need for strong Crown project oversight. However, over the lifetime of the service, significant operational funding (which over time could equal capex), associated infrastructure funding will be required. Again, subject to further decisions, it is possible that these will be funded, at least in part, by Auckland Transport and/or Auckland Council.

262 Because funding (and associated risk) will likely influence project governance arrangements, it is important to early on clarify where total funding (not just capital) will come from.

4 - Be clear on project risks, where they sit and who is best placed to manage them

263 Following the section above, governance arrangements should also reflect who is best placed to manage risk. Therefore, risk identification should be undertaken early, with each risk considered in terms of potential severity and scale. It is important to determine where risk sits – whether it sits with the Crown or other parties (mostly likely Auckland Transport or Auckland Council). In addition to risk identification, the willingness and capability of different stakeholders to carry and manage risk must also be assessed. In combination, these will help inform governance and entity decisions.

5 - Clarity about the degree to which the delivery entity will be able to operate independently from Ministers

264 Direction about how independently from Ministers the delivery entity will be able to operate needs to be outlined early. A balance will need to be struck that provides Ministers with assurance that the entity is delivering its outcomes, is providing value for money and managing risk, and is building high levels of confidence amongst its stakeholders and communities. Alongside this, the entity will need some operational detachment from political cycles so that it can plan with certainty over the Project's timeframes, work in a predictable and transparent way with stakeholders, and provide the market with confidence on the pipeline of work. Cross agency feedback highlighted the importance of ensuring that there is an appropriate level of entity independence and operational autonomy. Specifically, this was seen to be important so that the entity can operate nimbly with certainty and speed, and is able to make trade-offs (e.g. on and between technical matters and community and stakeholder preferences).

6 - Establishing clear expectations and incentives for the entity to interact constructively with other stakeholders to deliver project outcomes

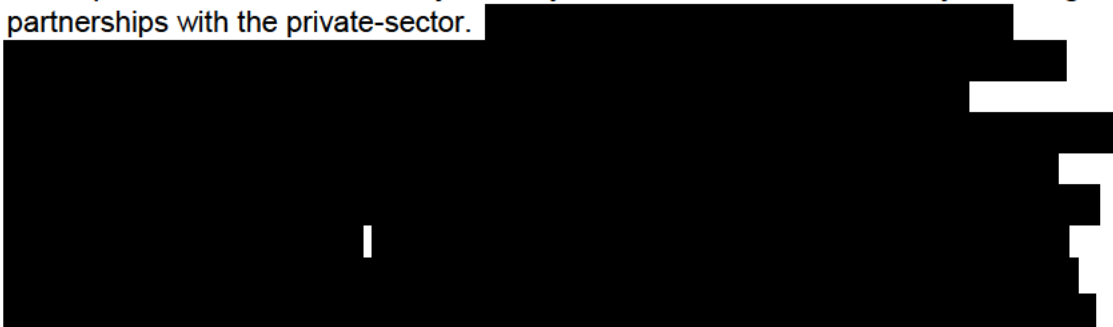
- 265 A central assumption behind the Project is that its success will strongly depend on its ability to work collaboratively, and form meaningful partnerships with other stakeholders. Reflecting this assumption, cross agency feedback was consistent, that regardless of what structure is put in place for the delivery entity, formalised partnerships between entities should be 'hardwired' from the outset. This relates closely to role clarity for the entity, but also role clarity for all stakeholders, especially Auckland Transport and Auckland Council, as they will be the likely recipients of the infrastructure and service (and associated risks) upon completion of the project.
- 266 Expectations about collaborative and constructive working must not be limited to the delivery entity but should extend to all stakeholders involved in the project.

7 - Managing the risk of competing objectives and incentives between delivery and other interested parties

- 267 Given the scale and scope of this project, including the likely variety of stakeholders involved, there will likely be competing objectives and incentives that need to be managed. Managing this risk is a key reason behind the recommendation to quickly set up a Programme Office that will be able to consider and work through any competing objectives and incentives to find mutually agreeable ways forward. Doing this effectively up-front will save time and effort later in the project. By deliberately working to align transport, housing, urban development and other priorities, the likelihood of poor outcomes, or even stalemate can be greatly avoided. The Terms of Reference underpinning the Programme Office will again be important to doing this.

