

Title of Paper: Auckland Light Rapid Transit - Recommendation for Preferred Delivery Partner for the City Centre to Māngere Line and Next Steps

Ministry Contact: **Bryn Gandy, Project Sponsor / SRO**

Decision

1. Appoint a Preferred Delivery Partner for CC2M

Issues

- 2.
- 3.

Risks and potential media comment

4. There has been significant media interest in the selection of the preferred delivery partner. An announcement strategy is being developed, including the proactive release of information.
- 5.

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the Ministry of Transport

[Security classification – minimum of In Confidence required]

Office of the Minister of Transport

Cabinet Development and Economics Committee

Auckland Light Rapid Transit- Recommendation for Preferred Delivery Partner

Purpose of this Cabinet Paper

1. In May 2019 Cabinet endorsed the establishment of a parallel process whereby the City Centre to Māngere (CC2M) offerings by Waka Kotahi (NZTA) and NZ Infra could be compared [DEV-19-MIN-0141 refers]. Both parties agreed to respond to a common set of requirements so the relative merits of their Proposals could be assessed on a fair and equal basis.
2. This paper reports back on the findings of this parallel process and seeks Cabinet decision on the Preferred Delivery Partner (PDP) for CC2M.

Executive Summary

3. Auckland's transport and housing issues are well known, and there has been significant effort over many years to develop a comprehensive plan to address those issues. Successive governments have agreed that as Auckland becomes a city of international scale it needs a light rapid transit system.
4. In 2018, this Government brought this commitment forward to the current decade as part of the Auckland Transport Alignment Project (ATAP) programme. \$1.8 billion was made available as seed funding from the National Land Transport Fund (NLTF). [CAB-18-MIN-0169 refers].
5. The CC2M project represents the spine of a new light rapid transit network that will address transport congestion and allow Aucklanders to move freely around their expanding city. While this is its primary outcome, the line will also increase public transport capacity, unlock the potential for Auckland to grow and its inner city to intensify, and reduce transport emissions. CC2M is a priority project for Auckland from both a transport perspective and an urban development perspective.
6. With COVID-19, there is a strong case for projects that stimulate economic activity while building towards a future Auckland that meets our social and environmental objectives. CC2M is a truly inter-generational project. In the short-term it will provide jobs through the design phase and in the medium-term it is estimated to generate hundreds of jobs in construction of the rail system and the residential and commercial development that will be facilitated along the route. This is expected to begin in 2022 and will be an important component of the forward pipeline to provide our local construction industry

with certainty to encourage them to maintain staffing levels after the initial stimulus activity.

7. Over the longer-term, CC2M creates a lower emissions way to improve access to employment by connecting people to their places of work, such as the city centre and the airport business park. It is being designed as a fully integrated urban development and transport programme which means it will foster economic opportunities along the route and contribute to the sustainability of the economy in the long-term while also delivering social and environmental outcomes.
8. This investment is absolutely necessary. Not only will it have a stimulatory impact, but Auckland Transport advises that pre-COVID19 bus capacity on parts of the proposed route was already reaching its limits. The strategic direction for transport, including in Auckland, is to grow the mode share of public transport and active modes, as this is expected to deliver significant health, environmental and economic benefits. There is uncertainty about the rate at which patronage levels will return to pre-COVID19 levels and grow from there, but international experience shows this is likely a case of when, not if. While it is too soon to have evidence from other countries about patronage growth coming out of COVID-19, the evidence from countries that experienced the SARS epidemic is that patronage levels will return. It is well established that having suitable infrastructure and services is key to supporting patronage growth.
9. The Ministry of Transport has led a parallel process, whereby NZTA and NZ Infra have developed comprehensive Proposals for the CC2M project. These Proposals are centred on a clear set of project outcomes, and they have applied innovative thinking on how to achieve those outcomes.
10. Two credible Proposals have been received, and both parties have invested considerable time, money and effort into their Proposals. As a Government, it is important that we take the long view in making our decision on how to proceed. We need to think about both what is best for the project, and what we want our system to deliver. And we need to apply a good faith approach to our decision making.
11. In many respects the Proposals are similar: [REDACTED]
[REDACTED]. In short, they have prioritised a fast travel time as essential to providing an attractive service that connects where people live to where they work, study and socialise. An attractive service of this nature drives high patronage, allowing more people to move through the city with fewer vehicles.
12. Both have recognised the importance of an integrated transport system in Auckland, and have outlined ways of working with Auckland Transport and other partners. [REDACTED]
[REDACTED]
[REDACTED]

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[Redacted]

13. Finally, both have also revealed that regardless of who is the Preferred Delivery Partner, significant policy change will be needed to deliver this project and future brownfield light rapid transit developments. [Redacted]

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[Redacted]. This policy work will be undertaken in an integrated way so that it supports the further commercial process and also establishes an enduring set of arrangements for future light rapid transit projects.

14. [Redacted]

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15. [Redacted]

16. [Redacted]

17. [Redacted]

18. [Redacted]

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19. For the next stage of the project to be completed successfully, high levels of engagement will be needed from key partner agencies and in particular Auckland Council and Auckland Transport. Officials have advised me that it may be challenging for partners to devote the level of attention that is needed, especially in the next six months or so as the effects of COVID-19 continue to impact agencies' funding and operations.
20. Cabinet now needs to decide whether it will pick a Crown led, or a non Crown led Delivery Partner and make a strategic choice about who is best placed to deliver the Government's objectives for CC2M. These are real and significant choices, that will have flow on consequences across the transport and the wider infrastructure system, and I believe this process has provided us with the information to enable this significant decision to be made.

Background

21. A table summarising the history of the CC2M project is included in Appendix A.
22. In short, NZTA had been tasked by Government to deliver light rapid transit for Auckland and was working on a business case for the CC2M project when in April 2018 NZ Infra (a joint venture of the NZ Super Fund and the Canadian institutional investor CDPQ Infra) submitted an unsolicited proposal to the Government.
23. NZ Infra proposed a new approach to designing, financing, delivering and owning infrastructure, in which NZ Infra would, in effect, take on the NZTA's delivery role for the project. The NZ Infra Proposal was deemed sufficiently unique at that time to warrant further investigation.
24. The NZTA and NZ Infra approaches as they stood could not be compared as there was no common framework to measure them against.
25. In May 2019, Cabinet instructed the Ministry of Transport (the Ministry) to run a structured process to enable it consider the NZTA and NZ Infra delivery models in more depth, so that we could fully understand their strengths and weaknesses. Implicit in this assessment is to understand both how they'd deliver the project outcomes, along with the wider policy, system and commercial implications of the two models. NZTA and NZ Infra (the Respondents) were given a common set of requirements and outcomes so they could develop and submit two comparable proposals.
26. This structured process is not a procurement process. This process is foremost one of allowing us to determine the system, policy and commercial implications of Crown led vs non Crown led delivery models. Ultimately it will decide who the procurer will be. The delivery partner will then carry out its own market engagement and procurement, and be responsible for the construction, operation and maintenance of the service on behalf of the Crown.

The Process

Agree Key Outcomes

27. We agreed at Cabinet [DEV-19-MIN-0141 refers] that setting a clear set of project outcomes was important to ensure that we as a government, and our partners such as Auckland Council, had a shared understanding of what we collectively wanted the CC2M project to deliver.
28. The Key Outcomes¹ were developed in consultation with Auckland partners, and were agreed by me, in consultation with the Minister of Finance, Minister for the Environment, Minister for Infrastructure and the Associate Minister of Transport. These outcomes were:
 - 28.1. **Access and integration:** improved access to opportunities through enhancing Auckland's Rapid Transit Network and integration with Auckland's current and future transport network
 - 28.2. **Urban development:** enabling quality integrated urban communities, especially around Māngere, Onehunga and Mt Roskill
 - 28.3. **Environment:** optimised environmental quality and embedded sustainable practices
 - 28.4. **Experience:** a high quality service that is attractive to users, with high levels of patronage.
29. Access and Integration was weighted the heaviest (40%), then followed by Urban Development (30%) with both Environment and Experience receiving 15% each. This process meant we were extremely clear about what we were trying to achieve from CC2M.
30. By asking the Respondents to demonstrate how their solutions deliver on these agreed Key Outcomes, they have been able to apply innovative thinking on what Auckland needs now and into the future.

