

Chair
Cabinet Development Committee

PROGRESSING OUR PLANS TO DELIVER LIGHT RAIL IN AUCKLAND

Proposal

1. On 17 December 2018 I took an oral item to Cabinet to inform my colleagues of the work that I commissioned from the Ministry of Transport and The Treasury on options for proceeding with the delivery, funding and ownership of light rail in Auckland. Since that time I have considered the advice of those agencies, and have conducted further discussions with coalition and support parties. This has enabled me to outline a preferred way forward that is designed to provide a clear direction for our next steps.

2. Cabinet's agreement is sought to a work programme, involving further development of the New Zealand Transport Agency' business case and the NZ Infra proposal over the next 4 – 6 months. [REDACTED]

Executive summary

3. The Government is committed to delivering a modern rapid transit network for Auckland, including heavy rail, light rail, and buses. Our work as a partner in the Auckland Transport Alignment Project (ATAP) has confirmed that light rail is a necessary and transformative investment in a city that is facing unprecedented population growth.

4. ATAP Chief Executives continue to reinforce that delivering a rapid transit solution, in the next decade, is a pressing priority for Auckland.

5. The New Zealand Transport Agency (NZTA) is the lead agency for delivering light rail, as agreed by Cabinet in May 2018. NZTA has been developing a business case for the city centre to Mangere (CC2M) project based on a clear set of parameters outlined by Ministers. The NZTA's design solution is based on work completed through the ATAP process, and it proposes a street level, dedicated right of way solution. This business case has been designed particularly to foster urban regeneration along the Mangere to city centre corridor, and to provide mass transit connections between these two employment centres and the communities along the corridor.

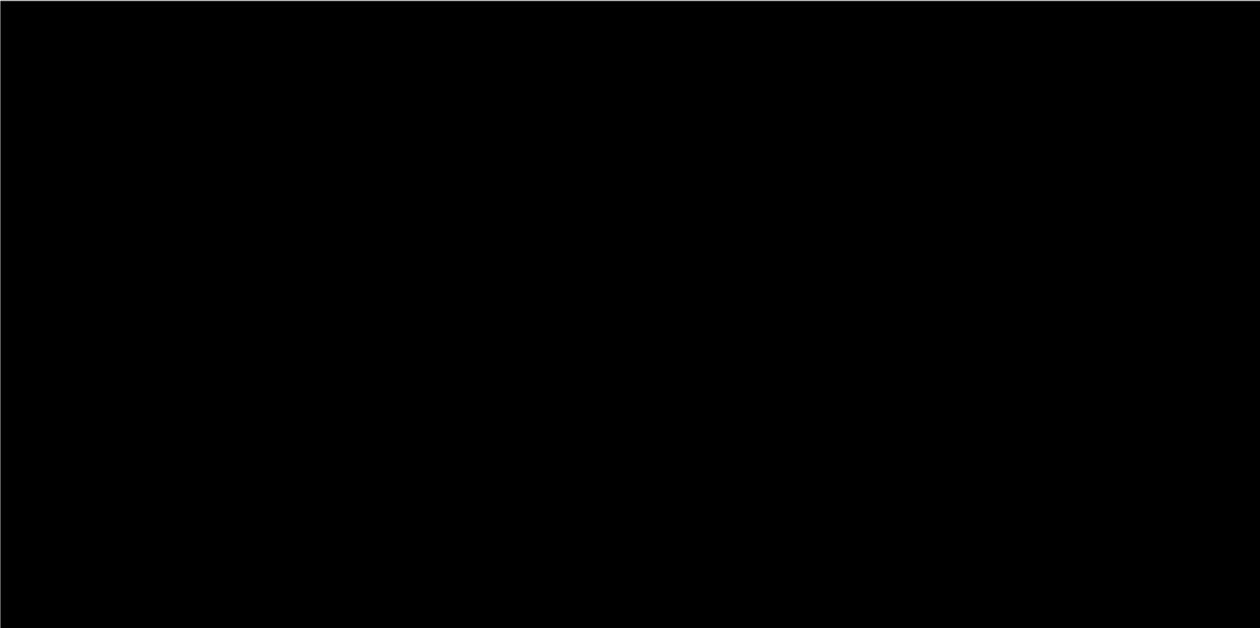
6. Over recent months, NZTA have indicated that it would like to review its current business case – as it thinks that an enhanced solution could be put forward. [REDACTED]

NZ Infra, a joint venture (JV) of the New Zealand Superannuation Fund (NZSF) and Canadian institutional investors, Caisse de dépôt et placement du Québec (CDPQ), have expressed an interest in an alternative approach to the design, financing, construction, ownership and operation of light rail in Auckland. [REDACTED]

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8. The NZTA business case proposal and the NZ Infra proposal offer their own set of advantages and disadvantages. Both are credible, and both are worth further development. In this context, both proposals should be further worked up over the next four to six months, so that as a Government, we are able to consider two robust proposals and make a clear decision on our delivery plan.

