

## Ministry of Transport: Aide Memoire

**To:** Hon Grant Robertson and Hon Phil Twyford

**From:** Siobhan Routledge, Director System Strategy and Investment

**Date:** 12 March 2020

**Subject:** **Auckland Light Rail – Governance of the Next Phase**

**OC Number:** **OC200235**

### **Purpose of this aide memoire**

1. As requested at the last Ministerial Oversight Group (Ministerial Group) meeting on Wednesday 26 February, this aide memoire outlines the proposed governance and delivery structure in anticipation of the transition to the Exclusive Negotiation Phase of the Auckland Light Rail City Centre to Mangere project (Project).
2. This note is for your information. We would welcome any feedback or questions.

### **The importance of Project governance and delivery structure**

3. High quality governance is critical to the successful delivery of the Auckland Light Rail project. This has been one of the lessons learned in other major infrastructure projects.
4. Project governance and delivery is different to organisation governance and delivery. On a cross agency project this distinction is even more important as the expected outcomes of the investment will require multiple agencies to agree a single position on many issues, some of which will be contentious.
5. It is vital that the project has a strong team who have respected capabilities to manage the Government's interests in leading and managing the project. This team will need:
  6. The support and direction of a strong governance structure, so that there are high levels of oversight and there is confidence that the options, trade-offs and priorities are considered objectively and fairly for New Zealand
  7. A project structure containing people with technical leadership (across a range of disciplines), negotiation skills, and the ability to work through the complex policy and system issues that will need to be delivered under time pressures that we anticipate will be challenging for both the work of agencies and the political process.

## Change in Project Scope as we move to the Exclusive Negotiation Period

8. The current governance and delivery structure has been focused on supporting out the structured commercial and policy processes necessary to provide advice to Cabinet, and on understanding the implications of the proposals. [REDACTED]

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9. The next stage of work to reach an Interim Project Agreement poses a wider range of challenges than previous major infrastructure projects. This reflects that a commercial process would normally follow after Cabinet agreement to the necessary policy and system choices, but for Auckland Light Rail this will happen in a way that is concurrent and highly connected. The project will have to navigate major policy, system and organisational changes to agree and deliver a light rail solution in Auckland.

10. The scope of the project's next phase includes:

- a. Negotiating an Interim Project Agreement, including mobilising and managing an extensive consultancy resource to assist the Ministry
- b. Managing the Crown's interests in mobilisation and any preparation for delivery, including early works
- c. Overseeing public and key stakeholder engagement on the project, with a focus on a coordinated approach that builds awareness and licence
- d. Delivering a major cross-agency policy programme, with broader implications for the transport and broader infrastructure systems and for future, major infrastructure projects
- e. Managing significant system change to the roles and responsibilities of Crown agencies and the way the system works through and around these
- f. Managing organisational change to the Ministry of Transport, potentially in partnership with partner agencies to establish a 'whole of system' capability that can support the project longer term.

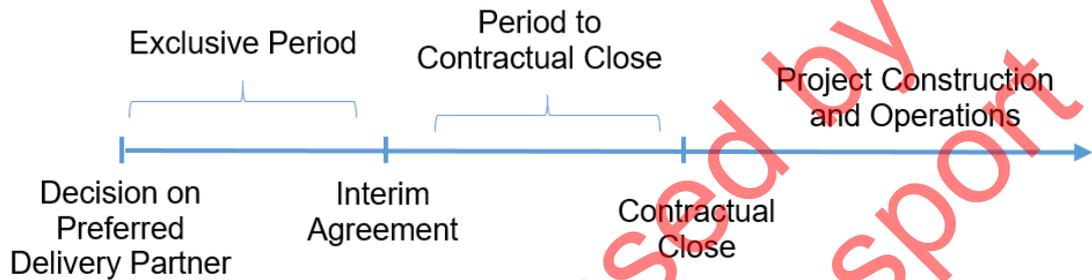
11. [REDACTED]

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### We are developing governance approaches for each option, for the next phase

12. The draft Cabinet paper recommends that once the Preferred Delivery Partner (PDP) is selected, the Ministry enter into an Exclusive Negotiation Phase with a view to reaching an interim agreement within about 6 months. The interim agreement will set out the terms for finalising the key elements of the project, including options, costs and Crown concessions and the process to reaching a final agreement within 12-18 months, at which point construction and delivery will commence (notwithstanding early mobilisation such as agreed works packages).

13. The challenge associated with the commercial process is significant but to an extent it is known. The need to concurrently manage policy, system and organisational change, many of these having wider Crown implications, is a new risk for a project of this size.
14. The Ministry is currently developing governance proposals for either a NZ Infra or NZTA decision, alongside a project structure that will carry out the negotiation process and connect with supporting policy and system work done in the agencies that are part of the project.