8- Clarity on the capabilities needed to deliver project outcomes and where they sit in the system.

- 268 The Project will be the most complex infrastructure project delivered in New Zealand. There is no single entity in New Zealand that has delivered a comparable undertaking. While some elements of the project will be able to draw on capability that exists within New Zealand, this will be insufficient to achieve the project outcomes.
- 269 Acknowledging the capability challenge upfront is important. Current domestic capability mostly resides within Auckland Transport and Waka Kotahi, but both agencies only hold components of what would be needed. Drawing off this expertise will be important, but it will also need to be significantly enhanced.
- 270 It is equally important to ensure Kāinga Ora is equipped to support the urban development outcomes offered by the Project. This could be both directly or through partnerships with the private-sector.



Alongside Kāinga Ora, Auckland Council's development agency Panuku ay also be well positioned to play a role too.

- 271 Capability also relates to legislative powers and tools available to certain stakeholders (e.g. land acquisition and targeted rating powers). Specific powers will be needed to ensure effective delivery of project outcomes. The degree to which powers already sit with existing entities, and so can be accessed through partnership (e.g. joint venture) arrangements, or need to be legislated for, will also help determine optimal entity and governance decisions.

9 – Clarity on the duration of the entity – wider project outcomes will be achieved over 30+ years

- 272 If a new entity is preferred, it is worth considering (1) a project focused entity (akin for example to CRLL) and (2) an enduring entity designed to deliver major infrastructure projects or rapid transit projects across New Zealand.
- 273 The case for an enduring entity form is to establish long-term and stable capability to deliver complex projects. There is a reasonable case for this approach because the Project is just one part of what may become a multiple-project programme over 30 years, and not just in Auckland, but in centres including Wellington and Christchurch as well. If this option is considered, a national rather than new Auckland entity may have greater merit.
- 274 This approach (that incorporates a multi-year investment pipeline) would assist the development of delivery capability, and provide greater certainty to the market. However, a project-focused entity would be comparably faster and simpler to establish.
- 275 An alternative approach is to consider whether there is a hybrid option between the two – building a project focused entity that over time could evolve to have a wider suite of project delivery functions. If favoured, transition provisions could be built into the design of the entity. Any actions towards this approach would need to take care to consider intersection with existing entities.

10 - Be clear on the trade-offs of using existing capabilities vs creating a new entity

- 276 There are clear pros and cons associated with creating a new entity to deliver light rail. Positives include, establishing a clear mandate and associated incentives – there will be no internal conflict of interests or existing operating practices that could compromise the project's goals. The most compelling argument however, is that a project of this scale and complexity is unique to New Zealand and no existing entities can lead it without compromising their existing roles and responsibilities. However, risks include a duplication of functions which would stretch already limited resources, and the costs and time involved in setting up a new entity. There could also be a political dimension where some parties may consider creating a new entity to be unnecessary when New Zealand already has a devoted transport agency in Waka Kotahi.

11 - This project needs to learn from City Rail Link Limited (CRLL) experiences

- 277 There are several lessons learned from the CRLL experience that can inform thinking about the Project's governance and delivery entity arrangements.