9. I am seeking Cabinet's endorsement of my preferred approach which is to run a parallel process, involving:

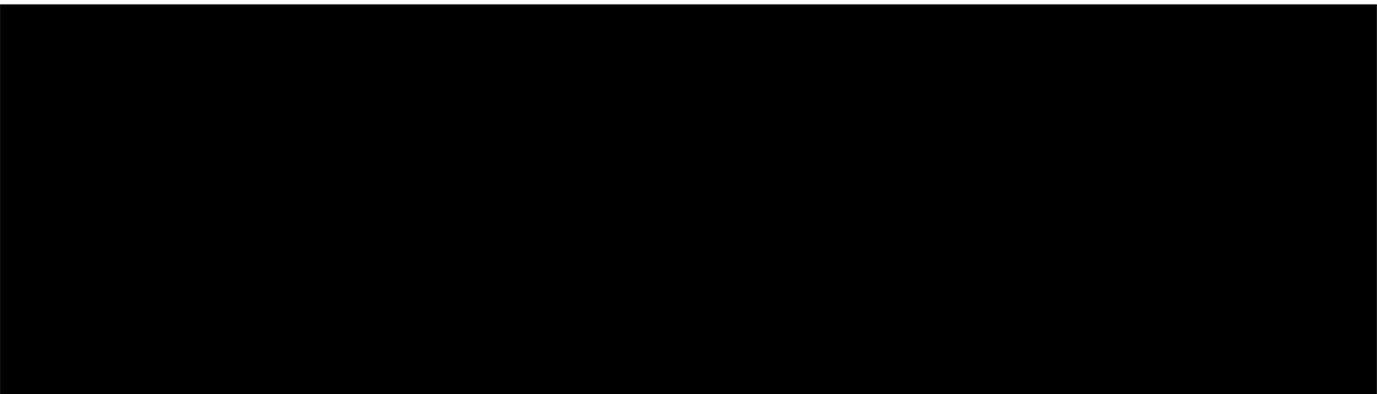
1.1. NZTA, working with officials, continues to develop and enhance its business case

9.1. Officials will undertake MOU discussions with NZ Infra, 



10. To inform both streams, I have commissioned officials to clarify the outcomes that we are seeking from light rail in Auckland. They will work with key government agencies and stakeholders, particularly Auckland Council and Auckland Transport in undertaking this work.

11. On the completion of this parallel process, I will report back to Cabinet with my findings, and seek further decisions. My goal, at that time, is to enable us to take decisions on our preferred delivery approach and partner.



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15. I have asked officials to develop a work plan for putting this parallel process into action. To support rapid decision making, I plan to establish a core group of Ministers who will provide direction as required. I propose this group comprise the Minister of Finance, myself (Minister of Transport, Housing and Urban Development), the Minister for the Environment, the Minister of Infrastructure, and the Associate Minister of Transport (Hon Genter).

Progressing light rail is a high priority for our Government, and it is an integral part of the Auckland Transport Alignment Programme (ATAP)

