

Hon Michael Wood

Minister of Transport
Minister for Workplace Relations and Safety



Hon Chris Hipkins
Minister for the Public Service
Parliament Buildings

Dear Chris

RE: Request for exception to the Cabinet Fees Framework for Auckland Light Rail Board

On behalf of the Government Sponsors for the Auckland Light Rail Project (the Minister of Finance, Minister of Housing and I), I am writing to consult you on a proposed exception to the Cabinet Fees Framework for the Auckland Light Rail (ALR) Board.

The ALR Board will drive the detailed planning phase and transition the project through to a formal legal entity by the end of 2022. That entity will be responsible for overseeing the completion of the detailed planning and the delivery of the project following a final investment decision. The ALR Board will endure through the phases of the project, continuing to be the responsible board once the new legal entity is stood up. That entity will be responsible for delivering New Zealand's biggest rapid transit and urban development project.

The ALR Board is established as a Ministerial Advisory Committee under Te Kawa Mataaho Machinery of Government guidance. This particular form was chosen for the detailed planning phase because it:

- enables consideration of issues across multiple central and local government portfolios and agencies, which is important for this project given it has an integrated transport and urban development work programme
- provides for a direct line of accountability to Ministers, critical in this phase of the where a number of significant Crown decisions are still to be made.

The ALR Board will govern and be supported by the ALR Unit (hosted within Waka Kotahi), which comprises permanent staff as well as secondees from across central and local government agencies involved in the ALR project. It will have overall responsibility and oversight for delivering advice to Government on how to progress ALR. Through its establishment, the ALR Board will be empowered to carry out functions akin to those of a Crown Entity Board.

As a Ministerial Advisory Committee, the Board is entitled to receive of \$1,150 per day for the Chair \$865 per day for members. The Ministry of Transport (the Ministry), Treasury and Ministry of Housing and Urban Development have reviewed this fee structure. As Government Sponsors for ALR, we have agreed to officials' recommendations to consult you on a fee exception given the complexity and scale of the ALR project and governance skills and expertise required take it forward.

I would like to seek your views on a proposed fee of \$1,428 per day for the Chair, and \$1,190 for members.

This brings the proposed fees in line with Waka Kotahi directors, who we believe have a similar level of responsibility and risk. Officials are in the process of preparing advice on the organisational form the ALR entity should take. One option is that it will be a Crown Company which will put director fees outside of the scope of the Cabinet Fees Framework. For that reason, Joint Ministers would like to review these fees in September 2022, when it is anticipated that the organisational form will come to us. As is often the case, we will consult with you about this at the time.

This fee takes into account a number of factors including:

- the scale and complexity of the project;
- the importance of attracting appropriate candidates who possess the appropriate skills, knowledge and expertise to oversee such a complex project, setting up New Zealand's biggest infrastructure project for successful delivery;
- the considerable commercial, economic, social and reputational risks of the project and the importance of having experienced governors to effectively navigate this;
- the need to attract candidates from the limited pool of those available to carry out this role, which includes international candidates; and
- to provide a degree of pay parity to other public sector boards in the transport and urban development sectors, and to better reflect the enduring nature of the governance arrangements.

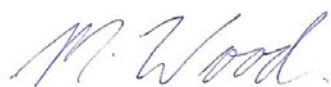
A more detailed explanation for the proposed reasoning is also enclosed with my letter for your consideration.

The ALR Project is expected to achieve regional and national outcomes. It has the potential to transform Auckland's transport network, bringing far-reaching benefits to communities and increasing access across the region. The scale of urban development anticipated will support the Government's housing priorities. The scale of investment through this project into public transport will progress New Zealand to reducing carbon emissions in the way we travel.

Aucklanders will benefit from better access to opportunities around their city, which will benefit the wider New Zealand economy. The project will support thinking and progress towards a nationwide approach for planning, funding and delivering rapid transit in New Zealand.

I would appreciate your comments on my proposals by Wednesday 4 May 2022, if possible. We are intending to make several appointments at Cabinet Appointment and Honours Committee meeting on 11 May 2022.

Yours sincerely,



Hon Michael Wood
Minister of Transport

Auckland Light Rail Board – Rationale for fee exception

1. This document outlines the proposed rationale for seeking a fee exception for the Auckland Light Rail (ALR) Board. As part of its agreement to establish the ALR Board, Cabinet noted that a fee exception is likely to be sought for the role given the complexity and scale of the project (CAB-21-MIN-0531 – Recommendation 29).