- 278 CRL was established with a very specific focus on construction of the transport project. This enabled a sharp focus on delivery, but it didn't fully consider the project's wider role in enabling urban and commercial developments, with these considerations added in at a later stage of the project. Earlier consideration of how the project enables these developments and ensuring that CRL had a clear set of expectations to follow, could have allowed these opportunities to have been realised earlier and with more certainty.
- 279 The joint venture between the Crown and the Council also enabled speedy decision making, however, the operational interests of KiwiRail and Auckland Transport were not effectively reflected in the governance arrangements initially, with these entities establishing governance arrangements with CRL later in the project. These parties have had some challenges in ensuring that decisions taken appropriately take account of their interests, especially early in the project.
- 280 Ownership, operational responsibility and the vesting of the assets were not agreed upfront and have yet to be finally confirmed, legally. Having these arrangements clarified before design and construction commences better aligns incentives and the roles of parties over the life of the project. While good interim arrangements and expectations are now in place for CRL, it did result in some uncertainty for the Council, Auckland Transport and KiwiRail, especially in the early stages of the project. Final ownership arrangements will have balance sheet implications, and ongoing funding support for operations will likely be required from those entities.
- 281 To fully realise the benefits and utilise the capacity of the CRL asset, especially beyond day 1 operations, several billion dollars of investment will be required across the wider Auckland rail and road network over the next decade. With the CRL governance structure focusing mainly on the delivery of the asset, these longer-term network investment decisions are made separately through the Council and Waka Kotahi funding processes, with ATAP providing strategic alignment.
- 282 Reflecting on this experience, the success of the Project will rely on significant wider network investment and will benefit from a strong and early strategic agreement from the network operators to fund this over time.

Indicative delivery entity options and analysis

The following section presents a more detailed analysis of four potential delivery entity options (Waka Kotahi, a new Crown entity and a Schedule 4 Crown company), and a joint venture arrangement between the Crown and Auckland Council entities.

Waka Kotahi

Rationale

- 283 This option draws off existing expertise in planning, construction and delivery of major projects from Waka Kotahi. It has a clear focus on transport delivery and has existing partnerships with other agencies including Auckland Transport and Auckland Council. Waka Kotahi is also experienced at community and stakeholder engagement. While scaling up would be required, there could be some efficiencies in set up timing and cost, compared to establishing a new entity.

284 Waka Kotahi is continuing to develop its capability in the planning and delivery of rapid transit and is working in partnership with other central and local government agencies. This includes work with the Ministry of Transport and other agencies such as Kiwi Rail to develop a framework that supports the identification, assessment and delivery of rapid transit within existing system settings.

Further assessment and challenges

285 To be able to lead the project delivery, Waka Kotahi will require new capabilities and considerable scaling up in some areas – this is acknowledged by Waka Kotahi. While there may be some transferable skills from its roading expertise (e.g. planning, procurement, consenting), light rail is technically very complex. It would likely need to bring in a delivery partner with the necessary technical expertise (this applies to the other entity options too).

286 The key accountability mechanism is through the Minister holding the board to account. While the Minister can appoint and remove Board members, the Board can operate with some degree of operational independence. The way the Board responds to Ministerial oversight would be important to get right from the outset.

287 Because of the potential scale of the Crown's investment in ALR will likely be an order of magnitude larger than any other Crown funding arrangement with Waka Kotahi (NZ Upgrade Programme is the largest current programme), this project would likely come with a strong Ministerial project oversight. In such an arrangement the Ministry anticipates potential challenges in balancing Crown oversight expectations with the Board's operational independence.

288 Other challenges include:

- a possible risk of the outcomes being diluted as Waka Kotahi must manage operations across several sets of Government expectations (such as the priorities in the GPS, objectives of NZ Upgrade Programme)
- the breadth of the current role of Waka Kotahi, whether the scale of the project could compromise the Board's, and management's attention to its existing roles and responsibilities
- the scale of the project exacerbating existing tensions around the breadth of roles of Waka Kotahi – it is simultaneously a transport funder, deliverer and regulator.

289 When its potential role as project delivery lead was discussed with Waka Kotahi, its message was clear, that it is inappropriate to try and fit project delivery alongside BAU of any existing agency. This position reflects:

- the nature and scale of the project
- the governance and oversight required
- the stakeholder and community interfaces that will need to be managed, and
- the nature of issues that must be managed and decisions made would be a distraction to and interfere with delivery of BAU.

290



291 We do however acknowledge that Waka Kotahi must be involved in the project, noting that its optimal role would likely be identified through the business case process.

A new Crown entity

Rationale

292 Entity purpose, accountabilities and role would be clear from outset, with a mandate focused on achieving the project outcomes. As a new entity it offers a range of choices around desirable level of 'arms length' arrangements. As a working principle, a Crown entity form is most suitable where the functions are focused on achieving public policy outcomes. While this also applies to Waka Kotahi, having a specific project focus could make a new Crown entity a more effective delivery agent.