16. Auckland's transport problems are well known. There has been a concerted effort over several years to arrive at an enduring plan that, over a 30 year timeframe, will shape the city's development, and will contribute to our economic, social, health and environmental goals. The scale of the challenge is real, with existing congestion on our roads costing New Zealand's economy \$1.3b annually. Unlocking Auckland's productivity will benefit all of New Zealand.
17. The confidence and supply agreement between the Labour Party and the Green Party includes commitments to reduce congestion and carbon emissions by substantially increasing investment in safe walking and cycling, frequent and affordable passenger transport, rail and sea freight, and specifically we committed that 'work will begin on light rail from the city to the airport in Auckland.'
18. Labour and New Zealand First share strong goals around the environment and reducing emissions, with our coalition agreement including a commitment to 'Introduce a Zero Carbon Act and an independent Climate Commission, based on the recommendations of the Parliamentary Commissioner for the Environment.'
19. The Government and Auckland Council agreed the revised indicative Auckland Transport Alignment Programme (ATAP) in April 2018 [CAB-18-MIN-0169 refers]. The ATAP programme represents a transformational set of investments which have the potential to create a world-class transport system. It balances investments across road, heavy rail, buses, light rail, walking and cycling. Each mode is needed to allow people to easily get to their destination, to provide choice, and to reduce harm through emissions. It is based on many years of work and research by Auckland Transport, Auckland Council and NZTA. Introducing light rail is expected to:
- 19.1. Alleviate current and forecast bus capacity constraints in the city centre
 - 19.2. Improve access to growing employment areas, particularly at and around Auckland airport
 - 19.3. Unlock significant growth potential along the corridor, especially around Mangere, Onehunga and Mt Roskill
 - 19.4. Provide an attractive and reliable "one seat journey" between the city centre and the airport for travellers.

- 20. Auckland Transport and NZTA board decisions in early 2017 confirmed the long term mode for the Airport to City Corridor as light rail. These entities also recognised that light rail is important to enable growth and shape Auckland's urban form.
- 21. ATAP earmarks an investment of \$1.8b in light rail for this decade, recognising that light rail is well-positioned to leverage alternative sources of financing. Similarly, the Government Policy Statement on land transport provides for an allocation of \$1.8b for rapid transit in Auckland.
- 22. A timeline of key decisions is attached as annex one.

Progress with the NZTA Business Case

23. In May 2018, Cabinet agreed that the NZTA will lead the development of the City Centre to Mangere (CC2M) light rail line and deliver this on an accelerated schedule [DEV-18-MIN-0059 refers]. Following this, I directed the NZ Transport Agency to be the lead agency responsible for planning, design, construction, funding, and maintenance of rapid transit networks and/or projects, including light rail. As part of its mandate, the NZTA was tasked with delivering a single stage business case for the project so that accelerated delivery could be achieved.

24. The NZTA has made good progress on the business case for light rail, and has based its option on the concept outlined in ATAP. [REDACTED]

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25. NZTA's design is based on a street level, dedicated-right-of-way solution. It has been designed to deliver transport and urban development benefits, and in particular to foster urban regeneration along the Mangere to city centre corridor. There is considerable potential along this corridor for large-scale housing development. It also has been designed to provide mass transit connections between the airport and city employment centres and the communities along the corridor. [REDACTED]

