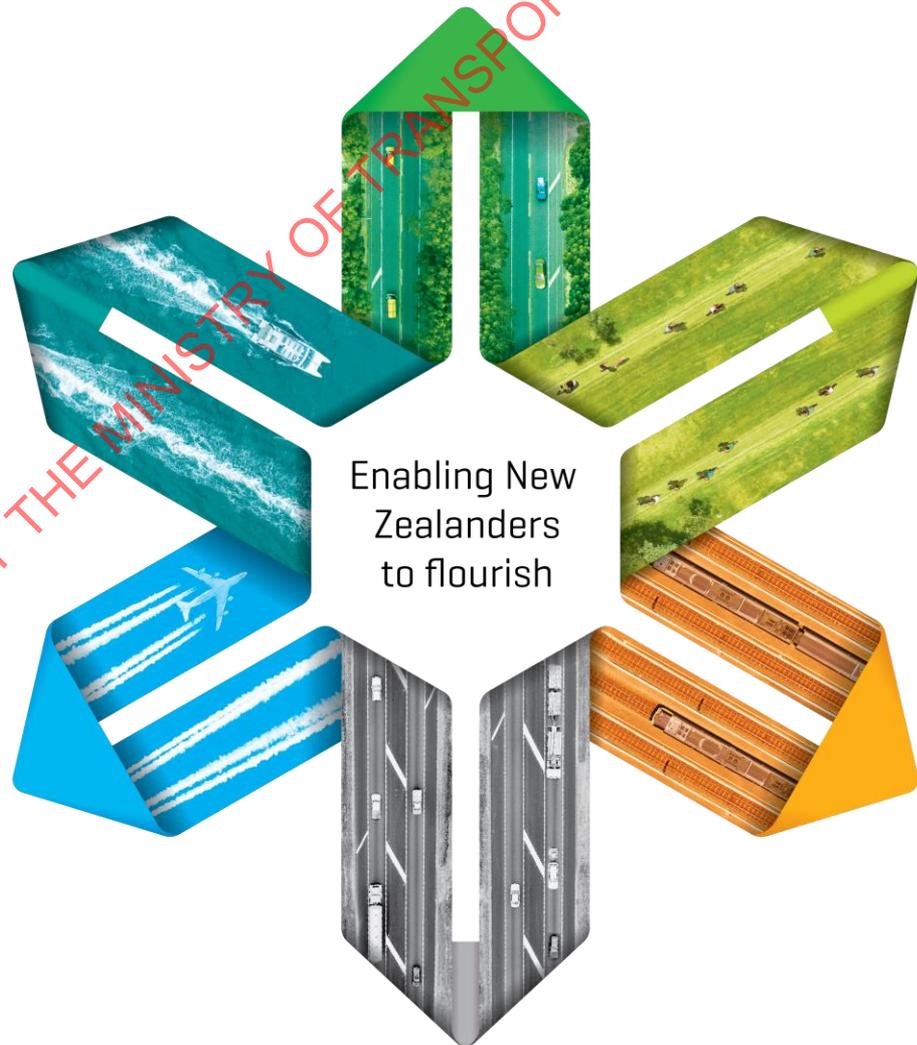


City Centre to Māngere: Project update Briefing to the Mayor of Auckland



26 November 2020

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Agenda



- ▶ Recap:
 - ▶ *Our task: preparing advice for the new Government*
 - ▶ *Workstreams*
- ▶ Our approach
- ▶ The macro story – what do Ministers need to be up for?
- ▶ Our assessment
- ▶ Governance and a Programme Office
- ▶ Next steps
- ▶ Discussion

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Recap: Our task



The Ministry of Transport (MoT) and Treasury were tasked with working collaboratively with ATAP partners, the MHUD and Kāinga Ora to develop advice to the new Government on the optimal arrangements for public service delivery of the city centre to Māngere Auckland Light Rail project.

