

Response Requirements Document – City Centre to Māngere Project

The Response Requirements Document (RRD) sets out the minimum response requirements for NZTA and NZ Infra as they develop their proposals for the City Centre to Māngere Project.

The Treasury was provided with a copy of the draft RRD for comment on 16 July 2019.

The table below sets out the Treasury's feedback and the Ministry of Transport's response.

The document has now been finalised and provided to NZTA and NZ Infra.

Treasury Comments	Ministry of Transport Response
<p>Our main feedback focuses on the nature of the question we are trying to answer in the next 4-6 months and what information we need to answer it. The Cabinet paper recs are reasonable clear that Cabinet will be deciding between the preferred delivery model/partner – NZTA and NZ Infra. The RRD document focuses on a wider set of information than we think is needed to answer this question. In particular, it reflects:</p> <ul style="list-style-type: none"> • A more RFP-type approach (parts similar to a PPP RFP) that has a significant focus on physical design, construction, procurement considerations that are better suited to evaluating conventional project tenders. • A large level of detail including technical design details, modelling, etc. • A prescriptive evaluation criteria (page 21) that spans physical design, construction, procurement, finance, commercial engagement, etc. <p>We think (1) the information required from NZInfra and (2) the evaluation criteria between the two options, should focus more on comparing the unique differences between the two delivery models/partners. We see this as:</p> <ul style="list-style-type: none"> • [REDACTED] • Differences in governance/control/ownership/concession model – NZInfra are wanting to have more control over the delivery of the project, concessions from the government, perhaps a significant role in the Auckland transport network planning system, and long-term ownership and management. They are wanting various controls to manage risks and profit from the project. This differs materially from the NZTA governance approach, and adds a profit-motivated player into the system. 	<p>Noted. These concerns have been discussed with the Treasury.</p> <p>The RRD seeks to ensure that only that information that is required to determine the validity of a Respondent's Proposal and provide a credible recommendation to Ministers is requested.</p> <p>We need to be able to answer several key questions to allow Ministers to make a well informed decision:</p> <ul style="list-style-type: none"> - Do we understand what it is we are getting and does this meet the Key Outcomes and objectives of the Project? - Do we have certainty as to the deliverability and likely cost of the Project (noting that this may vary substantially between proposals and will be driven by each Respondent's design solution) - Do we believe they will be a good partner to work with?

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These unique characteristics are what we saw as the purpose of developing with NZInfra a “draft Memorandum of Understanding and high level term sheet” as referred to in the Cabinet paper recs. This would seek to understand what the key terms of the NZInfra proposed model is, quantify/price the characteristics, and explore whether they are agreeable to Government. This would include NZInfra being much more specific the high-level aspects of their model communicated to date.

In comparison, we don't see the specific physical design/construction as a purely unique characteristic between the two delivery models. Conceivably, either NZTA or NZInfra could deliver a number of different physical designs. While some information around physical design intentions may be necessary for comparing delivery model, we would expect to see significantly less in the RDD, and especially less in the evaluation criteria. We see significant risks if we conflate the delivery models and the physical design in the way that the draft RRD contemplates. These risks are:

- **Decisions/advice on delivery model being conflated with indicative design information** – for example, a full business case and a longer time period than 4-6 months will be needed to develop reliable cost information for NZInfra's design. [REDACTED]
- **Restricting a fair comparison of delivery models** – [REDACTED]
- **Inefficient use of resources** – on physical design, NZInfra and officials will need to do considerable work on network integration, environmental assessment, traffic modelling, costing, land-use, urban development, consenting analysis. This work is likely to be the most burdensome on Crown agencies to assess, especially given the fast turnaround, requiring significant input from MoT/TSY/MHUD/MFE/Council/Modelling resource etc. For analysis that shouldn't materially inform a decision between delivery models/partners, this doesn't appear to be time efficient.
- **Design is informed by multiple parties, not just delivery partners** – design (mode, route, stations) ultimately involves decisions/responsibilities from Auckland Transport, NZTA, and Auckland Council (that is; transport network operation, interface risks, and land-use regulation). These parties will likely rule out any 'extreme' designs, and significantly influence what design is acceptable. [REDACTED]

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<p>[REDACTED]</p>	
<p>Other comments and next steps NZTA business case process – it isn't clear on what basis we are deviating from the Cabinet rec that requires NZTA to continue their business case process. The requirement for NZTA to do the RRD appears to be a deviation from that decision.</p>	<p>The Cabinet paper is clear that Ministers want to work through their choices in a structured way. In addition, since the initial business case from NZTA they have indicated that they would like to revise their business case and proposal. NZTA and NZ Infra will be treated in the same way – that is why further work was commissioned on the project's outcomes – so that NZTA and NZ Infra are responding to the same set of requirements.</p>
<p>Next steps and core Ministerial group – it would be good to know how the core group of Ministers delegated in the Cabinet paper are going to be used to test/agree the RDD/evaluation criteria. We also weren't sure if any advice had already gone to Minister Twyford on this, outside of the delegated Ministerial group.</p>	<p>Addressed. Ministers received a copy of the RRD for comment.</p>
<p>Note that Siobhan, Dan Cameron, and I are discussing tomorrow our draft protocols document which relates to the evaluation process of the two delivery model options.</p>	<p>Noted</p>
<p>We note that Cabinet circular CO (15) 5 sets expectations about significant investment proposals requiring business cases under the Treasury Better Business Case framework. Given the RRD is not a business case, and a business case will be ultimately be required for any eventual investment decision, we see this as another logical reason for the RRD to focus on comparing delivery models and the specific investment decision to be left to a subsequent business case.</p>	<p>The Ministry anticipates that it will work with the Preferred Delivery Partner to ensure that there is appropriate documentation of the economic, commercial, financial and management components of their developed proposals, consistent with the intent and rigour of the BBC, and the requirements of CO(15)5.</p>

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