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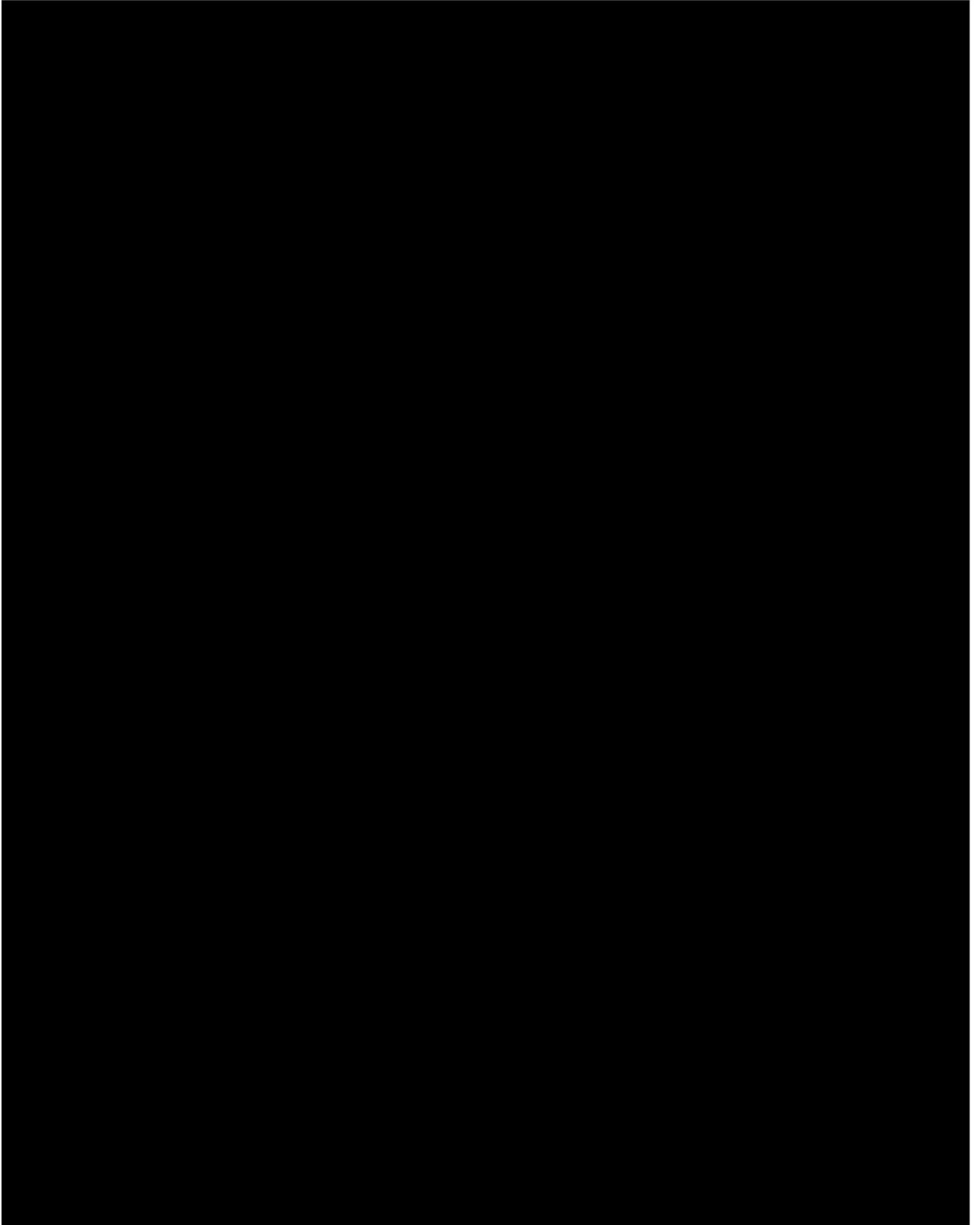
26. The NZTA started initial market engagement on the business case in July 2018, with a view to obtaining practical market feedback on the management and delivery of a light rail project, technology, and to inform NZTA's procurement strategy. In addition, market participants were invited to respond to a series of questions which gauged their interest and expertise, and briefings were held. This market engagement verified that there is strong market interest in participating in the project. With the further work to assess the NZ Infra model, this market engagement has been paused.

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28. NZTA has advised that the current business case could be further enhanced, [REDACTED]