Response Requirements Document

31. On 31 July 2019, the Respondents were issued with a Response Requirements Document (RRD).
32. The RRD covered the Key Outcomes for the CC2M Project, the evaluation process and criteria, and the information that Respondents needed to include in their Proposals. Like the Key Outcomes, it was developed in collaboration with local and central government agencies and was signed off by the ALR Advisory Group² and endorsed by the Ministerial Oversight Group³.

¹ as defined in the RRD. More detail on the Outcomes is set out in Appendix B

² The ALR Advisory Group was established to provide support to the Secretary for Transport and comprised of Chief Executives and Deputy Chief Executives from the Treasury, MHUD, Kāinga Ora, NZTA, MfE, the Infrastructure Commission, SSC, Auckland Council and Auckland Transport.

³ The Ministerial Oversight Group comprised the Minister of Finance, Transport, Housing and Urban Development, Infrastructure, the Minister for the Environment and the Associate Minister of Transport (Hon Genter).

33. The RRD:
- 33.1. Did not specify what mode of transit must be used but asked the Respondents to propose one mass rapid transit solution;
 - 33.2. Asked them to centre every aspect of their proposal on the Key Outcomes for the project; and
 - 33.3. Required Respondents to answer response requirements to detail a route, technical details, funding and financing proposal including price, commercial terms, and an indicative plan for delivery.
34. Without a reference design to bid against, each Respondent had to present its view of the optimal solution and decide themselves on the trade-offs between price, risk and Key Outcomes.

Proposal development

35. While developing their Proposals the Respondents were able to engage with a range of key and potential partners and suppliers and to work with a lead team comprised of senior officials and advisors to test and develop their thinking. [REDACTED]

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Evaluation

36. Following receipt on 29 November 2019 of two Proposals, a structured evaluation process was undertaken that involved over 100 people from more than 16 local and central government agencies and expert advisory firms.
37. The evaluation was based on:
- 37.1. A qualitative (scored) evaluation against the Key Outcomes and response requirements by Subject Matter Evaluation teams (SMETs).
 - 37.2. Price, commercial terms and risk transfer, which when combined with the qualitative score, allowed value for money to be assessed. These were considered by the Overall Evaluation Team (OET)⁴.
38. The outcome of the exercise was a recommendation from the OET to the Secretary of Transport, alongside advice on the policy and system issues raised by the Proposals from the Ministry. Based on these, the Secretary of Transport formed a recommendation.
39. Further details on the evaluation process is set out in Appendix C.

⁴ The Overall Evaluation Team (OET) comprised the Lead Team plus two external members, [REDACTED]. The Lead Team included Fiona Mules (independent consultant), Sarah Sinclair (Chair of Minter Ellison Rudd Watts), the Project Director, and a senior official from the Ministry.

Withheld to protect the privacy of natural persons

Key agency involvement during the process

- 40. The ALR Advisory Group met during the Proposal development and evaluation phases to ensure the perspectives, system and public policy considerations of all agencies were considered.
- 41. The member agencies were the Ministry of Transport, Auckland Council, Auckland Transport, The Treasury, Ministry for the Environment, Ministry for Housing and Urban Development, KiwiRail, Kāinga Ora, and the State Services Commission. Once proposals were submitted, the Infrastructure Commission and NZTA (which has had a member who is segregated from its bid process) stood down.
- 42. Auckland Transport staff were involved in evaluating technical and service delivery aspects but did this in their capacity as transport experts and did not represent Auckland Transport's point of view. By agreement, Auckland Council, Auckland Transport Kāinga Ora and KiwiRail have not been consulted on the Cabinet paper and do not have details on the two Proposed solutions, commercial terms or estimated costs.

Quality assurance and probity

- 43. There has been Independent Quality Assurance of the process by two individuals independent of the project team and the Ministry. Audit NZ has provided probity audit services at each stage and Crown Law has provided advice.

The Content of the Proposals

- 44. Both Proposals contained the Respondents' preferred delivery model and solution. [REDACTED]

- 45. [REDACTED]

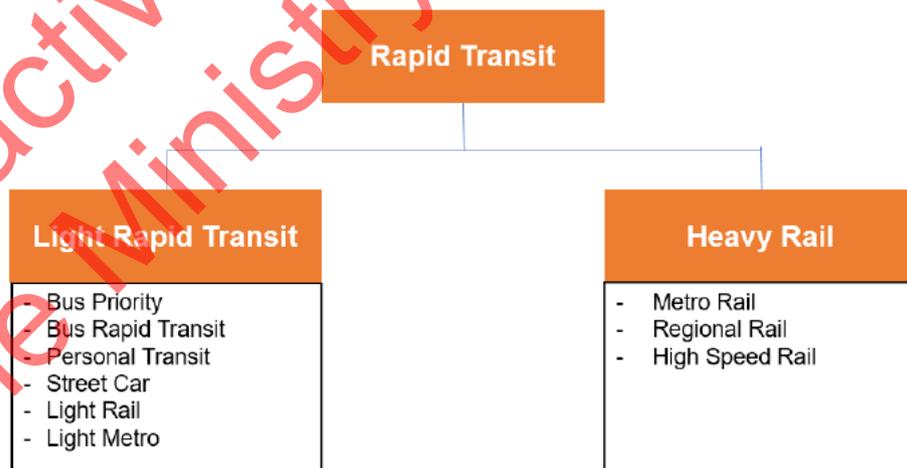
- 46. Both Proposals were of extremely high quality and show we have two credible Proposals to consider.

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What mode has been proposed?

- 47. It is worth remembering that a lot of work has already been done on establishing what the preferred mode for CC2M should be and I am not looking to revisit that issue here. For example, in early 2017 the boards of Auckland Transport and NZTA agreed that light rapid transit was the best long term mode as heavy rail was unable to address many of the issues. This built upon extensive investigation since 2010 into ways of improving transport to the Auckland city centre, isthmus, Māngere and Auckland Airport areas.
- 48. Saying that, considering that we had refreshed and refined the Key Outcomes for this process, I did not specify within the RRD what form of light rapid transit^[1] the CC2M Project should take and allowed the Respondents to explore all options. Rapid transit can take a number of forms, as evidenced by the diagram below.



49. [Redacted]

^[1] Please refer to Appendix F to an explanation on the different forms of light rapid transit.

[Redacted]

50. [Redacted]

51. [Redacted]

[Redacted]

52. [Redacted]

53. The differences in their solutions are points of detail and the Ministry intends to refine these with the Preferred Delivery Partner and other agencies in the next phase to ensure the optimal solution is agreed for CC2M. [Redacted]

53.1. [Redacted]

53.2. [Redacted]

53.3. [Redacted]

53.4. [Redacted]

53.5. [Redacted]

53.6. [Redacted]

54. The Crown will need to work through all elements of the Proposals to ensure the eventual solution meets the requirements of the Crown and Auckland. [Redacted]

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[Redacted]

- 55. I expect these issues will generate a lot of discussion as I acknowledge there has not been an opportunity to test these proposals beyond their technical feasibility.
- 56. I expect resolution on these issues will be assisted through open engagement including with the Crown, Auckland Council, community, stakeholders and mana whenua.
- 57. Ultimately, the Crown as the Client has the final decision as to what mode and route it wants. Yet, we do also need to acknowledge that each Respondent intends their Proposal to be as close to a deliverable solution as possible, prior to further Crown, Council, community, stakeholder and mana whenua engagement.

What policy issues were identified in the Proposals?

58. Officials advise that changes are needed to enable large, brownfield light rapid transit and urban development projects – regardless of which party is selected as the Preferred Delivery Partner. [Redacted]. The policy work will be valuable for other major public transport and urban development projects in the future.

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59. Resolving these issues will be an important feature of the next phases of the project, and a number of them will be significant negotiating points.

60. The issues to consider are:

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- 60.1. [Redacted];
- 60.2. [Redacted];
- 60.3. [Redacted];
- 60.4. [Redacted];
- 60.5. [Redacted];
- 60.6. [Redacted];
- 60.7. [Redacted];
- 60.8. [Redacted];
- 60.9. [Redacted].

61. [Redacted]

[Redacted]

62. [Redacted]

63. [Redacted]

64. [Redacted]

[Redacted]

65. [Redacted]

66. [Redacted]

67. [Redacted]

68. [Redacted]

69. [Redacted]

[Redacted]

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70. [Redacted]

71. [Redacted]

72. [Redacted]

73. [Redacted]

74. [Redacted]

[Redacted]

75. [Redacted]

76. [Redacted]

[Redacted]

77. [Redacted]

78. [Redacted]

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79. [Redacted]

[Redacted]

80. [Redacted]

81. [Redacted]

82. [Redacted]

83. [Redacted]

84. [Redacted]

[Redacted]

85. [Redacted]

86. [Redacted]

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87. [Redacted]

[Redacted]

88. [Redacted]

[Redacted]

89. [Redacted]

90. [Redacted]

91. [Redacted]

92. [Redacted]

[Redacted]

93. [Redacted]

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94. [Redacted]

95. [REDACTED]

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96. The NZ Infra and NZTA Proposals both present viable options for building light rapid transit in Auckland. To find a way forward, Cabinet now needs to consider what it values most and what trade-offs it is prepared to accept.