The purpose of this advice is to:

- ▶ Develop and test options to identify optimal arrangements for public service delivery
- ▶ Describe the trade-offs, risks and implications of alternative options
- ▶ Outline an indicative programme of work following the election, identifying areas of policy work and decisions that will need to be taken by the new Government
- ▶ Reflect the context of ATAP and wider considerations, including consequences of Covid-19
- ▶ Propose a plan for partnering with iwi and stakeholder engagement

City Centre to Māngere (CC2M) Light Rail Outcomes

ATAP Expectations for the Airport-City Corridor

Alleviate current and forecast bus capacity constraints in the city centre. A substantial increase in public transport capacity and efficiency is required.

Improve access to growing employment areas, particularly at and around Auckland Airport.

Unlock significant growth potential along the corridor, especially around Māngere, Onehunga and Mt Roskill.

Provide an attractive and reliable "one seat journey" between the city centre and airport for travellers.

ATAP Future Rapid Transport Network



Outcomes Framework

Access and Integration

Improved access to opportunities through enhancing Auckland's Rapid Transit Network and integration with the current and future transport network.



40 %

Environment

Optimised environmental quality and embedded sustainable practices



15 %

Urban and Community

Enabling of quality integrated urban communities, especially around Māngere, Onehunga and Mt Roskill



30 %

Experience

A high quality service that is attractive to users and highly patronised



15 %

Improved access to the labour market, and employment areas

- Improved access to major and growing employment areas, especially the city centre and Auckland Airport precinct
- Improved travel times for key journeys

Improved access to education

- Improved access to student positions by public transport
- Increased public transport mode share for students in the corridor

Improved access to social and recreational opportunities

- Improved access to social and recreational facilities

Integrated with the current and future network

- Increased public transport patronage across the Auckland network
- Ease of transfer between the proposed light rail and other public transport services
- Alignment with planned investment in active modes of transport
- Responsiveness to and flexibility for network changes
- Increased public transport mode share at network level and in the corridor

Additional capacity and improved efficiency

- Alleviation of current and forecast bus capacity constraints in the city centre
- Increased corridor capacity and utilisation capacity
- Increased public transport patronage in the corridor
- Service frequency

Reduced greenhouse gases

- Reduced CO₂ emissions¹

Improved air quality

- Reduced harmful air pollutants¹

Improved water quality

- Improved quality of runoff into waterways¹

Protected and enhanced natural environment, including outstanding natural features and landscapes

- Enabled *kaitiaki* outcomes in the management of natural resources
- Positive impacts on the natural environment
- Maintained and improved ecosystems
- Protected physical and visual integrity of natural features and landscapes, including volcanic landscapes

Enabling of growth through intensification

- Potential for additional enabled capacity² within 500m and within 1km of a strategic station location
- Enabling the redevelopment of major public landholdings along the corridor within 500m and within 1km of a station

Strengthened quality of urban environment

- Positive visual impact of light rail infrastructure
- Facilitating transformation of areas around stations while building on local identity
- Incorporation of Te Aranga Māori design principles
- Delivery of quality, safe and active public spaces (including streets and any new public open spaces)

A reliable and resilient service

- Quality passenger experience
- Reliable service
- Operational resilience

Improved safety of travel in Auckland

- Safety features and standards

Access for people of all abilities

- Compliance with accessibility standards

¹ Mandatory requirements

² Additional capacity above the existing enabled capacity

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Recap: Workstreams



We established five main workstreams to deliver the advice. Each will consider options, trade-offs and potential solutions for delivering CC2M.

Our working approach reflects the interdependence of the workstreams. The advice includes proposals for a comprehensive stakeholder engagement and partnering programme.



Our approach

- ▶ Significant input from multiple agencies and other stakeholders
- ▶ High level assessment of key considerations based on agencies' expertise
- ▶ Drawing on extensive background material, including earlier business case analysis and the IP acquired from Waka Kotahi's from the Parallel Process
- ▶ Aimed to articulate the current 'state of play' across all workstreams, and identify the process needed going forward



Auckland Transport
An Auckland Council Organisation



Kāinga Ora
Homes and Communities

Auckland Council

Te Kaunihera o Tāmaki Makaurau



WAKA KOTAHI
NZ TRANSPORT
AGENCY



**MINISTRY OF HOUSING
AND URBAN DEVELOPMENT**

The macro story – what do Ministers need to be up for?