293 Furthermore, the advantage of a new Crown entity, compared to an existing one, is that it will not be constrained by existing operating policies and management styles that may not always be aligned to delivering this project in a manner desired by Ministers.

294 Depending on rapid transit network pipeline considerations, it could also be established as a centre of expertise for major multi-year projects, either in Auckland or across New Zealand.

Further assessment and challenges

295 Likewise to Waka Kotahi, a Board arrangement provides some degree of independence to make key operational decisions, but within a clear understanding of policy and project expectations. However, unlike with Waka Kotahi, a new entity Board would not have to balance project expectations with existing objectives and BAU responsibilities. It would also have a focused, not broad mandate, absent of potentially competing objectives.

296 As with Waka Kotahi, the way in which a new Crown entity Board responds to Ministerial oversight (noting potential challenges with Crown entity operational independence), would need to be managed carefully. Ministers have the capacity to appoint and remove Board members based on performance.

297 Some further challenges.

- There would be significant set up costs, and legislative change would be required. This could take considerable time and doing so should be weighed up against the new Government's legislative programme.
- A new entity would also take time to build relationships, not only with stakeholder agencies, but with Auckland communities. However, key capability within the proposed Programme Office could be transferred to the new entity, providing therefore some continuity of personnel and relationships. This option also brings a risk of duplicating some capabilities across the system, especially those of Waka Kotahi.

- Because it would be wholly owned by the Crown, this entity model would exclude joint ownership options (such as with Auckland Council). This means that other parties providing funding would have an interest through contractual, rather than ownership arrangements.

A (Schedule 4A) Crown company (under the Public Finance Act 1989)

Rationale

- 298 Entity purpose, accountabilities and role clear from outset – based on the entity acting as a business but with policy objectives. Schedule 4A is flexible – can be set up quickly (without legislation) and reverted readily into other entity forms.
- 299 Likewise to a new Crown entity, compared to an existing entity, this would not be constrained by existing operating policies and management styles that may not always be aligned to delivering this project in a manner desired by Ministers.

Further assessment and challenges

- 300 Given this is also a new entity, many of the same considerations and challenges described above apply here too. It would have Board accountability to the Minister, but unlike Crown entities (both new and existing), it would also have capacity for a greater commercial focus, which provides some different opportunities for funding and financing.
- 301 Schedule 4A companies must only be at least 50% Crown owned, and could therefore accommodate minority shareholders. However, Crown ownership can extend up to 100% - it does not require a minority shareholder, just allows it. In such arrangements, Auckland Council agencies like Auckland Transport, or even private entities could have an ownership stake in the company.
- 302 If an enduring entity approach is favoured, a Crown company would be less suitable than a new Crown entity. This is because Schedule 4A companies typically have quite a narrow (project-focused) focus mandate with specific milestones and endpoints.

A joint venture (JV) arrangement

Rationale

- 303 This option combines and improves delivery capability, expertise and relationships of partnering agencies. Risks and accountabilities would also be shared between them. If there is a JV between Crown and Council entities, this would provide both levels of government with representation in the project.

Further assessment and challenges

- 304 A JV can be divided along total funding contributions, including capital expenditure, operational expenditure and subsequent infrastructure requirements.

- 305 JV models can create challenges between partners, including different incentives and competing interests. These, plus other differences can make decision-making difficult. Many of these challenges be addressed through carefully considered Terms of Reference and contractual arrangements, but some may remain inherent in any JV arrangement.
- 306 If an enduring entity model is favoured, the JV could not fill this role itself, as it is a single project partnership. However, it could form the blueprint for arrangements that could be replicated future rapid transit projects. For example, an enduring Crown entity could partner with a local transport agency (in this case Auckland Transport – but it could be other local authorities for projects outside Auckland) to deliver the project outcomes.
- 307 Auckland Transport and Auckland Council have expressed a strong interest in a joint venture model and have proposed that Waka Kotahi should be the Crown’s agency in such an arrangement. Officials view is that joint venture arrangements should be further considered. This particularly reflects the legacy nature of the project, the potential for costs to be incurred by those parties, and the significant role it will play in the Auckland transport network, and as a city shaping initiative.