97. [REDACTED]

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97.1. [REDACTED];

97.2. [REDACTED];

97.3. [REDACTED];

97.4. [REDACTED];

97.5. [REDACTED];

97.6. [REDACTED];

98. I have also included the recommendation from the Secretary for Transport and attached to this paper the Overall Evaluation Team (OET) report (Appendix G) that sets out in detail the outcome of the formal evaluation.

99. Cabinet as part of this decision will also need to confirm that it is willing to consider the regulatory and policy changes that may be required. These will form part of the negotiation with the Preferred Delivery Partner, and there are 'policy risks' in working through these issues under the pressures that result from either proposal, [REDACTED]

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Risk Transfer

100. Light rapid transit projects have a poor track record of on-time and on-budget delivery. Around the world a variety of delivery models have been used for light rapid transit projects and there remains debate about the best way to allocate risk and structure effective governance.

101. [Redacted]

102. [Redacted]

102.1. [Redacted];

102.2. [Redacted];

102.3. [Redacted]

102.4. [Redacted]

102.5. [Redacted].

103. [Redacted]

104. [Redacted]

105. [Redacted]

106. [Redacted]

107. [Redacted]

5 [Redacted]

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108. [Redacted]

109. [Redacted]

[Redacted]

110. [Redacted]

111. [Redacted]

112. [Redacted]

113. [Redacted]

[Redacted]

114. [Redacted]

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115. [Redacted]

116. [Redacted]

117. [Redacted]

118. [Redacted]

119. [Redacted]

120. [Redacted]

Capability

121. Light rapid transit has never been delivered in New Zealand and there is therefore an extremely limited pool of local expertise in both the public and private sector.

122. [Redacted]

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[Redacted]

123.

[Redacted]

124. Not currently having this resource means Cabinet needs to be aware that there will have to be a period of mobilising

[Redacted]

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125.

[Redacted]

126.

[Redacted]

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127.

[Redacted]

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- 128. [Redacted]
- 129. [Redacted]
- 130. [Redacted]
- 131. [Redacted]
 - 131.1. [Redacted]
 - 131.2. [Redacted]
 - 131.3. [Redacted]
 - 131.4. [Redacted]
- 132. [Redacted]

Timing

133. Both Respondents proposed a two-stage process whereby an interim agreement is reached in 2020 and a final agreement is reached after detailed designs and costs are in place. [REDACTED]

134. [REDACTED]

135. [REDACTED]

136. [REDACTED]

137. The process to mobilise the next phase of CC2M is a cross-agency effort, involving both central and local government, and the Ministry of Transport has been designing a programme structure to coordinate this. COVID-19 means that the workload of relevant agencies has increased in 2020, and agencies are still working through the consequences of COVID-19 on their funding and operations. The full implications of COVID-19 may not be fully clear on agency priorities for several more months. Officials from the Ministry of Transport are engaging with these entities to clarify their capacity to engage. However, there is a risk that we have lower than desirable levels of engagement from our partners for a key part of the next phase.

The Secretary for Transport's Recommendation

138. As part of its work to establish the structured process for assessing the Proposals, the Ministry considered the forms of its advice to me. The Ministry established a comprehensive process, involving a detailed evaluation of the proposals along with consideration of the system and policy implications and incorporating feedback from key partners. This resulted in a recommendation from the Secretary for Transport to help inform and assist Cabinet decision-making and to provide clarity of the issues.

139. The Secretary for Transport has recommended that NZ Infra be appointed as the Preferred Delivery Partner.

140. [Redacted]

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140.1. [Redacted]

140.2. [Redacted]

140.3. [Redacted]

140.4. [Redacted]

140.5. [Redacted]

141. This was also as agreed by the OET, and a copy of their report is attached to this paper, noting that their recommendation was made subject to a number of conditions [Redacted]

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The Cabinet Decision

142. A decision so fundamental to the future success of Auckland deserves the thorough consideration we have given it. By taking the time to decide on the right delivery partner for the CC2M project, the Government is setting Auckland up for the future. A light rapid transit network will allow people to move around freely and businesses to flourish. Without it, the growth of New Zealand's largest city will be severely constrained.

143. CC2M is an intergenerational project with multiple stages. The initial 2-3 year period of planning, design and development will be challenging under either Proposal, and there are risks from taking significant policy decisions under project and commercial pressures. We will need to ensure the Crown and other agencies are well supported to carry out this work. But there are also opportunities from this work to improve our overall set of tools and frameworks for doing this bid development work in our cities.

144. Cabinet now needs to decide, based on the information presented, which of the two Respondents should be appointed as the Preferred Delivery Partner.

[Redacted]

Withheld as the information is commercially confidential and to protect the confidentiality of advice tendered by Ministers or officials

145. [Redacted]

146. [Redacted]

147. [Redacted]

[Large redacted block]

[Redacted]

148. [Redacted]

Withheld as the information is commercially confidential and to protect the confidentiality of advice tendered by Ministers or officials

149. [Redacted]

149.1. [Redacted]

Withheld as the information is commercially confidential and to protect the confidentiality of advice tendered by Ministers or officials

149.2. [REDACTED];

149.3. [REDACTED]
[REDACTED]
[REDACTED]

149.4. [REDACTED]
[REDACTED]
[REDACTED].

150. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].

151. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].

152. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].

Other Points of Consideration

Value for Money and Affordability

153. The Treasury's Better Business Case process is designed to ensure that the Crown makes informed decision on high risk and/or high value investment proposals to ensure that the investment is justified and there is a clear understanding of the benefits, risks and constraints of the project. The process was designed to ensure these questions could be answered and I am comfortable this process is consistent with conventional investment management approaches.

154. The ATAP provided the strategic assessment where both the Crown and Auckland Council agreed that the CC2M project was required to address Auckland transport issues. The subsequent process and detailed Proposals submitted by the two Respondents set out for the Crown the indicative assessment of the project. Once the Crown selects a Preferred Delivery Partner, it will develop the Proposals to ensure the final agreement represents value for money as a condition of reaching Contractual Close which will include a cost benefit analysis.

155. [Redacted]

156. [Redacted]

157. [Redacted]

Crown debt position

158. With COVID-19 the Crown has increased its debt level substantially and the Treasury is focusing increasingly on the Total Crown Debt measure. CC2M is a multi-billion dollar project and the Treasury advises that there is likely to be an impact on Total Crown Debt, regardless of which Respondent is selected.

159. [Redacted]

Next Steps

160. CC2M will be the largest ever project negotiated by the Government, which means the fiscal and political risks are significant and the Crown must be prepared for this undertaking.

161. Each Respondent has set out the solution and terms that best suit their delivery model. The next stage will refine the solution, verify that a deal can be done, and lead to a more certain price and cost. I expect the terms and parts

of the solution will change from the initial Proposal as these are engaged on more, and more openly.

162. The next steps are:

162.1. The agreed Memorandum of Understanding (MOU) between the Crown and the successful Respondent becomes effective. This sets out the process for the Exclusive Negotiation Phase and is effective upon signing by the Crown.

162.2. Cabinet delegate to a group of Ministers to work with officials on matters of high strategic significance. This group of Ministers would represent Cabinet's interests in this Project, meet on an as needed basis and determine which issues, if any, need to be brought to the attention of Cabinet.

162.3. Within 20 working days of confirming the MOU, we agree arrangements with the successful Respondent to explore mobilisation activities.

163. The further process with the Delivery Partner requires integrated management and negotiation of policy, system and commercial issues. This will involve multiple agencies but by its nature can only be led by a core government department. I am recommending that it is the Ministry that is the custodian of this Project and initially represents the Crown for the Project in these arrangements. It has delivered this phase on time, budget and scope and I believe is best placed to move this forward whilst we consider what the enduring structures are. This will be a significant programme and the Secretary for Transport is seeking expert assurance that the proposed governance and delivery arrangements are the right ones to set the Crown up for success.