- ▶ The CC2M project is unprecedented in its scale and complexity
- ▶ It must provide an enduring transport solution for a growing Auckland and it will have a major role in shaping the city's urban fabric over the long term
- ▶ It is part of a network and it serves the communities along its corridor
- ▶ These raise strategic issues, which will require important trade-offs to be made:
 - ▶ *What sort of city shaping function should the solution serve – general intensification along the Corridor or growth focussed around a smaller number of higher density hubs?*
 - ▶ *What level of commitment can be given to delivering on the development opportunities unlocked by a scheme, and how affordable is this?*
 - ▶ *What level of capacity is required to meet forecast patronage across Auckland?*
 - ▶ *What level of complexity (scale, disruption, consenting, land take, utilities etc.) are Ministers and stakeholders prepared for?*

The macro story – what do Ministers need to be up for?



- ▶ To work through these choices, an optioneering approach is needed, through the first stage of a two stage business case process, due in early 2021
- ▶ 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 Ministers and stakeholders with a clear, robust basis for making investment decisions, and to ensure:
 - ▶ *Abortive costs are avoided*
 - ▶ *Stakeholders are aligned*
 - ▶ *The right solution is delivered*

The macro story – what do Ministers need to be up for?



- ▶ Central and local government have key interests and requirements for the project, and it will be important to reflect these in the governance of the project
- ▶ Certainty over the process, governance and timescales is essential early on
- ▶ We therefore need to:
 - ▶ *Confirm governance arrangements for the programme as a priority*
 - ▶ *Acquiring the necessary expertise to establish a Programme Office*
 - ▶ *Start planning with confidence, working to a clear programme with milestones*
 - ▶ *Give communities and Māori greater clarity on how and when they can influence the project*
 - ▶ *Take a coordinated approach to ensure that development opportunities are not lost*

The macro story – what do Ministers need to be up for?



- ▶ Given the unique demands of this project, a fit for purpose entity will be required for project delivery.
- ▶ It will need to be tightly focused on delivering the project's outcomes. The exact powers it will need (e.g. rating powers, land acquisition) will determine optimal entity form, and joint venture options with Auckland local government should be explored further.
- ▶ To ensure a clear basis for investment decisions, a Programme Office can be stood up quickly. With robust governance, buy-in and involvement of partner agencies (e.g. via seconded resources), and funding to bring in quality experts, it can then make concrete and visible progress rapidly following approval to proceed.
- ▶ Governance of this Programme Office should involve the key partners with skin in the game as well as any additional expertise required. This will evolve over time.
- ▶ The Unit will need clear TOR, clarity of outputs and accountability.
- ▶ It must have a defined work programme and milestones.

The macro story – what do Ministers need to be up for?

- ▶ 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.
- ▶ New revenue sources, such as value capture, should be pursued 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.



The macro story – what do Ministers need to be up for?

Development of CC2M will happen alongside changing legislative, regulatory, and institutional frameworks within which delivery can happen. This is a significant and challenging programme in its own right, and will require support from a number of agencies.

The key policy and legal issues requiring attention include:

- ▶ Land rights
- ▶ Consenting processes
- ▶ Utilities
- ▶ Governance
- ▶ Value capture mechanisms
- ▶ Iwi and community involvement
- ▶ Funding and financing
- ▶ Asset ownership
- ▶ System operation
- ▶ Rail regulation
- ▶ Urban development roles and partnerships



Some key messages we have heard

Ensure decisions reflect the strategic context for all agencies

- Committing to the scheme in the context of:
 - The implications of Covid-19
 - The priorities emerging through the ATAP refresh
 - The scale of the task and the wider reform agenda
- How the project contributes to agency priorities, especially planned developments along the corridor and across the city as a whole
- How best to develop the scheme in the spirit of transparency & openness, to build social licence

Be clear on the objectives and nature of the scheme

- Agreeing a solution that is right for the corridor as well as supporting long term aspirations for Auckland's Rapid Transit Network as it is extended to the North Shore and North West
- Have clear regard to:
 - the long term, multi-generational impacts
 - the asset life
 - operational and financial implications for the wider Auckland network
 - costs for partners (with funding & financing implications)

Clarify the city-shaping objectives

- There are critical questions to be addressed in relation to growth and development:
 - How does the solution support long term objectives for growth across Auckland overall
 - meet the current and projected needs of CC2M communities?
- Should a solution:
 - Maximise the potential of existing development opportunities?
 - OR enable a different pattern of growth than currently envisaged?