At a glance: the ALR Board fee proposal

Detail	
Board	Auckland Light Rail Board
Responsible Ministers	Minister of Transport, Minister of Finance, Minister of Housing (together, Government Sponsors)
Agency servicing authority	Ministry of Transport (lead), in collaboration with Treasury and Ministry of Housing and Urban Development
Classification	Group 4, Level 1 (Score 28/28). The Board is established as a Ministerial Advisory Committee.
Fee range under Framework	Chair: \$540 - \$1,150 per day Members: \$405 - \$865 per day
Proposed Fee: Chair	\$1,428 per day, with a cap of 17 working days per month.
Proposed Fee: Members	\$1,190 per day. Expected workload is the same as a Crown Entity Board member (30 days per year).

Where the project is at now

2. In December 2021, the Government considered the Indicative Business Case presented by the ALR Establishment Unit.¹ The Establishment Unit was set up in March 2021 with an inclusive and collaborative governance structure with representatives from central government, (Ministry of Transport, Ministry of Housing and Urban Development, Treasury, Waka Kotahi NZ Transport Agency and Kāinga Ora), Auckland local government (Auckland Councillors, Auckland Local Boards, Auckland Council and Auckland Transport), and mana whenua. It was given a mandate to recommend a preferred way forward on mode and route, improve social licence through community and stakeholder engagement, and consider how the project could be funded and delivered.

¹ <https://www.lightrail.co.nz/>

IN CONFIDENCE AND BUDGET SENSITIVE

3. The Government has decided to take forward a preferred route and mode option from the Indicative Business Case into the next detailed planning phase. This will inform a final investment decision.
4. Collaboration has been at the heart of the Establishment Unit's work to date, and the project's success requires the strong buy-in and alignment of the parties involved. The Government intends to continue to build strong and collaborative relationships through the next phase and appoint a skills-based board (the ALR Board) to transition from the current representative board.
5. The ALR Board will drive the detailed planning phase and transition the project through to a formal legal entity by the end of 2022. That entity will be responsible for overseeing the completion of the detailed planning and the delivery of the project following a final investment decision. The ALR Board will endure through the phases of the project, continuing to be the responsible board once the new legal entity is stood up. That entity will be responsible for delivering New Zealand's biggest rapid transit and urban development project.
6. Appointments will be for a period of at least two years, with skills and competencies being revised as the project progresses through each phase. Nonetheless, some extent of continuity of board membership is expected across the phases of the ALR project.

The structure and key responsibilities for the ALR Board during the detailed planning phase

7. The ALR Board is established as a Ministerial Advisory Committee under Te Kawa Mataaho Machinery of Government guidance. This particular form was chosen for the detailed planning phase because it:
 - a. enables consideration of issues across multiple government portfolios which is important for this project given it has an integrated transport and urban development work programme; and
 - b. provides for a direct line of accountability to Ministers, critical in this phase of the where a number of significant Crown decisions are still to be made.
8. The ALR Board will govern and be supported by the ALR Unit (hosted within Waka Kotahi), which comprises staff from across central and local government agencies involved in the ALR project.
9. The ALR Board will have overall responsibility and oversight for delivering advice to Government on how to progress ALR, and is being enabled to carry out these functions through a number of partnership agreements that allow the ALR Board to request Crown agencies carry out specific functions within their statutory remit on behalf of the ALR Board.

IN CONFIDENCE AND BUDGET SENSITIVE

10. Key responsibilities for the ALR Board during the detailed planning phase include:
- a. Overseeing the development, and delivery of, an integrated urban development and transport business case for the ALR project.
 - b. Ensuring the outcomes sought through the ALR project are achieved through the ALR Unit's work programme and partnership agreements, including ensuring the project links with other key infrastructure projects in Auckland.
 - c. Leading the management and oversight of risk and assurance for the project and providing assurances to Government Sponsors that the project is on track and well managed.
 - d. Monitoring the ALR Unit's administration and spending.
 - e. Appointing the Project Director for the ALR Unit and overseeing their performance.
 - f. Supporting and enabling the project's wider governance arrangements to ensure collective interests are considered throughout the detailed planning phase.
 - g. Working with Central Government agencies on the policy work programme that includes development of the entity form for the next stage of the project, funding and financing, and determining the final ownership of the assets created.
 - h. Leading and facilitating broader stakeholder engagement to build social licence and community engagement for the project.

What does the Fees Framework allow?