164. [REDACTED]

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165. The project includes significant policy and system changes which will have to be negotiated between the agencies and with the Delivery Partner. This is likely to involve working with Auckland Council, Auckland Transport, The Treasury, Ministry for the Environment, Ministry for Housing and Urban Development, KiwiRail, Kāinga Ora, the State Services Commission, the Department of Internal Affairs, the Ministry of Business, Innovation and Employment, Te Arawhiti and Land Information New Zealand.

166. The agencies above are under increased pressure due to the COVID-19 response and recovery. The impact of this is that the policy programme may

6 [REDACTED]

move slower than originally anticipated and the agencies (including Auckland Council agencies) may require funding from the Crown to support their efforts. I will report back to you in the next fiscal year if it appears this risk is materialising.

[Redacted]

167. [Redacted]
[Redacted]

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167.1. [Redacted]
[Redacted]
[Redacted]
[Redacted]

167.2. [Redacted]
[Redacted]
[Redacted]
[Redacted]

167.3. [Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

167.4. [Redacted]
[Redacted]
[Redacted]
[Redacted]

Legislative Implications

168. This paper has legislative implications. We consider that changes to primary legislation would be required to facilitate CC2M and this may also require Project-specific enabling legislation. These decisions will need to be made by Cabinet in the future.

169. Regardless of the Preferred Delivery Partner, Cabinet also need to be fully prepared for the complex legislative and regulatory changes that may be required to facilitate the project.

Impact Analysis

Climate Implications of Policy Assessment

170. The Ministry for the Environment has been consulted and confirm that the Climate Implications of Policy Assessment (CIPA) requirements do not apply to this proposal as the threshold for significance is not met. The Ministry for the Environment will work with the Ministry of Transport to further assess the emission impacts, if appropriate, before final Cabinet decisions are taken.

Population Implications

171. There will be impact on the Auckland population should the CC2M project not proceed.

Human Rights

172. No implications noted.

Consultation

173. Prior to the drafting of this Cabinet paper, policy considerations were discussed with partner agencies including: Auckland Council, Auckland Transport, Kainga Ora, KiwiRail, Treasury, Ministry for Housing and Urban Development (MHUD), Ministry for the Environment (MfE) and State Services Commission.
174. The Ministry of Housing and Urban Development, the Ministry for the Environment, the State Services Commission, The Department of Prime Minister and Crown Law have been consulted on this Cabinet Paper and support its content.
175. The Ministry has also carried out targeted consultation with Kāinga Ora, KiwiRail, Auckland Council and Auckland Transport but they have not sighted the final recommendation.

176. [Redacted text block]

177. [Redacted text block]

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[REDACTED]

178. The Ministerial Oversight Group (comprising Hon Phil Twyford, Hon Grant Robertson, Hon David Parker, Hon Shane Jones, Hon Julie Anne Genter) has received briefing materials related to the drafting of this paper.

Communications

179. Publicity is planned and will be undertaken in conjunction with the Preferred Delivery Partner. The decisions taken are significant and they are expected to generate significant debate.
180. An agreement will be signed with the Preferred Delivery Partner that governs future communications on the proposals in this Cabinet paper.

Proactive Release

181. This paper is Commercial in Confidence and will be redacted when released.
182. This paper and the detail within it remains Commercial In Confidence and are part of sensitive negotiations. It is important that our preferred position on particular terms remains confidential. Officials will develop materials for public use.

Recommendations

The Minister for Transport recommends that the Committee:

Background

1. **Note** that Government has committed to delivering CC2M in Auckland [CAB-18-MIN-0169 refers]
2. **Note** that NZTA is the Government's lead agency for the Auckland light rapid transit project, in accordance with Cabinet's direction in May 2018 [CAB-MIN-18-0059 refers]
3. **Note** that an unsolicited proposal was received from NZ Infra for the financing, design, delivery, operation and ownership of light rapid transit in Auckland.
4. **Note** that ATAP allocates \$1.8 billion over 10 years to progress light rapid transit projects in Auckland. This was designed to provide seed funding to leverage alternative financing for the project.
5. **Note** that on 3 June 2019 Cabinet endorsed my proposal to undertake a parallel process to allow us to determine our preferred delivery model and partner for Auckland light rapid transit. [DEV-19-MIN-0141 refers]

Assessment of the proposals

6. **Note** that a structured process has been undertaken, and that both Proposals received were credible.

7. [Redacted]

Withheld as the information is commercially confidential and to protect the confidentiality of advice tendered by Ministers or officials

8. [Redacted]

9. [Redacted]

10. **Note** that the Secretary for Transport's recommendation is that NZ Infra be appointed as the Preferred Delivery Partner for the CC2M [Redacted]

Selecting a Preferred Delivery Partner

Either

11. **Agree** that NZ Infra be appointed as the Preferred Delivery Partner for the CC2M.

12. [Redacted]

13. [Redacted]

14. [Redacted]

15. [Redacted]

16. [Redacted]

17. [Redacted]

18. [Redacted]

Withheld as the information is commercially confidential and to protect the confidentiality of advice tendered by Ministers or officials

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Or

19. **Agree** that NZTA be appointed as the Preferred Delivery Partner for the CC2M.

20. [Redacted]

21. [Redacted]

22. [Redacted]

23. [Redacted]

Common issues for progressing project negotiations with either NZ Infra or NZTA

24. **Agree** that the Ministry of Transport should represent the Crown for CC2M for this phase and set up appropriate cross-agency programme structures and governance structures to achieve this mandate.

25. **Note** that the role of the Crown is likely to be different depending on whether discussions are with NZ Infra or NZTA and these will need to be established as part of the next phase.

26. **Direct** the Minister of Transport, on behalf of the Crown, to execute the Memorandum of Understanding that commits the Preferred Delivery Partner to their Proposal and terms for the Exclusive Negotiation Phase.

27. **Agree** to establish a Ministerial Group consisting of the [Ministers] and delegate to them the ability to represent Cabinet's interest in this Project. Matters of high strategic importance, or beyond the authority of the Secretary of Transport, will be discussed at this group and it will determine which matters, not otherwise identified in this paper, need to be brought to the attention of Cabinet.

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28. **Note** that the terms of reference of the Ministerial Group will be agreed as part of the Ministry's governance structures for the Project.
29. **Agree** that the Government's overarching negotiating requirement is to achieve the Key Outcomes and public value including value for money.
30. **Note** that Cabinet agreement will be required for changes to policy and legislation.
31. **Note** that the Ministry of Transport will work with the Preferred Delivery Partner on arrangements to commence engagement with communities, stakeholders and mana whenua.
32. **Note** that the Ministry of Transport will work with the Preferred Delivery Partner on mobilisation activities during the Exclusive Negotiation Phase.
33. **Note** that the Preferred Delivery Partner will engage publicly and extensively on its Proposals and I expect elements of it to be tested and refined further through this process and by officials.

Policy work programme to support the negotiations

34. **Note** that the project has significant policy and system implications, and these cannot be separated from the commercial elements of the project.
35. **Note** that the Proposals process has revealed that New Zealand's existing legislative regime is not well suited for light rapid transit brownfields projects, and that the further policy work should be developed so that it meets the needs of this project while also meeting the needs of future light rapid transit projects.