Clarify the central - local government relationship

- How best to establish a project that resolves central and local government accountabilities and long term interests
- Need to evolve governance across development, delivery and operational phases
- Establish a robust process for progressing discussions on funding and financing arrangements
- Reflect AT's operational role
- Take clear account of AT and AC's community consultation roles

Our overall assessment



Based on this input and work to date, a number of key points emerge for our work:

Scope and Project Certainty

- There are different views regarding the detailed form and function of the scheme
- There are multiple choices and trade-offs that need to be worked through as part of a structured business case process
- Agreeing the scope and providing certainty for the project is critically important to stakeholders, but there are risks to constraining options too soon

Social Licence

- The project currently has a low social licence which will add risk, time and cost to the delivery of the project if this is not addressed. Adopting a collaborative approach is critical to achieving this.
- A common understanding of the project and its benefits needs to be established as the foundation on which genuine engagement can be built
- Early engagement, before key decisions are made, will build social licence and result in better project outcomes

Programme Office & Delivery Entity

- Given the unprecedented scale and complexity of the project, a phased delivery structure is proposed.
- Set up a Programme Office and governance structure to oversee the next 18 months; this enables a subsequent transition to a delivery structure.
- The Programme Office will create momentum, and will need resourcing from partner agencies. Clear TOR and clarity of outputs will be needed to ensure governance is effective and collaborative.
- Three main delivery entity structures suggested for further development: new entity, Crown entity or Crown company, or a joint venture between central and local government (could involve Waka Kotahi on Crown's side).
- Auckland Council entities have expressed a strong preference for a joint venture, recognising the long term legacy impacts of the project and consequences for local government.

Our overall assessment



Funding and Finance

- The beneficiary pays principle provides a starting basis for identifying appropriate funding and financing arrangements – a variety of funding sources including Crown, NLTF, farebox, local government (to capture local/regional benefits) and private funding sources (to capture commercial/private business benefits)
- There may be merit for the delivery entity to source private financing (e.g. if there is genuine risk transfer) but this will come at a premium. Private financing will still count against total Crown debt and therefore does not free-up any Crown ‘allowance’
- The ability to service any financing arrangement will depend on central and local government’s appetite to implement value capture tools, including the use of local government rating tools. Value capture should be actively pursued, but a funding gap will remain.

Enabling policy settings

- There are significant policy, legislative and regulatory matters that need to be worked through
- The scope and sequencing of this will largely be determined alongside the work to confirm the scope of the project
- There is an opportunity to develop enduring policy settings to support other projects, but there are questions about the practicalities and level of ambition here – major framework reform may be challenging to achieve within the CC2M project timeframes