Capability is a challenge for all entity options

- 308 Because New Zealand does not have the capability to deliver light rail, regardless of who leads the project delivery, the entity will need to utilise significant international and private sector expertise. Strong consideration will also need to be given to building up domestic capability over time.

ANNEX 8: THE CC2M PROGRAMME OFFICE

- 309 This annex gives further detail on the nature of a CC2M Programme Office and its work programme.
- 310 While much work has been undertaken to date to agree the need for rapid transit in the CC2M corridor, there are a number of key decisions to be taken to progress the Project to investment readiness. These matters can be resolved through an iterative process, recognising that major infrastructure projects of this scale and complexity require regular decision points to ensure that they are set up well, right from the beginning.
- 311 The Ministry and the Treasury recommend that a CC2M programme office (the Programme Office) is put in place, along with transitional governance arrangements for the Project, so that the Project can rapidly be progressed to get it to the point where Cabinet can make investment decisions.
- 312 This approach recognises the complexity and unprecedented scale of the Project, and allows the Project to build momentum in a visible and concrete way. It would provide for a robust process to confirm the Project's specifications and business case, funding and financing, and allow early works to get underway, including stakeholder and community consultation and initiation of market soundings.
- 313 It also allows central and local government to continue discussions on optimal form governance of the Project over the long term and to clarify the roles and decision-making rights of these key stakeholders.

Programme Office structure and key features/characteristics

- 314 Officials recommend that the Programme Office be housed within the Ministry (meaning the Secretary for Transport would be ultimately responsible for the Programme Office). Key reasons for the Office to sit within the Ministry include:
- it is important the unit has a direct relationship to Ministers in the early stages of the project - at least until the enduring governance structure is finalised
 - it is simpler to transition functions to a delivery entity from the Ministry than a Crown entity
 - the Ministry is the government's system lead on transport and must consider the long-term outcomes for the whole system
 - the Ministry helps the government give effect to its policy by supporting the development of legislation, regulations and rules, as well as managing and accounting for funds invested in transport.
- 315 Officials also recommend that the Office be based in Auckland, while also having some presence in Wellington, and that it:
- consist of secondees with determined accountabilities representing partner agencies (e.g. Auckland Council, Auckland Transport, Kāinga Ora, and Waka Kotahi). These would be supplemented by consultants and technical advisors. Given the expected range of people involved, it will be important to create a collaborative "One Team" office culture.

- be set up so that it incubates a core capability that could then be transitioned into the final delivery arrangements. This may mean in practice that the Programme Director moves to the delivery entity, along with a group of key advisors. This is important to maintain momentum and project knowledge, and to ensure continuity in relationships with key stakeholders.

316 The Ministry and the Treasury recommend that the Programme Office have a transitional governance structure to oversee its operations and to drive its progress. We recommend that the key components of this governance structure include:

- a new Ministerial Advisory Group to advise on major strategic decisions and support Cabinet decision-making. Auckland Council representatives would be invited to attend these meetings as members.
- a Chief Executives Sponsoring Group, involving the Ministry of Transport, the Treasury, Auckland Council, Auckland Transport, the Ministry of Housing and Urban Development and Kāinga Ora. This group would be responsible for strategic oversight, sector alignment and ensuring that intended outcomes are achieved.
- a Programme Board, which is responsible for driving the programme forward, risk identification and management, and ensuring alignment and that respective agencies are contributing effectively to the programme. This is the 'workhorse' of the programme structure, and would be led by a second tier group of leaders. The membership of this Board will require further work, and may include the Infrastructure Commission amongst the parties listed above.
- the Secretary for Transport considering a purpose-specific DCE level role within the Ministry of Transport to act as the SRO (with a title like DCE for Delivery). The SRO will also need to have sufficient mana to lead a project of this nature, especially given their need to manage numerous stakeholder relationships, engage with Ministers and lead significant external engagement.
- a very experienced Programme Director. This person would need to quickly establish (or already have) constructive relationships in Auckland, and would need to have experience in leading business cases for major infrastructure projects, they would also need to work in a highly collaborative way. There are very few people in New Zealand with the required skills, and we anticipate that an international talent search is needed. With Ministers' agreement, this recruitment process should get underway as quickly as possible.