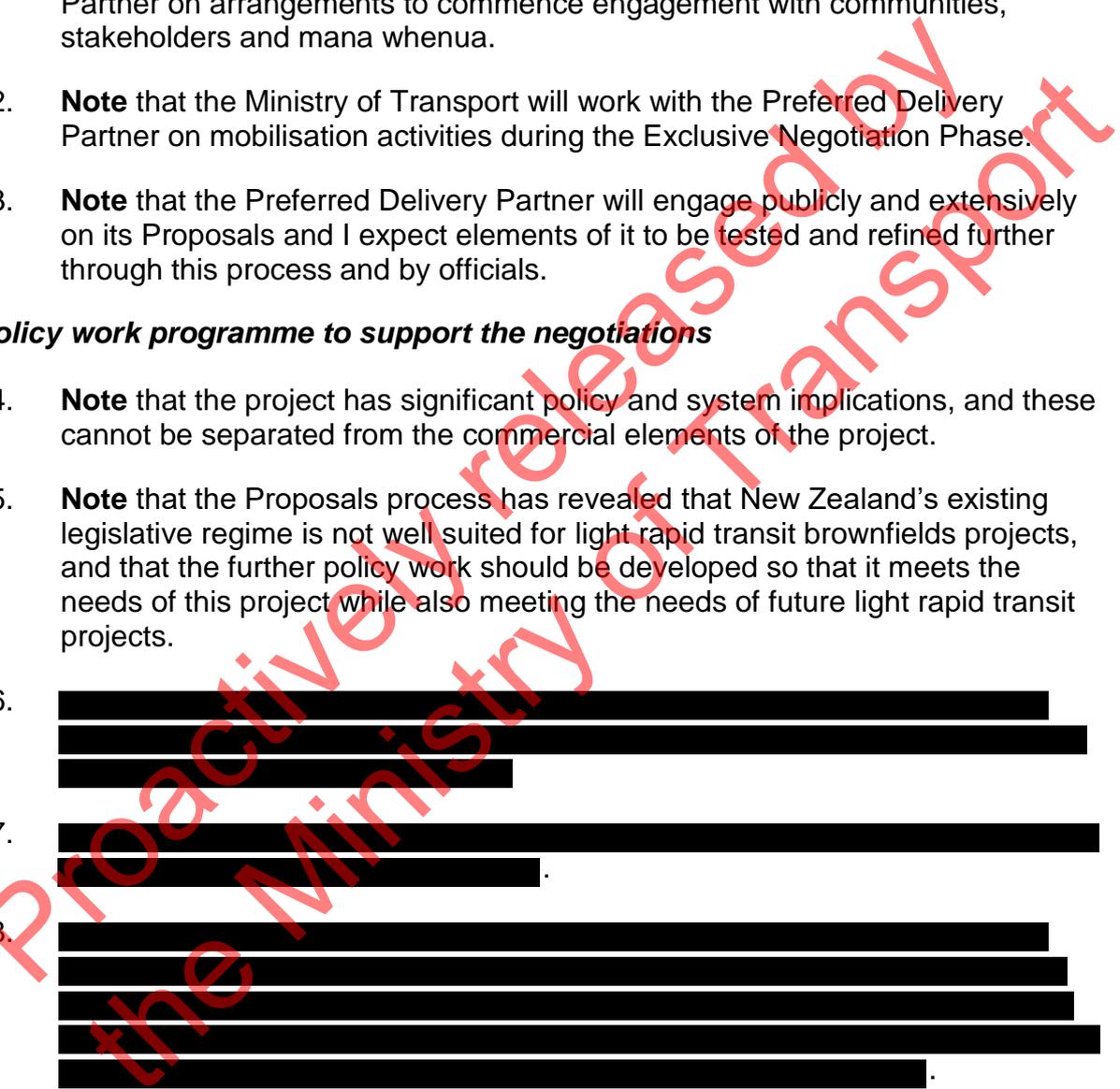
36. [Redacted]

37. [Redacted]

38. [Redacted]

39. [Redacted]

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Withheld as the information is commercially confidential and to protect the confidentiality of advice tendered by Ministers or officials

40. [Redacted]

41. [Redacted]

42. [Redacted]

43. **Agree** that the Ministry of Transport will work with lead agencies on any other policy proposals in respect of the project, and will involve and consult Auckland Council and Auckland Transport on all proposals that impact them.

44. **Note** that the Ministry will report back to Cabinet on these.

[Redacted]

Commercially confidential

45. [Redacted]

Financial recommendations

Withheld to protect the confidentiality of advice tendered by Ministers or officials

[Redacted]
46. [Redacted]

47. [Redacted]

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48. [Redacted]

Withheld as the information is commercially confidential and to protect the confidentiality of advice tendered by Ministers or officials

a. [Redacted]

b. [Redacted]

Withheld as the information is commercially confidential and to protect the confidentiality of advice tendered by Ministers or officials

c. [Redacted]

49. [Redacted]

50. [Redacted]

Withheld to protect the confidentiality of advice tendered by Ministers or officials

51. [Redacted]

52. [Redacted]

[Large redacted block]

53. [Redacted]

Withheld as the information is commercially confidential and to protect the confidentiality of advice tendered by Ministers or officials

54. [Redacted]

55. [Redacted]

Communication Recommendation

56. **Note** that a comprehensive communications plan will be developed to support our announcement of the next steps for light rapid transit in Auckland.

Authorised for lodgement

Hon Phil Twyford

Minister for Transport

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the Ministry of Transport

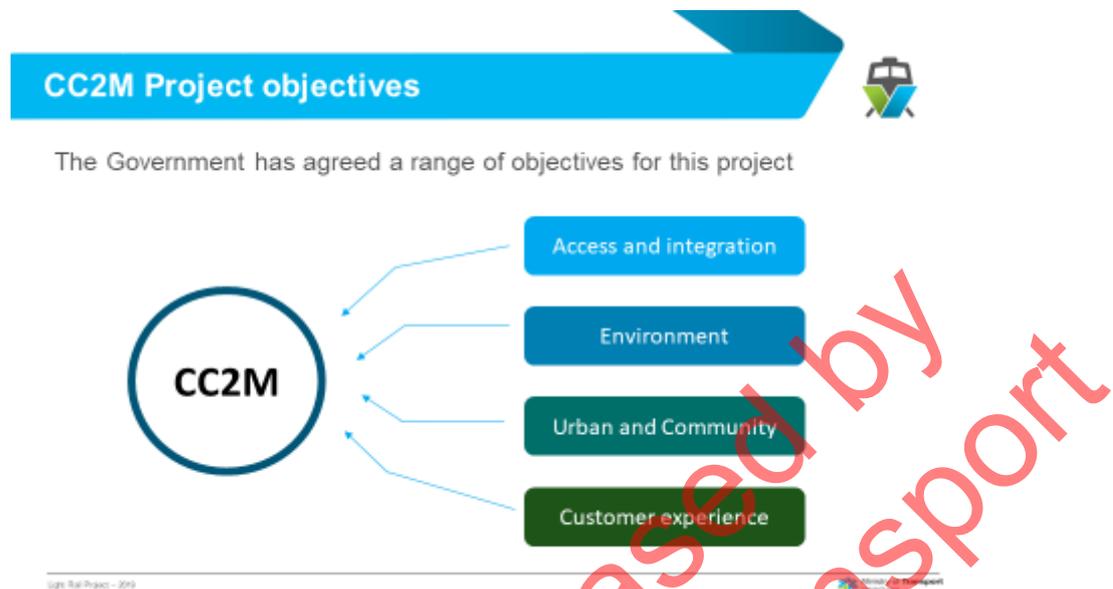
Appendix A: Timeline for Auckland Light Rapid Transit

Time period	Key actions / decisions
August 2015 – August 2017	<p>The previous Government and Auckland Council agreed to work together on the Auckland Transport Alignment Project (ATAP). The project was originally completed in 2016 (ATAP 1), and updated in 2017 to reflect faster growth (ATAP 2).</p> <p>ATAP 1 (completed 2016) and ATAP 2 (completed August 2017): Airport to City via the isthmus (now known as City Centre to Māngere) was identified as a future strategic public transport corridor. ATAP 2 brought the project forward into the first decade for accelerated investment for completion – mode and detailed timing to be determined through business case process.</p> <p>In February/March 2017, the boards of AT and NZTA agreed to:</p> <ul style="list-style-type: none"> - progress route protection and undertake further work on a proposed “staged transition” from bus to light rail along the preferred airport to city route - progress a business plan for route protection to future proof options for both advanced bus and light rail.
24 October 2017	Confidence and supply agreement confirmed between the Labour Party and the Green Party that committed to work beginning on light rail from the city to the airport in Auckland
8 November 2017	Speech from the throne confirming the Government would place more emphasis on public transport and light rail
Late 2017 to April 2018	In late 2017 the new Government requested an update to ATAP (ATAP 3) to take into account the four critical transport challenges identified in ATAP 1 and give effect to the Government’s intentions for its transport priorities to shape Auckland’s urban form and development.
April 2018	<p>ATAP 3 (completed April 2018):</p> <p>Confirmed light rail on the city to Airport and northwest corridors, committing an initial investment of \$1.8 billion to leverage further funding under the ‘rapid transit’ investment area of the GPS.</p> <p>Cabinet agreed to a revised ATAP indicative package, including how a rapid transit network (including heavy rail, light rail and buses) may develop over the next decade. [CAB-18-MIN-0169 refers]</p>
April 2018	NZ Super Fund submits an unsolicited proposal to Government signalling their interest in financing and operating light rapid transit in Auckland, along with its Canadian partner CDPQ.
2 May 2018	<p>Cabinet:</p> <ul style="list-style-type: none"> • agrees the centre city to airport light rapid transit be prioritised and delivered on accelerated schedule • agrees that NZTA will lead development of the single stage business case • notes that an unsolicited proposal has been received from NZSF • agrees NZTA, with Treasury and MOT, to establish a process to engage with a range of potential partners, and report back on potential procurement options, including partnership opportunities. [DEV-18-MIN-0059 refers].
July 2018	NZTA commences market engagement. NZ Super Fund and CDPQ submit a proposal to NZTA.