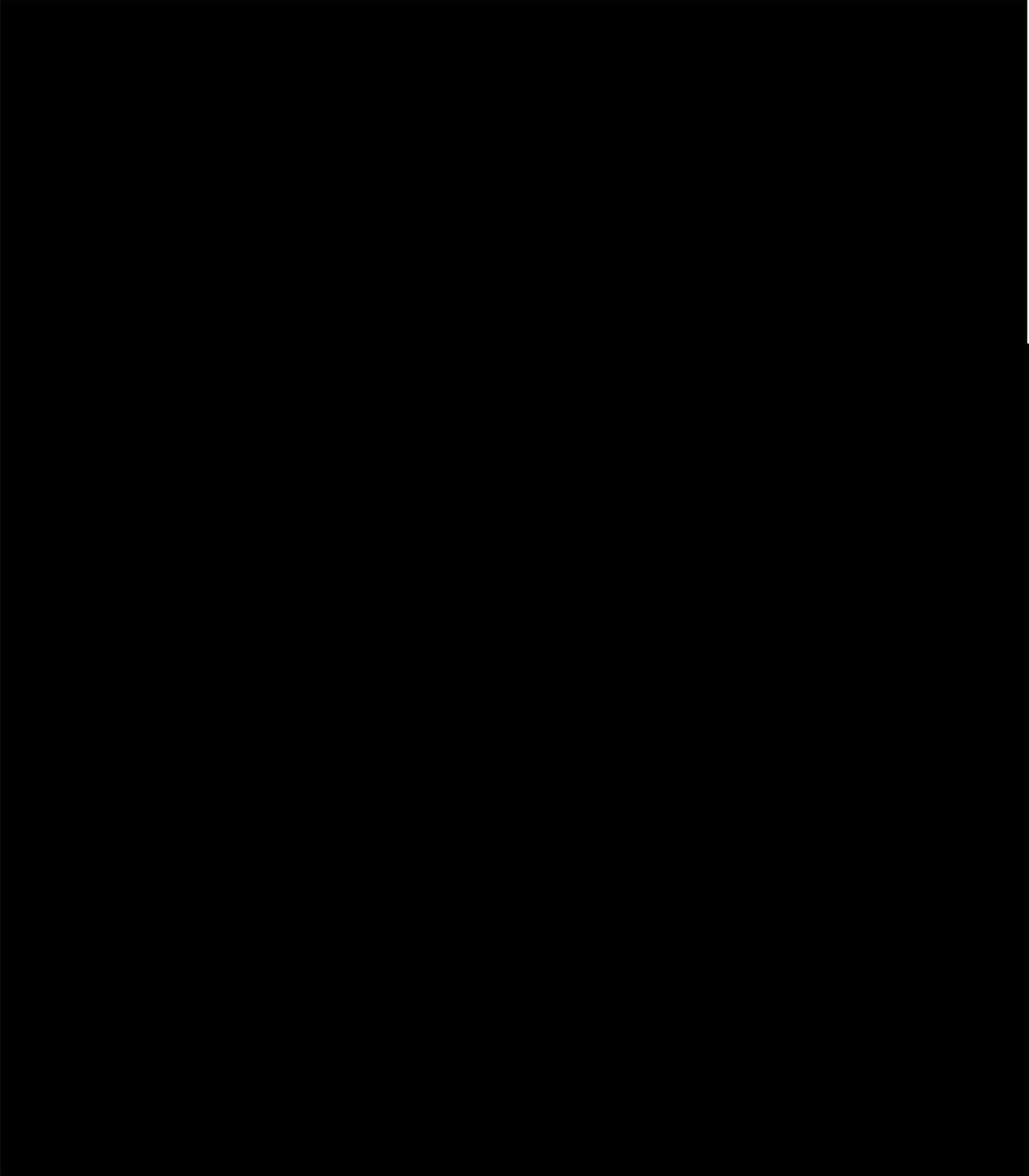
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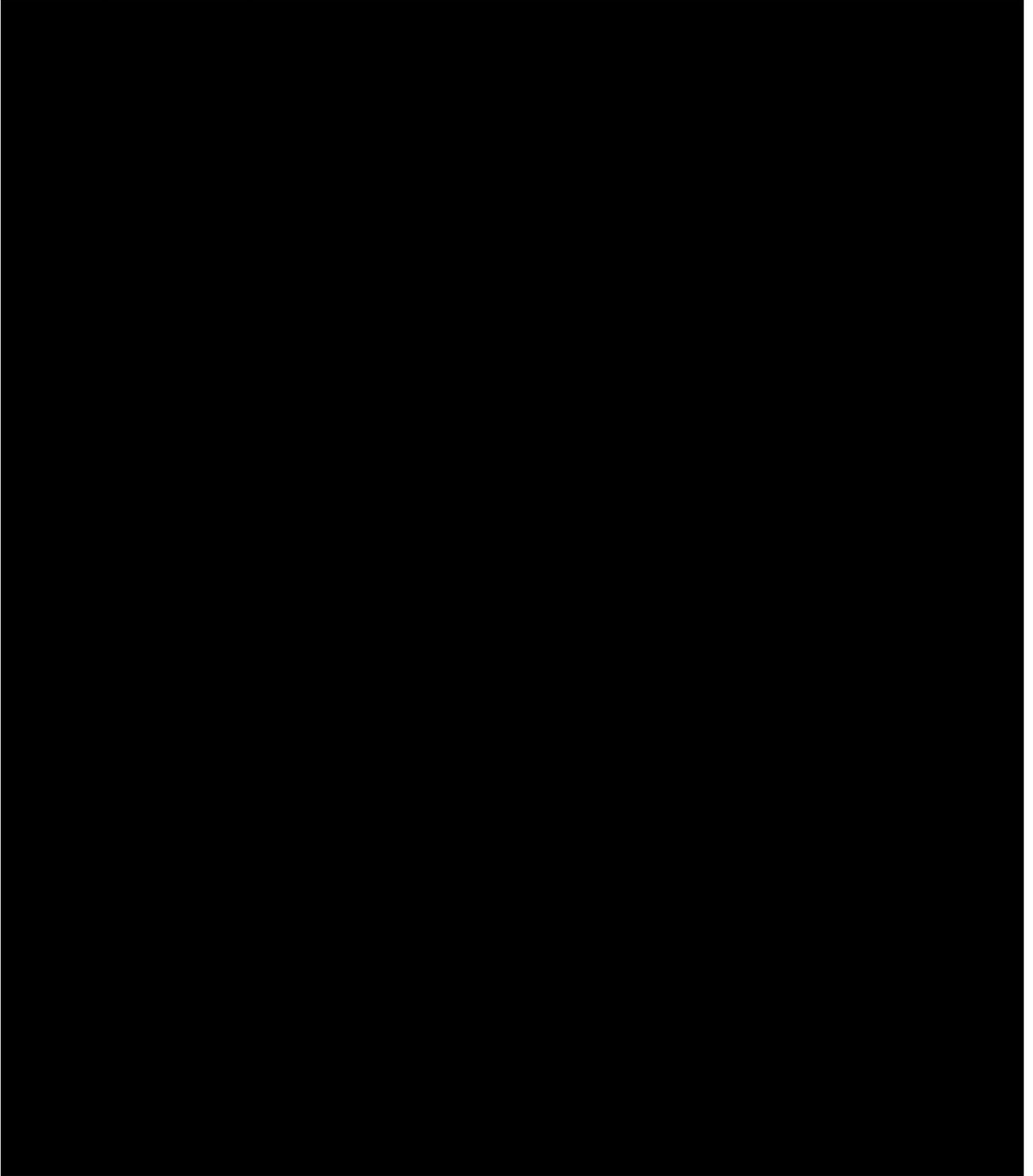
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Feedback from the ATAP Governance Group