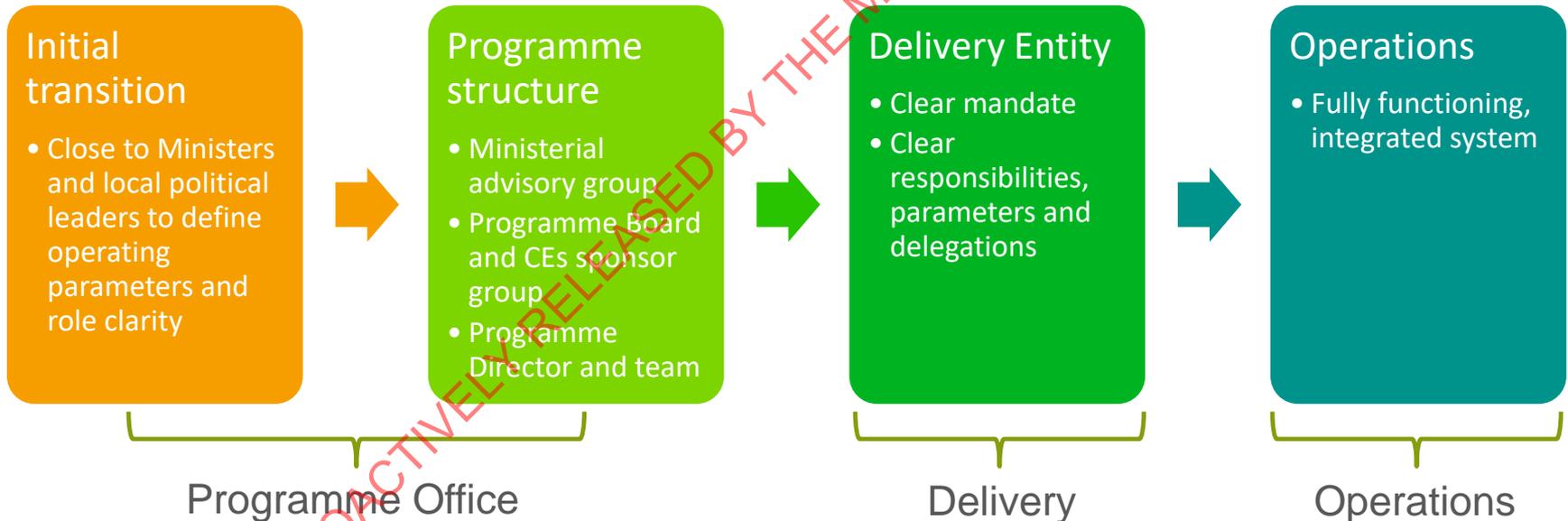
Strategic Partnerships

- The success of the project will rely on strong and enduring partnerships, clear governance and appropriate transparency
- Governance arrangements will need to evolve to reflect the difference stages of project development, delivery and operation



Delivering an investment ready project

- ▶ Collaboration and robust governance structures will be needed
- ▶ These will be based on a set of clear principles, evolving over time to remain fit for purpose as the project moves through different phases



The Programme Office



- ▶ Our advice is to set up a Programme Office to deliver an investment ready project
- ▶ Build capability and expertise, develop relationships – the visible face of the project
- ▶ Opportunity to transition that capability to the delivery entity when stood up, whatever form that entity ultimately takes

Why?

- To manage next phase while evidence is gathered and key policy, technical and financial decisions are made
- To establish the arrangements for partnering and capability sharing amongst key agencies
- To adopt an open and transparent approach and build social license

What will it do?

- Develop / obtain core capabilities to be transferred to the Delivery Entity
- Refine the case for the project, narrow its scope and develop its design and investment readiness
- Build social license by increasing community, mana whenua and stakeholder engagement

How will it be run?

- Governance at the political and agency levels
- Programme management structure
- Co-located with staff from multiple agencies – “one team” culture will be critical
- Governance will dovetail with the Delivery Entity

Next steps



- ▶ Advice submitted in mid November
- ▶ Decisions and instruction from Ministers are expected shortly afterwards
- ▶ Setting up a Programme Office to initiate the next phase Work Programme
- ▶ This Office will start work promptly, and to do so, recruitment and secondments will need to get underway soon
- ▶ The Programme Office's early tasks and outputs are described overleaf

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Next steps



Establish partnering arrangements



- ▶ Interim MoU's to enable early collaboration
- ▶ Governance structures and Terms of Reference
- ▶ Long term Partnership Agreements

Establish the PMO and work programme



- ▶ Identify & recruit Programme Director
- ▶ PMO and staffing setup
- ▶ Logistical /operating arrangements (inc working groups, core capabilities)
- ▶ Agree clear, time-bound outputs

Progressing the transitional work



- ▶ Analytical
- ▶ Technical
- ▶ Policy

- ▶ Progress can be made in the first two areas now
- ▶ This will establish a delivery capability and focus on the known priorities for CC2M

Discussion



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Thank you

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