<p>November and December 2018</p> <p>Withheld to protect the confidentiality of advice tendered by Ministers or officials</p>	<p>NZTA completes an assessment of the NZSF proposal against the Government's unsolicited proposals guidance. [REDACTED].</p> <p>NZSF/CDPQ submit supplementary information and a more detailed proposal.</p>
<p>December 2018</p>	<p>Minister of Transport meets with NZSF/CDPQ to discuss their proposal. Minister directs the Ministry of Transport and the Treasury to provide further advice on the merits of this proposal and the NZ Infra proposal.</p>
<p>17 December 2018</p>	<p>Minister of Transport takes an oral item to Cabinet informing his colleagues of the work he has directed officials to undertake.</p>
<p>Late January 2019</p>	<p>Officials from the Ministry of Transport and Treasury visit Canada to meet the CDPQ and Canadian Government officials, and parties who have experience working with the CDPQ. NZSF representative attends for the CDPQ meetings.</p>
<p>Mid February 2019</p>	<p>NZTA informs market of the further work and that market engagement will pause while the further assessment of NZ Infra is underway.</p>
<p>22 February 2019</p>	<p>Presentation given to ATAP CEs regarding the NZ Infra bid, the NZTA option and the potential options for deciding a way forward.</p>
<p>4 March 2019</p>	<p>Formal discussion with Minister Twyford on Canadian visit by Ministry of Transport, Treasury and consultants.</p>
<p>27 April 2019</p>	<p>Minister Twyford agrees the approach to develop the Key Outcomes for the CC2M project</p>
<p>29 May 2019</p>	<p>Cabinet Paper "Progressing our plans to deliver light rail in Auckland" lodged.</p> <p>Cabinet:</p> <ul style="list-style-type: none"> • noted that NZTA has undertaken substantial work to date and wished to review and enhance the current business case • noted that the government received an unsolicited proposal from NZ Infra to finance, design, deliver, operate and own light rapid transit in Auckland • noted that there is a funding shortfall under both proposals and funding of \$1.8billion has been allocated under the NLTF • directed officials to provide advice to the Minister of Finance and Minister of Transport on long term funding models for the project • noted that officials are undertaking work to confirm the outcomes for the CC2M route for Ministerial endorsement in due course • agreed that the Ministry of Transport will undertake a parallel process of between four and six months to progress both proposals • invited the Minister of Transport to report back to DEV in February 2020 with the findings of this process • agreed to establish a group of core Ministers to provide direction to officials over the next four to six months • agreed that funding would be required to run the parallel process • noted that a comprehensive communications plan would be developed to support the announcement of the next steps for

30 May – 20 June 2019	Development of Key Outcomes for CC2M with key Auckland stakeholders. Agreement that value for money would be part of the overall consideration and evaluation framework.
21 June 2019	ALR Advisory Group endorses the Key Outcomes framework for recommendation to the Ministerial Oversight Group
9 July – 22 July 2019	RRD consulted and drafted with Project Team and Auckland Stakeholders
23 July 2019	Endorsement of Key Outcomes received from Ministerial Oversight Group with notes and feedback received. These were taken into account in the finalization of the Response Requirements Document (RRD).
30 July 2019	RRD finalized and provided to the Ministerial Oversight Group
31 July 2019	RRD issued to Respondents
9 August 2019	Respondents confirm their participation in the Parallel process
14 August 2019	Final RRD copied to the ALR Advisory Group
22 August 2019	Announcement by Minister Twyford to confirm that a Parallel process had begun and would be managed by the Ministry of Transport.
5 August – 29 November 2019	Bid Development and Interactive engagement process
29 November 2019	Proposals received from both Respondents and compliance checks completed
2 December 2019 – 23 January 2020	Evaluation process conducted by the Ministry of Transport with involvement from 16 organisations including key stakeholders
24 January 2020	Overall Evaluation report provided to Secretary for Transport. Evaluation process of Proposals officially concludes.
27 and 28 January 2020	Partner Agency meetings to discuss Evaluation process and next steps. Consultation materials provided to provide overview of
29 January 2020	ALR Advisory Group meeting. Consultation materials provided in advance for feedback to be discussed at the meeting. Central government representatives were also provided with the Overall Evaluation Report including financial information and the recommendation for Preferred Delivery Partner.
30 January 2020	Secretary of Transport advises of recommendation for Preferred Delivery Partner
3 February 2020	Agency consultation on the draft Cabinet Paper
7 February 2020	Secretary for Transport provided Overall Evaluation Report to Minister of Transport
10 and 11 February 2020	Coalition meetings proceed and Cabinet paper drafted by Ministry of Transport
TBC	Final Cabinet paper provided to Minister of Transport for cross-party consultation
TBC	Cabinet paper lodged for consideration by DEV

Appendix B: The Key Outcomes



Key Outcomes

1.1 The Preferred Delivery Partner needed to show how it would meet the Key Outcomes of the Project, set out in further detail below. These Key Outcomes are integral to delivering public value (including value for money) and securing broader outcomes for Auckland.

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

1.2 The CC2M Project must improve access to labour markets, education and social activities. Improved commute times and reliability of journeys increase the size of the labour pool that can be drawn upon, thereby enhancing productivity over time. Good access to education also contributes to productivity and quality access to jobs, education and social activities generally improves people's quality of life.

1.3 The CC2M Project should maximise the potential to realise economic benefits from existing and expected concentrations of economic activity in the city centre, the airport precinct and along the corridor.

1.4 The CC2M Project is part of building out Auckland's Rapid Transit Network (the RTN). For the Project to improve access for Aucklanders it must integrate with Auckland's current and future public transport network, and active transport modes. In this way, it will drive greater access to opportunities for those communities in the corridor and beyond.

1.5 Over the next decade, public transport use in Auckland is projected to grow strongly, increasing the already significant pressure on bus services. Alleviating bus capacity constraints in the city centre is essential to the effective functioning

of Auckland's transport network and the CC2M Project plays a critical role in this.

- 1.6 Proposals for the CC2M Project need to demonstrate improved access to the labour market, employment areas, education and social and recreational opportunities including:
- 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 student positions by public transport;
 - Increased public transport mode share for students in the corridor; and
 - Improved access to social and recreational facilities.
- 1.7 Proposals for the CC2M Project need to demonstrate integration with the current and future transport network including:
- Increased public transport patronage across the Auckland network;
 - Ease of transfer between the proposed light rapid transit and other public transport services;
 - Alignment with planned investment in active modes of transport;
 - Responsiveness to and flexibility for network changes; and
 - Increased public transport mode share at network level and in the corridor.
- 1.8 Proposals for the CC2M Project need to demonstrate provision of additional capacity and improved efficiency of the network including:
- Alleviation of current and forecast bus capacity constraints in the city centre;
 - Increased corridor capacity and utilisation of capacity;
 - Increased public transport patronage in the corridor; and
 - Increased service frequency.

Environment: *Optimised environmental quality and embedded sustainable practices.*

- 1.9 Continued population growth and urban development are likely to increase the severity and intensity of pressure on Auckland's natural environment. The long lived nature of transport infrastructure necessitates a sustainable approach. This requires environmental impacts to be minimised both during construction and in operation. Opportunities should also be identified to protect and enhance the natural environment where possible.
- 1.10 The CC2M Project will be part of Auckland's low-emissions and low-carbon future. This requires embedding long-term climate change considerations into planning decisions and infrastructure design and delivery.
- 1.11 Proposals for the CC2M Project need to show how natural environmental outcomes will be optimised and sustainable practices embedded including:
- Reduced CO² emissions;
 - Reduced harmful air pollutants;
 - Improved quality of run-off into waterways;
 - Enabled kaitiakitanga outcomes in the management of natural resources;
 - Positive impacts on the natural environment;
 - Maintained and improved ecosystems; and

- Protected physical and visual integrity of natural features and landscapes, including volcanic landscapes.