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[Redacted]

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[Redacted]

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[Redacted]

64. I have come to a firm view that neither option can or should be discounted, and that both proposals should be further progressed.

A proposed way forward – a parallel process to better understand NZ Infra’s proposal and to develop the NZTA’s business case

65. My preferred approach is to undertake a focused, parallel approach, over a four to six month timeframe. This would involve:

65.1. NZTA, working with officials, would further progress and finding opportunities to enhance its business case.

[Redacted]

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65.2. Officials will undertake MOU discussions with NZ Infra,

[Redacted]

66. This approach allows us, over a relatively short time frame of four to six months, to get to a point where we can make decisions with a degree of certainty on the delivery of light rail. At the completion of the four to six months, the Government will be able to look at the two proposals, and to more meaningfully compare their strengths and weaknesses. It also enables NZTA to revise its current business case, working with partners, so that it can put forward its best possible proposal.

[Redacted]

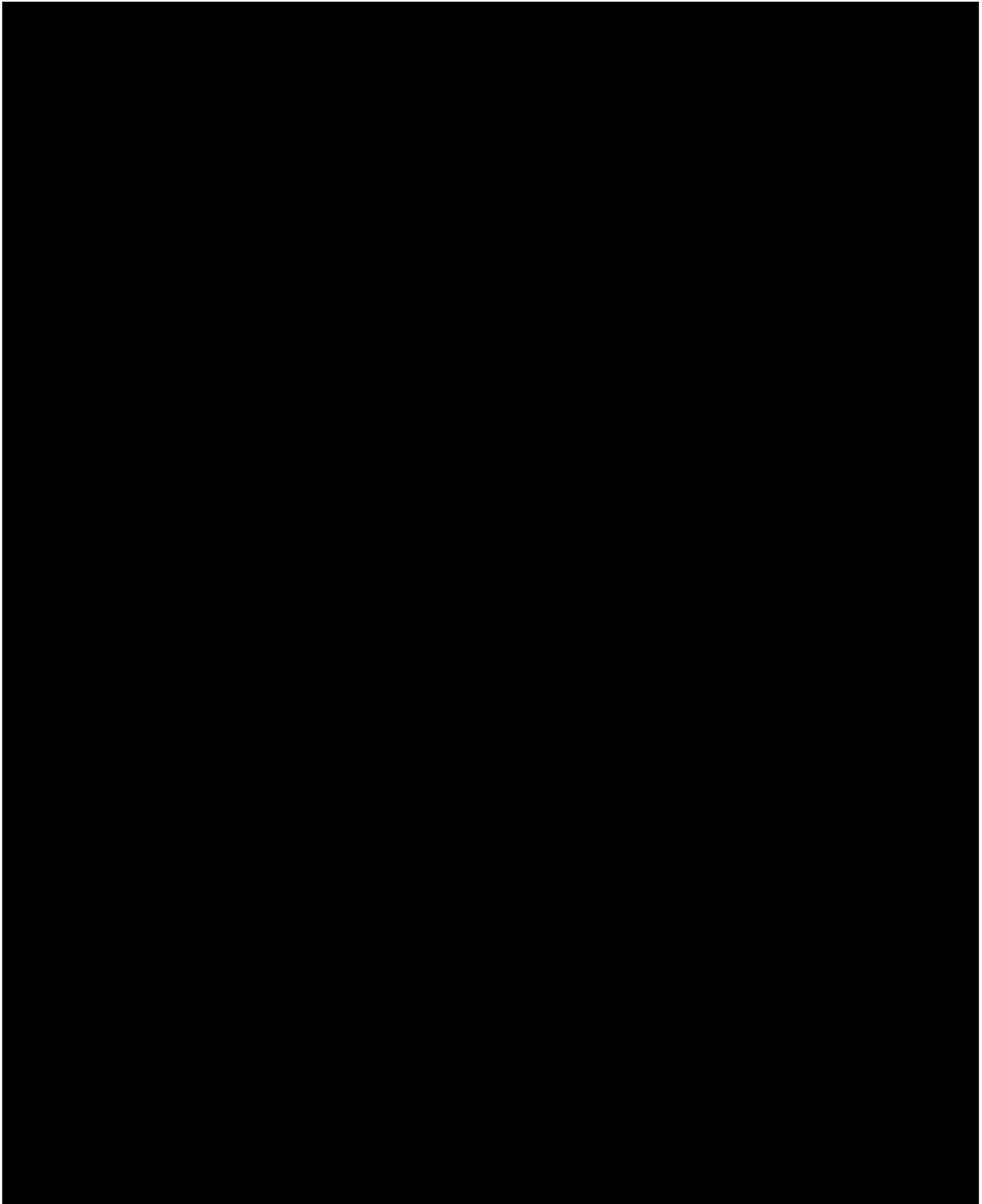
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[Redacted]