317 There is also the need for an external programme assurance role, to provide assurance to the SRO (and Ministers) that all aspects of the programme are on track.

Future work programme

269. The responsibilities and tasks of the Programme Office are set out in the following section. This summarises the initial steps required during the transition phase to set up an investment-ready project.

270. The key responsibilities of the Programme Office are set out overleaf.

Key responsibilities
Establishing partnering arrangements with the relevant stakeholder agencies and Iwi
Developing and implementing a communications plan including establishing a website, social media presence and delivering a public information campaign.
Developing and implementing an extensive programme of stakeholder and community engagement and Māori engagement and capturing engagement feedback in a management tool.
Building a team with the required capacity, expertise and relationships to undertake the required business case, policy and stakeholder engagement work.
Acting as the public face of the Project for the purposes of building social licence during the Transitional phase.
Gathering evidence to support the strategic decisions determining the final form and remit of the delivery entity, including its decision-making powers and relationships with partner agencies.
Managing development of the Project until the delivery entity is established.
Identifying the key policy decisions and legislative and regulatory changes required to progress the project under a public service delivery model.
Initiating work on land acquisition, urban development opportunities and consents, so that a design capable of achieving consents can be confirmed.
Developing a draft commercial structure for delivering the Project.
Producing a business case that meets requirements and can be refined by the delivery entity, and once the relevant decisions have been made assisting with the set up and commissioning of the delivery entity.

Relationships with partner agencies

271. Initially, the relationships between the Programme Office and partner agencies (including Auckland Transport, Auckland Council, Waka Kotahi, the Ministry of Housing and Urban Development and Kāinga Ora) will be set out in interim Memoranda of Understanding. These will facilitate high level working arrangements (e.g. commitments to collaborate, provide staff, and share information and costs) and allow the project to be taken forward. Negotiation of these agreements will be an early priority once approval to proceed is received.
272. In the longer term, the roles and responsibilities of stakeholder agencies during the establishment and delivery phases will be governed by Partnership Agreements, to be drawn up during 2021. These will require a process of consultation to agree and define clearly the objectives, governance structure, and the role of each agency in the Programme Office.

Staff and resourcing

273. A resourcing plan will be developed during November and December. This will set out the Programme Office's requirements for staff and skills, office space and co-

location arrangements, and other infrastructure. Secondment and staff sharing agreements will be developed.

274. The Programme Director role description is being drafted. The skills required for this role mean that there will be a limited number of appropriately qualified candidates.

Technical and policy work

275. Develop a prioritised list of the changes to the regulatory, policy and legislative environment necessary to enable the delivery of the project as defined by the work of the project scope workstream, as well as potentially facilitating the delivery of subsequent large scale infrastructure projects. This will build on the policy and legislative issues identified in Annex 4.
276. The requirements of the business case process are being developed jointly with the Treasury. This will include a programme of policy and technical analysis to support decision making.

Stakeholder engagement

277. Stakeholder engagement work will ideally commence ahead of key project scope decisions being made. Given the importance of achieving and maintaining social licence for the Project, and obtaining enthusiastic buy-in from partner agencies, it is important that the Programme Office holds the initiative in engaging with stakeholders. To achieve this, the suggested engagement work programme includes:
- commissioning quantitative and qualitative research into attitudes towards the project to establish a baseline for communications and engagement activity;
 - establishing the project's brand and visual identity to build social licence and clearly distinguish this project from others;
 - developing and implementing a comprehensive communications plan and a high impact public information campaign;
 - developing and implementing a comprehensive partner, stakeholder and community engagement plan, including the use of Place Managers to be the face of the project in communities. Develop and implement a comprehensive Māori engagement plan. The initial focus will be on ensuring Iwi understand how the project might impact Tāmaki Makaurau Auckland over the next thirty years and beyond, and identifying mana whenua aspirations and how these can be taken forward in the project.