Urban and Community: *Enabling quality integrated urban communities, especially around Māngere, Onehunga and Mt Roskill.*

- 1.12 The CC2M Project is approximately 23 kilometres in length from the city centre through to Auckland Airport. It passes through a wide variety of environments and incorporates diverse communities.
- 1.13 Light rapid transit shapes urban form and the CC2M Project is expected to enable high density development along the corridor and support good amenity and liveability for communities particularly in centres and around stations. Good connectivity to the light rapid transit line is expected to promote more pedestrian-oriented communities that are less car dependent.
- 1.14 The number of people living, working and travelling within the CC2M corridor is expected to grow significantly over the next 30 years with significant housing and business development capacity enabled by the Auckland Unitary Plan. In addition to the City Centre, Wynyard Quarter, Dominion Road, Mt Roskill, Onehunga and Māngere (in particular) are expected to undergo a significant amount of housing and business growth.
- 1.15 The CC2M corridor contains substantial areas of publicly owned land for which the Government has housing redevelopment plans. The CC2M Project is considered to be one of the keys to unlocking this potential development.
- 1.16 To maximise the benefits of the CC2M Project, it is essential that the transport solution is fully integrated with land use planning and urban development.
- 1.17 Proposals for the CC2M Project need to identify how the Project will enable quality integrated urban communities including:
- Potential for additional enabled capacity within 500m and within 1km of a strategic station location;
 - Positive visual impact of the light rapid transit infrastructure;
 - Facilitating transformation of areas around stations while building on local identity;
 - Incorporation of Te Aranga Māori design principles; and
 - Delivery of quality, safe and active public spaces (including streets and any new public spaces).

Experience: *A high quality service that is attractive to users, with high levels of patronage.*

- 1.18 There are a number of factors that will contribute to the quality of the CC2M Project customer experience and therefore drive its greater use, contributing to overall public transport mode share. Factors include convenience, timeliness, frequency, accessibility, information services and overall customer service.
- 1.19 Safety is also a critical component of the experience, including a feeling of safety along the route, in stations, in vehicles and around access to the stations.
- 1.20 Proposals for the CC2M Project need to demonstrate how a high quality, attractive service with high levels of patronage will be enabled including:
- Quality passenger experience;

- Reliable service;
- Operational resilience;
- Safety features and standards; and
- Compliance with applicable accessibility standards.

Public Policy Considerations

1.21 The Ministry also acknowledged that it would need to take a long term view of the Project's contribution to New Zealand's transport system. The key issues included, but were not limited to:

- The Government's views on the partnership approach that can be achieved with both Respondents and its confidence in how the different partners would perform in operating a key transport asset over the long term.
- The Government's preferred approach to funding and financing large scale multi-generational transport projects.
- The nature and duration of any commercial or operational arrangements or legislative and regulatory changes sought by a Respondent and understanding any potential flow-on consequences.
- The impact of a Respondent's Proposal on the development of an integrated transport system that meets Auckland's needs now and over the long term.

The nature and allocation of the risks and responsibilities presented by the two Proposals and any consequential impacts for the Government.

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Appendix C: Summary of the Evaluation Process

- 1.1 The Ministry developed a structured evaluation process that would require the two Respondents to submit detailed Proposals on how they would deliver CC2M and the benefits of their proposed approaches. A Response Requirements Document ('RRD') was drafted that covered the Key Outcomes for the CC2M, the evaluation process and criteria, and the information that Respondents needed to include in their Proposals. There have been few outcome-based processes in New Zealand, so the Ministry needed to design a process that would allow the proposed solutions to be evaluated through an outcome lens and also allow consideration of the practical implications of each solution (e.g. deliverability, system impacts etc.). The Key Outcomes and the RRD were developed in collaboration with local and central government agencies and were signed off by the Advisory Group and the Ministerial Oversight Group.
- 1.2 The RRD was issued to the two Respondents on 31 July 2019. Both Respondents accepted the terms of the RRD and agreed to participate in the process. Since then the Ministry has:
 - Run an interactive process with the Respondents to clarify their understanding of the RRD.
 - Received the two Proposals (on 29 November 2019) and evaluated them in a three step process, as set out in the RRD and in adherence to the probity protocols.
 - Identified potential policy and system implications in the Proposals to assist with agency consultation.

These activities are all set out in more detail below.

Interactive Engagement Process

- 1.3 The Ministry offered each Respondent eight interactive sessions ('IEP meetings') and used a format similar to that used in major government procurements. The Respondents set the agenda for each session and asked questions to clarify their understanding of the RRD. The Ministry was represented by the Project Sponsor, Project Director, its commercial advisor and its legal advisor. The Ministry's technical advisor was also present for relevant agenda items and the Probity Auditor attended all IEP meetings.
- 1.4 It was important that the Ministry team did not give an advantage to one Respondent over another. They had to be careful that they only provided answers to clarify the government's position and did not guide the discussions, comment whether a solution was good, or suggest solutions. Any new information was formally issued to both Respondents through a Notice To Respondents ('NTR') to ensure a fair process. Respondents were also able to submit Clarification Questions ('CQs') if they wished to receive the Ministry's response in writing rather than verbally. These were either answered directly to the Respondent or, if relevant to both Respondents, were responded to through an NTR.
- 1.5 During the IEP meetings, the Respondents were required to submit three early deliverables that were reviewed by the Ministry team:

- (i) draft commercial terms sheet;
- (ii) indicative route alignment; and
- (iii) overview of legislative or regulatory amendments required to deliver the Project.

1.6 In parallel with this process, the Respondents were developing their Proposals. They were allowed to engage suppliers and interact with local and central government agencies to gather information to support their Proposals, however this was restricted to a structured process to ensure one Respondent was not advantaged over another. All the relevant agencies agreed to probity protocols and each engagement had to be logged. Similar to the IEP meetings, the agencies were not there to suggest solutions but provide factual information on the implications of the draft solutions. The Respondents were also not permitted to engage actively with the market during this period.

Evaluation Process

1.7 The RRD was the guiding document for the evaluation process. It set out the evaluation principles, weighted evaluation criteria and a three step process for evaluation. Alongside this, the Ministry developed three internal documents to support the evaluation: an Evaluation Plan, a Logistics and Process Plan and a Probity Plan. All evaluation personnel were required to attend training and sign probity declarations prior to receiving access to any sensitive materials. There were over 100 people that received training from across local and central government and advisors.

1.8 The Evaluation Plan set out the detail on how the Proposals would be evaluated. It was developed and managed by the Ministry's evaluation team who are specialists in fair and robust evaluation. In line with the RRD, the evaluation ran as follows:

- Step 1: Compliance check
- Step 2: Evaluation of Response Requirements
- Step 3: Evaluation by the Overall Evaluation Team ('OET')

Step 1

1.9 The Proposals were received on 29 November 2019 and a compliance check was conducted. Each Respondent submitted a Response Requirements Proposal and a Pricing Proposal. The Ministry checked each page of the Response Requirements Proposals to ensure they did not inadvertently include price information.

1.10 Three secure evaluation sites were established in Auckland and Wellington and a virtual data room (VDR) was launched. Only evaluation personnel (i.e. those that had completed the training and signed their probity declarations) could access the evaluation sites and the VDR. The Proposals could only be read in the evaluation sites, including if using the VDR, and all communications and notes had to be through the VDR. The details of these arrangements were in the Logistics and Process Plan.

Step 2

1.11 The Ministry established Subject Matter Expert Teams (SMETs) and due diligence teams to review and assess the Proposals in detail. There was a

SMET for each of the five evaluation criteria (refer to table at the end of this section for further detail on the evaluation criteria):

- Commercial and Financial (20%)
 - Technical Solution (25%)
 - Service Delivery (20%)
 - Iwi and Stakeholder Engagement (15%)
 - Key Outcomes Narrative (20%)
- 1.12 The SMETs had four to six members each from across local government, central government and the private sector. Members were selected based on their personal experience and knowledge, rather than as a representative of their agency. Each SMET member reviewed the relevant sections of the Response Requirements Proposals and individually scored their evaluation criteria. They then came together as a SMET and moderated their scores into a single agreed score.
- 1.13 Scoring occurred against weighted sub-criteria and the Key Outcomes. The Evaluation Plan provided guidance on scoring, including an indicative scale for “deficient”, “meets” and exceeds”. There was no minimum score required for any of the sub-criteria or Key Outcomes.
- 1.14 The Key Outcomes were integral in the evaluation process. It was the responsibility of each Respondent to demonstrate how their proposed solutions contributed to the Key Outcomes and the SMETs had to take the Key Outcomes into account in their scoring. The scoring of contributions to outcomes was supported by a set of generic attributes focusing on the level of evidence provided by the Respondents on how they intended to meet the required outcomes and the size and direction of the outcomes anticipated.
- The Key Outcomes Narrative SMET scored their criterion purely on the four Key Outcomes i.e. they did not have any sub-criteria
 - The Technical Solution, Service Delivery and Iwi and Stakeholder Engagement SMETs scored their criteria on sub-criteria (66% weighting) and the contribution to the Key Outcomes (33% weighting).
 - The Commercial and Financial SMET scored their criterion on sub-criteria only because the commercial and financial solutions were seen as enablers of all the Key Outcomes. The SMET provided commentary on the extent that Respondents had linked their solutions to the Key Outcomes.
- 1.15 The Probity Auditor was invited to all the moderation meetings. The SMET members were not permitted to influence each others scoring and therefore there were communication protocols.
- 1.16 SMETs were able to access to defined list of external individuals (‘Experts’) to ask specific questions to inform their assessments.
- 1.17 Each SMET produced a SMET Report that set out their final moderated scores and the strengths and weaknesses of each Respondent against each sub-criteria and Key Outcome. These were sent to the OET.
- 1.18 In parallel with the SMET process, there were three due diligence teams that assessed the Proposals and developed reports for the OET and/or the Secretary for Transport: legal, policy and price. These were not scored but instead provided information to inform the OET evaluation.

