

## City Centre to Māngere - late Budget initiative for next phase

<b>Reason for this briefing</b>	Cabinet will soon select the Government's Preferred Delivery Partner (PDP) for the City Centre to Māngere (CC2M) light rail project. Following this, the Ministry will lead a period of exclusive negotiation with the PDP and needs to be appropriately resourced to support this work.
<b>Action required</b>	Support the Ministry to progress with a late Budget initiative to support the next phase of the CC2M project.
<b>Deadline</b>	27 February 2020.
<b>Reason for deadline</b>	To enable the Ministry to submit the late Budget initiative to Treasury by the 28 February 2020 deadline.

### Contact for telephone discussion (if required)

Name	Position	Telephone	First contact
Bryn Gandy	Deputy Chief Executive, System Strategy and Investment	██████████	
Amelia East	Project Director – Auckland Light Rail	██████████	✓

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### MINISTER'S COMMENTS:

<b>Date:</b>	25 February 2020	<b>Briefing number:</b>	OC200122
<b>Attention:</b>	Hon Phil Twyford <b>Minister of Transport</b>	<b>Security level:</b>	In-Confidence

### Minister of Transport's office actions

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> <i>Noted</i>        | <input type="checkbox"/> <i>Seen</i>                 | <input type="checkbox"/> <i>Approved</i>            |
| <input type="checkbox"/> <i>Needs change</i> | <input type="checkbox"/> <i>Referred to</i>          |   |
| <input type="checkbox"/> <i>Withdrawn</i>    | <input type="checkbox"/> <i>Not seen by Minister</i> | <input type="checkbox"/> <i>Overtaken by events</i> |

## Purpose of report

1. This briefing:
  - 1.1. provides information on the next phase of the City Centre to Māngere (CC2M) light rail project, which involves a period of exclusive negotiation with the Preferred Delivery Partner (PDP)
  - 1.2. seeks your approval to lodge a late Budget initiative, for the remainder of the 2019/20 and the 2020/21 financial years, to support the Ministry of Transport (the Ministry) in delivering the next phase, for consideration in Budget 2020.

## Work to date

2. The Ministry is currently leading a process for assessing and advising on the PDP for the CC2M project. This involves engaging with the Respondents (Waka Kotahi the NZ Transport Agency and NZ Infra) throughout the development of their proposals, assessing the proposals against a Response Requirements Document, and preparing advice for Ministers.
3. To support this work, the NZTA has provided the Ministry with financial assistance of \$5 million for the 2019/20 financial year, utilising funds from the National Land Transport Fund (NLTF). This funding supported the Ministry in establishing a robust process for the development of the proposals, and in doing so, enables the Government to understand different delivery models for light rail.

## The Ministry needs to be appropriately resourced for the next phase

4. Following Cabinet's selection of the PDP, the Ministry will lead an exclusive negotiation process with the PDP to complete Interim and Final Project Agreements. For this next phase of work, the Ministry expects this to extend to the 2022/23 financial year and the Ministry would need to be resourced across this period. The CC2M project will be the largest and most complex infrastructure project ever undertaken in New Zealand and the scale of funding required to support its development will commensurate with the size of the risks and complexities being managed.

5. It will be important that the Ministry has the resources it needs, including access to the external support required to achieve public value and value for money. [REDACTED]

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6. We see four main cost drivers for the next phase:
  - 6.1. A strong team of experienced negotiators, applying commercial disciplines, to manage the discussions with the PDP
  - 6.2. Support from external expert legal, financial, commercial and technical advice
  - 6.3. Significant preparatory work to support project delivery, including preparatory work for land acquisition, consenting, and working through Treaty of Waitangi issues

6.4. Resourcing policy work to resolve both system-wide settings relevant to the CC2M project and other major brownfield transport developments, and to address specific matters raised by the PDP. The Ministry also anticipates that partner agencies will incur new costs from assisting with the CC2M project and should receive support on a case-by-case basis from the Ministry.

7. The first three of these activities will be the most costly, by a large margin, as they will require the use of external consultancies.

[Redacted]

8. [Redacted]

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9. [Redacted]

**We have explored a number of funding options**

*Baseline funding*

10. The Ministry's baseline for 'policy advice' is approximately \$33.5 million per annum and the quantum required (approximately [Redacted] per annum) to support the next phase of the CC2M project would consume a large portion of this baseline. This would not be a feasible option as it would entail a significant reprioritisation exercise in the Ministry's work programme, resulting in delays in delivering other Government transport priorities.

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[Redacted]

11. [Redacted]

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11.1. [Redacted]

11.2. [Redacted]

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11.3. [Redacted]

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12. [Redacted]

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13. [Redacted]

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**We recommend seeking funding through the Budget 2020 process**

14. The Ministry recommends a late Budget initiative, seeking funding through the Budget 2020 process to address the increased pressure on the Ministry to deliver on the next phase of the CC2M light rail project. The Budget initiative will consist of two components:

14.1. Ministry resourcing for the next phase of work [Redacted] for the current 2019/20 financial year and [Redacted] for the 2020/21 financial year)

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14.2. [Redacted]

15. [Redacted]. Funding sought through Budget 2020 would enable the Ministry to:

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15.1. mobilise for the next phase including setting up the project office and management functions

15.2. enable the Project Team to deliver the CC2M Project

15.3. appoint external consultants to provide technical, legal, commercial and financial advice to support the exclusive negotiations with the PDP

15.4. support other central government and partner agencies to undertake policy and commercial work required to enable the CC2M project

15.5. fund governance structure for the CC2M project

15.6. [Redacted]

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15.7. cover project office, travel, disbursements, and other costs required to deliver the CC2M project.

16. The Ministry considers that the scale of funding being sought through this initiative is small relative to the size of the risk being managed (including the scale of the CC2M project), but more importantly, this scale is appropriate considering the consequences should the risks not be managed well.

17. A completed draft Budget template has been attached for your information.

### Risks

18. [Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

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19. [Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

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20. [Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

### Next steps

21. The Treasury has informed the Ministry that late Budget initiatives need to be lodged with the Treasury (with approval of the Minister of Finance) by Friday 28 February 2020.

22. In addition to this late Budget initiative to support the CC2M project, you will receive separate briefings on progressing other late Budget initiatives for the Vote Transport portfolio (e.g. funding to support implementation of the New Zealand Upgrade Programme).

23. Should you agree with the Ministry's recommendation to progress with the late Budget initiatives, we will prepare a letter (capturing all Vote Transport late Budget initiative) for your signature.

## Recommendations

24. The recommendations are that you:

- (a) **note** the Ministry recommends progressing with a late Budget initiative to secure funding to enable the Ministry of Transport to deliver the next phase of work for the City Centre to Māngere (CC2M) light rail project
- (b) **support** the Ministry lodging a late Budget initiative for funding to deliver the next phase of work for the CC2M light rail project Yes/No
- (c) **note** the Ministry will prepare a letter to the Minister of Finance once you have confirmed your support for the Ministry to progress with the late Budget initiative.

Amelia East  
Project Director, Auckland Light Rail

**MINISTER'S SIGNATURE:**

**DATE:**

Proactively released by  
the Ministry of Transport