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68. I am seeking Cabinet's endorsement of this approach. On the completion of this further assessment, I will report back to Cabinet by February 2020 with my findings and to seek further decisions from Cabinet.

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Progressing the parallel process – putting the key foundations in place

75. Officials will develop a work programme for the parallel process, and as the process unfolds, there will be key points for Ministerial engagement. Key amongst these will be:

75.1. *Confirmation of Government's outcomes for light rail.* It is important that we clarify our outcomes for light rail in Auckland. This work is necessary to provide guidance to both NZTA and to NZ Infra on what we are looking to achieve from light rail. I have asked officials to complete a short piece of work to confirm the outcomes that we are seeking from light rail. Officials will engage closely with key stakeholders, particularly Auckland Council and Auckland Transport, in completing this work. Agencies such as the Ministries of Housing and Urban Development, and the Environment, will be key contributors to this work.

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76. I have asked officials to report to a core group of Ministers [REDACTED] with worked up proposals for both the outcomes [REDACTED], and to identify any further scope issues that require Ministerial decisions. I propose that this group of Ministers comprise myself (to ensure that the Transport, Housing and Urban Development portfolios that I hold are represented), the Minister of Finance, the Minister for the Environment, the Minister for Infrastructure and the Associate Minister of Transport (Hon Genter).

77. Successfully delivering this process over a four to six month period will be a demanding ask, and it realistically can only start once the project team has been stood up. Delivering the process will require dedicated effort and resourcing from all parties – officials, NZTA, NZ Infra and Ministers. My officials are planning out the next steps in detail, and have put plans in place to stand up the project team. This team will need Ministers to provide quick direction when required.

Putting in place the parallel process – practical next steps and funding

78. As noted above, officials will develop a detailed work programme for the next stage of this work. Key components of this will include the following.

Governance arrangements to oversee the process

79. Officials will provide further advice on the governance structure for the parallel process, and I expect that it would involve the ATAP governance group agencies, and would be supplemented by the Ministries of Housing and Urban Development (including the Housing and Urban Development Authority) and the Environment, and the Infrastructure Transactions Unit. Involving these agencies will allow them to contribute their perspectives and will assist them with their own planning processes. For example, it will be important to involve agencies

like the Housing and Urban Development Authority, so that it can ensure its redevelopment plans continue to take account of the light rail project.

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Consultation

86. The Treasury, including the Infrastructure Transactions Unit, the Ministries for the Environment, and Housing and Urban Development, and the New Zealand Transport Agency were consulted on this paper. The Department of Prime Minister and Cabinet was informed. In the time available, the Board of the New Zealand Transport Agency was unable to be consulted.