15. There is no single “catch all governance option” that covers both possible delivery partners, and there will be a short transition phase before moving into the governance and delivery structure for the Exclusive Negotiation Period. The transition needs to take place while the project is live.

16. [Redacted text]

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17. The Ministry is currently working with the firm Tregaskis Brown to establish appropriate structures for each option. Given the multi-disciplinary nature of the remaining process, the Secretary for Transport intends to bring together an advisory group of senior and experienced people to provide a sounding board for him on governance and related issues. This will include public sector CEs with experience of significant projects and others with commercial and infrastructure delivery experience.

18. A key feature of the governance bodies that are permanently established for the project will be independent people with experience in the delivery of complex infrastructure projects, and the catchment for this will be beyond New Zealand. It will also need to reflect Auckland interests.

**What will be covered**

19. The draft Cabinet paper recommends that the Ministry of Transport represents the Crown during the negotiations with the PDP and recommends that the Secretary for Transport is given delegated authority to negotiate the agreements on behalf of the Crown.
20. The Governance structure currently being developed by the Ministry and Tregaskis Brown could potentially focus around structures that include:

- a. A Ministerial Oversight Group to represent Cabinet's interests and assist the Lead Minister in determining whether issues need to be brought to Cabinet's attention.
  - b. A Chief Executives Sponsoring Group that includes those agencies with the most 'skin in the game' for the Project. It is reasonable to expect that this would include both Auckland Transport and Auckland Council.
  - c. A Project Board that provides governance of the programme's delivery, and includes the expertise required, likely to include senior people with experience in the delivery of light rail, rapid transit, and urban development projects.
  - d. A centralised project delivery structure that contains elements of delivery of the project that must be managed at the centre (such as the negotiating team).
21. Work underway will determine:
- a. The best overall governance model/s and structure/s for either option
  - b. How this must work at each level in order to be successful and ensure clarity of purpose, e.g. maintaining separation between governance and stakeholder management
  - c. Clear agency roles and responsibilities, and clear expectations
  - d. The capabilities (technical and otherwise) needed and where these should sit
  - e. Potential trade-offs between features of the arrangement – for example whether the structure should be “deep” or “shallow” and the extent to which it is a project or programme arrangement
  - f. How the governance will manage the interfaces between the governance layers and project delivery, and the different workstreams and agencies
  - g. Key governance artefacts (such as Terms of Reference, role descriptions, delegations) for the project
22. This will enable us to also identify other necessary elements, including potential candidates for key external roles, and clear protocols to ensure the process and the interface between governance and delivery are well managed.

### **Delivery of the Project**

23. The Ministry will work with partner agencies to finalise and establish a project structure. This will include a dedicated project team and a negotiating team. Features of this are likely to differ according to the proposal selected by Cabinet. Key issues include, for a project of this complexity, what needs to be delivered “in” versus “alongside” the project delivery structure, and how clear roles and responsibilities are created and managed.
24. The Ministry is also considering how the policy programme is sequenced in such a way that it manages to commercial and delivery timing constraints, while ensuring that it doesn't 'cut corners' leading to a need for later fixes. This is a key risk to manage given the demanding timeframes.

25. The project will have a number of key deliverables in the period leading up to an Interim Project Agreement. The work programme will indicatively include:

■ [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

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■ [Redacted]

[Redacted]

- Establish stakeholder and communications protocols and relationships – the Crown must play a key role with stakeholders prior to contract close,
- Develop and negotiate key policy and regulatory changes, reflecting political direction and inter-agency work

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[Redacted]

- Develop a more permanent structure for managing the project and commence implementation (and in particular recruitment)
- Establish the Crown's monitoring approach and capability needs.

*Making sure we have the right expertise*

26. The project structure will be established to ensure it is robust in managing the Crown's interests when compared to the other side and will be managed within budget agreed. This is one of the key lessons learned from overseas projects, and the Ministry has submitted a late Budget bid for this work.

27. The Ministry has taken the approach during the current phase of using senior and experienced public servants for public policy elements of the project, and senior and experienced commercial and delivery people for those elements, and deliberately leveraging these skillsets together at the centre. The approach and team are highly regarded by both respondents. As an example of the types of people engaged, Fiona Mules has led the commercial discussions while Sarah Sinclair of Minter Ellison Rudd Watts has led the legal discussions in the process to date. The international firm Mott MacDonald has supported the technical work.

28. We propose to continue this into the next phase, retaining continuity of personnel where possible and appropriate in light of the changing project requirements. We can provide detail of personnel on request as the structure is established.

### **Stakeholder buy in for proposed governance and delivery structure**

29. Strong relationships with partner agencies are critical to the success of this Project.
30. The Ministry will consult partner agencies on his proposed governance and delivery structure and the Chief Executive will report to Ministers on the approach he intends to take.

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the Ministry of Transport