Next steps

- 318 A budget for the transition phase is being developed in parallel with the resourcing plan. This will cover personnel, facilities, stakeholder engagement costs, external support and all other expenses, and we expect it to be covered by funding under section 9 of the NLTF, subject to approvals from the Ministers of Finance and Transport.
- 319 Our initial estimates, based on national and international examples, suggest that a [REDACTED] may be required for the Programme Office to undertake the business case, to lead stakeholder engagement, to support the policy work

programme, and to assist with the establishment of a Delivery entity. Key cost elements will be technical (design, planning, engineering, geo-technical) expertise which can only be sourced from the private sector. This is typical for projects of this scale and complexity.

- 320 A more detailed work programme will be developed during November 2020 and in accordance with decisions made by, and feedback on this report from, incoming Ministers. Your feedback will allow us to provide cost estimates for the Programme Office and its work and confirm our recommended funding source.

Funding the Programme Office

- 321 Significant level of funding will be required to support the Programme Office, namely:
- funding to establish it
 - ongoing operational funding, including resource for significant uplift in policy capability
 - ongoing funding to support governance and management of the unit.
- 322 We have considered several potential funding options to support the Programme Office, which are detailed in the table overleaf.

PROACTIVELY RELEASED

Table 4: Options for funding the Programme Office

Option	Comment
Baseline funding (status quo)	<p>The Ministry's baseline for 'policy advice' is approximately \$33.5 million per annum and the quantum required to support the Programme Office is likely to exceed this. Given it would not be feasible to reprioritise the Ministry's entire work programme, we do not recommend this option.</p>
Waka Kotahi funding	<p>The Ministry could seek funding assistance from Waka Kotahi through Section 95(1)(h) of the Land Transport Management Act (LTMA) 2003. Section 95(1)(h) allows Waka Kotahi to provide assistance to local and central government agencies (when requested by the Minister of Transport), only if the Minister and Waka Kotahi are satisfied that the performance of the functions and duties of Waka Kotahi will not be compromised.</p> <p>Given the likely scale of the funding sought, Waka Kotahi is likely to consider a request as creating a risk on it carrying out its statutory independent functions, in particular its role in determining which activities qualify for funding from the NLTF (e.g. Board may consider greater value for money can be achieved by allocating the funding to other activities). We do not recommend this option.</p>
Section 9(2)(c) LTMA (preferred option, subject to further detailed work on costings.)	<p>The Ministry could utilise the funding mechanism provided under Section 9(2)(c) of the LTMA. Section 9(2)(c) allows the Crown to utilise NLTF funds (up to an amount approved by the Ministers of Transport and Finance) to carry out investment policy activities that are carried out by the Ministry and relate to matters that could have significant impact on the NLTF.</p> <p>The Project will be the largest infrastructure project ever undertaken in New Zealand and is likely to draw on significant investment from the NLTF. Given the potential implications on the NLTF, we consider that there is a case for the Ministry to access NLTF funding through the Section 9(2)(c) mechanism to support the delivery of the Project.</p> <p>This will be the first time the Ministry will be seeking funding through the Section 9(2)(c). However, we consider that in principle, the Programme Office should be funded by the NLTF. This is because the Project is largely a transport project and development costs would generally be funded through the NLTF if delivered under status quo arrangements (i.e. if Waka Kotahi was leading the delivery of the Project).</p>
Crown funding	<p>We could seek funding through the Budget 2021 process but due to COVID-19 and the subsequent impacts of reducing Crown revenues and increasing expenditure, Budget 2021 is expected to be more constrained than in previous years. This fiscal outlook will mean that Budget 2021 will include difficult trade-offs and prioritisations, which will likely need to be reflected across the transport sector's funding requests.</p> <p>In addition, the Programme Office will need to be established before 1 July 2021, so funding through the Budget process would not be timely and therefore we do not recommend this option.</p>