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Financial implications

87. If we progress with a parallel process, as outlined in paragraph 65, officials have advised that there will be resourcing impacts particularly for the Ministry of Transport. Officials are currently investigating possible funding sources. In the event that funding cannot be secured, my officials advise me that a further Cabinet paper will be required.

Human rights implications

88. There are no specific human rights implications.

Legislative implications

89. Legislative implications will be identified as part of the next stage of the process.

Regulatory Impact Analysis

90. Not required.

Gender implications

91. There are no specific gender related implications.

Disability perspective

92. There are no specific proposals relating to people with disabilities.

Publicity

93. [Redacted]

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Proactive Release

94. As part of our communications plan to inform all parties of our next steps, I intend to release this paper following Cabinet agreement. I anticipate that information will need to be redacted, as there are a number of commercial-in-confidence components to this paper, and it is important to protect the Government's position.

Recommendations

95. The recommendations are that Cabinet:

Context

1. **Note** that the Government has agreed that the Auckland Transport Alignment Project (ATAP) is consistent with the Government's transport policy direction in Auckland. Light rail is a high priority in this package. [CAB-18-MIN-0169 refers]

NZTA proposal

2. **Note** that the New Zealand Transport Agency (NZTA) is the Government's lead agency for the Auckland light rail project, in accordance with Cabinet's direction in May 2018 [DEV-18-Min-0059 refers].
3. **Note** that the NZTA has undertaken substantial work on the business case for the Centre City to Mangere (CC2M) line in Auckland, based on parameters established by Ministers to accelerate the construction of light rail in Auckland.
4. **Note** that the NZTA has indicated that it would like to review and enhance the current business case.

NZ Infra proposal

5. **Note** that the Government received an unsolicited proposal from NZ Infra (a joint venture of the New Zealand Super Fund and CDPQ Infra of Canada) to finance, design, deliver, operate and own light rail in Auckland.

Assessment of the proposals

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8. **Note** that given the very different stages of development between the two proposals, it is difficult to compare them.
9. **Note** that officials are undertaking work to confirm the outcomes for the CC2M light rail route for Ministerial endorsement in due course.

Recommended next steps

10. **Endorse** the Minister of Transport's preference to undertake a parallel process, taking between four to six months, involving:
 - further progressing and finding opportunities for NZTA, working with officials, to enhance its current business case

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- enter into preliminary discussions with NZ Infra. [REDACTED]

11. **Invite** the Minister of Transport to report back to Cabinet in February 2020 with the findings of this parallel process, with a view to Cabinet taking decisions on its preferred delivery model and partner for light rail in Auckland.

[REDACTED]

13. **Agree** that a group of core Ministers is established to provide direction to officials over the next four to six months. This group comprises the Ministers of Finance, Transport, Housing and Urban Development, Infrastructure, the Minister for the Environment, and the Associate Minister of Transport.

[REDACTED]

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Communications of the Government's preferred approach

16. **Note** that a comprehensive communications plan will be developed to support our announcement of the next steps for light rail in Auckland. The Minister of Transport intends to release this paper, with appropriate redactions, as part of the announcement.

Annex one: Timeline for Auckland Light Rail

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):</p> <p>Airport to City via the isthmus (now known as City Centre to Mangere) 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.
Late 2017 to April 2018	<p>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.</p>
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	<p>NZ Super Fund submits an unsolicited proposal to Government signalling their interest in financing and operating light rail in Auckland, along with its Canadian partner CDPQ.</p>
2 May 2018	<p>Cabinet:</p> <ul style="list-style-type: none"> • agrees the centre city to airport light rail 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	<p>NZTA commences market engagement. NZ Super Fund and CDPQ submit a proposal to NZTA.</p>
November and December 2018	<p style="background-color: black; color: black;">[REDACTED]</p> <p>NZSF/CDPQ submit supplementary information and a more detailed proposal.</p>

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December 2018	Minister of Transport meets with NZSF/CDPQ to discuss their proposal. Minister directs the Ministry and the Treasury to provide further advice on the merits of this proposal and the NZ Infra proposal.
17 December 2018	Minister of Transport takes an oral item to Cabinet informing his colleagues of the work he has directed officials to undertake.
Late January 2019	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.
Mid February 2019	NZTA informs market of the further work and that market engagement will pause while the further assessment of NZ Infra is underway.