- 1.19 The legal due diligence team were external advisors who reviewed the proposed commercial terms sheets, risk allocation and other components of the Proposals. They provided a report on the key commercial risks and the potential legislative and regulatory changes that would be required to deliver the proposed solutions. The policy due diligence team read the Proposals and attended SMET meetings to identify areas that could potentially have a policy or system implication. They produced a short summary table to inform the OET evaluation but focussed their effort on the Policy Process outlined below. The price due diligence team were ring-fenced from the rest of the evaluation personnel and analysed the Pricing Proposals, including the financial models. They produced reports to summarise the outputs of the models and identify risks in the Pricing Proposals.

Step 3

- 1.20 The role of the OET was to provide a recommendation to the Secretary for Transport that would help inform the advice to Cabinet on the Preferred Delivery Partner for CC2M. The RRD set out the factors it needed to consider when forming its recommendation and focussed the OET's efforts on the Key Outcomes, the evaluation criteria and public value.
- 1.21 The RRD required the composition of the OET to reflect the diverse skillset required to make a fully considered recommendation to the Secretary for Transport and, with that in mind, the Project Director selected six OET members who covered the following skills and experience.
- Major infrastructure planning and delivery
 - Commercial structures, procurement and financing for major infrastructure projects
 - New Zealand legal system, particularly in relation to infrastructure delivery
 - Rail and transport
 - Public policy
 - Auckland local government
 - New Zealand central government.
- 1.22 The OET included four members who had led the IEPs on behalf of the Ministry and two independent members. They had access to the full Proposals, the Clarification Questions, and were provided with the following reports from 10 January 2020:
- Five SMET Reports that set out the strengths and weaknesses for each Respondent against the sub-criteria and Key Outcomes, the scoring, risks and considerations for the next phase. These were accompanied by a short summary report that added the scores together into a total score and highlighted key themes.
 - Legal Due Diligence reports that assessed the commercial term sheets submitted by Respondents and identified potential legislative and regulatory impacts of the Proposals.
 - Policy Key Issues summary that identified the elements of the Proposals that would impact current policy settings. The policy issues were either common to both Respondents or were only relevant for a specific Respondent.

- Probity Report from the Probity Auditor that commented on the RRD process to date
 - Pricing Reports that summarised the Pricing Proposals, presented scenario analysis, identified risks and commented on the potential implications for the Crown. The Pricing Proposals and Pricing Reports were released to the OET after it had considered non-price elements.
- 1.23 The OET considered all the materials and formed a view on which Respondent's Proposal would best achieve public value and deliver the Key Outcomes. It did this through meetings which were chaired by the Project Director, where all six OET members discussed the strengths and weaknesses of the two Proposals, the differences between Proposals, the rationale for the scoring decisions, risks and issues, and specific areas for negotiation with each Respondent.
- 1.24 While SMETs evaluated specific elements of the Proposals (for example, only the Technical Solution), the OET brought all elements together and overlaid these with the legal, policy, deliverability and price considerations.
- 1.25 On 24 January 2020, the OET submitted its OET Report, including its recommendation, to the Secretary for Transport.

Policy Process

- 1.26 The RRD allowed for wider policy considerations to be taken into account when forming the decision on the Preferred Delivery Partner. It set out areas that were of particular interest from a public policy perspective and provided scope for the Government to identify further areas as they arose through the process.
- 1.27 The Ministry identified a policy lead and policy team dedicated to CC2M. Their role was to work with the relevant agencies across local government and central government to identify potential policy and system implications that may not be highlighted sufficiently through the evaluation process.
- 1.28 This process began before the Proposals were received. The policy team engaged with central and local government agencies represented each agency that was represented in the Auckland Light Rail Advisory Group, developed a table of potential policy and system issues and began identifying the potential implications for each agency and the system as a whole. This table, customised to each agency's core interests, was shared with the relevant agencies.
- 1.29 The policy team had access to the evaluation sites and the Response Requirements Proposals (it did not see the Pricing Proposals). They reviewed the Proposals and issued written questions to Experts in central and local government to support them to understand the technical policy or legislative elements of the impact of specific solutions that had been proposed by Respondents. The team also attended the SMET moderation meetings (in a listening capacity only) to provide assurance that they had identified the significant points in the Proposals.
- 1.30 After reviewing the Proposals, the policy team developed updated notes on policy and system issues and shared the relevant sections with each agency. The focus of this exercise was to provide agencies an opportunity to consider whether the Ministry had identified the issues that might arise from the specific

Proposals, and to identify other important issues from each agency's perspective. This process occurred over 2 December to 20 December 2020.

- 1.31 The team incorporated feedback from agencies and developed an OET Summary Table (submitted to the OET on the 13 January 2020) and a Policy and System Issues paper (that was submitted to the Secretary for Transport on 24 January 2020), to be read alongside the OET Report.

No	Description	Weighting
1	<p>Commercial and Financial</p> <ul style="list-style-type: none"> - Commercial Response - Financial Response - Partnership Response <p>The Ministry will be assessing the extent to which the Respondent's Proposal provides clarity on :</p> <ul style="list-style-type: none"> - Its intended commercial, financial and partnership arrangements (including proposed commercial terms and risk allocation); - How the Key Outcomes have informed these arrangements; and - How these arrangements will support and enhance public value and deliverability of the Project. 	20%
2	<p>Technical Solution</p> <ul style="list-style-type: none"> - Technical Solution Response - Sustainability, Environment and Property Response <p>The Ministry will be assessing the extent to which the Respondent's Proposal provides clarity on :</p> <ul style="list-style-type: none"> - Its intended Technical and Sustainability, Environmental and Property responses; - How the Key Outcomes have informed these responses; and - How these responses will support and enhance public value and deliverability of the Project. 	25%
3	<p>Service Delivery</p> <ul style="list-style-type: none"> - Service Delivery Response - Lifecycle and Asset Management Response - Whole of Life Response <p>The Ministry will be assessing the extent to which the Respondent's Proposal provides clarity on :</p> <ul style="list-style-type: none"> - Its intended Service Delivery, Lifecycle and Asset Management and Whole of Life responses; - How the Key Outcomes have informed these responses; and - How these responses will support and enhance public value and deliverability of the Project. 	20%
4	<p>Iwi and Stakeholder Engagement</p> <ul style="list-style-type: none"> - Māori Engagement Response - Community & Stakeholder Response 	15%

No	Description	Weighting
	<p>The Ministry will be assessing the extent to which the Respondent's Proposal provides clarity on :</p> <ul style="list-style-type: none"> - Its intended Māori Engagement and Community and Stakeholder responses; - How the Key Outcomes have informed these responses; and - How these responses will support and enhance public value and deliverability of the Project. 	
5	<p>Key Outcomes Narrative</p> <ul style="list-style-type: none"> - Access and Integration 40% - Environment 15% - Urban and Community 30% - Experience 15% <p>The Ministry will be assessing the extent to which the Respondent's Proposal provides clarity on how the Key Outcomes will be delivered. While the Ministry anticipates each component of the Evaluation Criteria will incorporate the Key Outcomes, Respondents must also provide clarity regarding their holistic view of the Key Outcomes and how they propose to meet them.</p>	20%

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Appendices D to G are withheld in full as the information is commercially confidential and to protect the confidentiality of advice tendered by Ministers or officials

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