11. As a Ministerial Advisory Committee, the Auckland Light Rail Board is classified as a Group 4, Level 1 Body under the Cabinet Fees Framework. We consider that the Committee receives a score of 28/28 within the Framework on the basis of the following:

Framework Definition	Score	Rationale
Skills Knowledge and Experience – Pre-Eminent: Outstanding and authoritative knowledge, recognised nationally and internationally for expertise in a particular field.	12	We will be seeking highly experienced New Zealand directors, as well as canvassing the international market for some candidates. The experience levels sought for this Board matches many of the larger Crown transport and urban development Boards, and the political navigation skills required for the Chair are similar.
Function, level and scope of authority: Sets policy or work programme for a major area of economic activity or policy area of importance to the Government's strategic priorities.	6	"Building Light Rail from Auckland City Centre to Māngere and the Airport" is a Labour Party manifesto commitment for the 2020 Election. The project is also estimated to cost \$14.6 billion and, as such, is a major economic commitment and investment decision by Government.
Complexity of Issues – Innovative: The development of new concepts is required to find innovative and pathfinding solutions. There will be little or no external guidance (NZ or internationally) to aid resolution of these issues.	5	Planning a project of this scale with both a regional and national lens and as an integrated transport and urban programme has not been done before. This project has a long history demonstrating the challenges and complexity of progressing it. Light Rail does not currently exist in New Zealand. It is assumed that we will be able to draw on international guidance for the ALR project, however

IN CONFIDENCE AND BUDGET SENSITIVE

		<p>it will need to be tailored for New Zealand. Learnings from the ALR project will be applied to the planning, funding and delivery of future rapid transit projects in New Zealand.</p> <p>It is also expected that the project will contain a number of complexities from a Treaty of Waitangi perspective, with 15 iwi affected along the proposed route selected by the Government during the indicative business case.</p>
<p>Public Interest and Profile: Widespread public interest in outcomes would be expected. Member/s will attract strong media interest. Potential risk to personal and/or the body's reputation is high.</p>	<p align="center">5</p>	<p>Auckland Light Rail has attracted strong media and political interest for several years. It is expected that the project will continue to do so, with interest intensifying during the detailed planning phase as the Government starts to implement and 'lock in' key decisions.</p> <p>The detailed planning phase will also be occurring during Local Government Elections in 2022, and possibly the 2023 General Election. As with many crown roles, Board member's reputations may be affected by political decisions.</p>

ALR is a complex project

12. The scale and complexity of the ALR project make a strong case for remunerating board members beyond the current limit of the Fees Framework.

Scale and complexity of the project

13. ALR will be New Zealand's largest and most complex infrastructure project with a cost estimate of \$14.6 billion.
14. The features of the Government's current light rail option are:
- a. 24km route with up to 18 stations or stops from the City Centre to Māngere and the airport, running every five minutes so people can turn up and go. In terms of scale, the amount of track is six times the size of the ongoing City Rail Link Project (estimated to cost \$4.4bn).
 - b. Capable of carrying up to 15,000 passengers per hour at peak, which is four times more passengers than a dedicated busway or trackless trams.
 - c. Removal of up to 13 car lanes or taking 12,000* cars off the road, which will have impacts on local streets, communities and carbon emissions (*average of 1.2 people per car).
 - d. Integration with current train and bus hubs and the City Rail Link stations and connections.
 - e. Includes safe walking and cycling along the corridor and with connections to all stations.
 - f. Estimated to bring up to 66,000 new homes by 2051 and open up housing along the corridor in Mt Roskill, Onehunga and Māngere.
 - g. Creation of up to 97,000 new jobs by 2051.

IN CONFIDENCE AND BUDGET SENSITIVE

15. Progressing the project requires an integrated transport and urban development work programme, the alignment of decision-making across central government and Auckland Council, and integration with other significant projects along the corridor such as the additional Waitematā Harbour Crossing and the large scale Kāinga Ora projects. Given this, the organising model which the ALR Board is at the heart of, involves a number of partner agencies and the governance arrangements includes Sponsors from the Crown, Auckland Council and mana whenua.
16. Navigating the relationships and decisions required to progress the project across these agencies and elected members will be a significant challenge. In addition, the ALR Board will need to build and maintain support for the project among communities and businesses in Auckland.
17. The project will achieve outcomes at both the national and regional level. The scale of urban development anticipated will support the government's housing priorities. Investment of this scale in public transport will contribute to reducing carbon emissions in the way New Zealanders travel. Aucklanders will benefit from better access to opportunities around their city, which will benefit the wider New Zealand economy. The project will support thinking and progress towards a nationwide approach for planning, funding and delivering rapid transit in New Zealand.

The skills required for the task and reputational risks

18. While the ALR Board will not be responsible for a significant budget during the detailed planning phase, its responsibility is to plan a complex project that will provide the parameters for how a significant budget will be spent over the next ten years.
19. The scale and complexity of this project carries considerable commercial, economic, social and reputational risks. Managing those risks and ensuring quality of decision-making at a governance level requires highly skilled individuals with equivalent competencies to those on the large transport, housing and infrastructure Boards within central and local government.
20. As New Zealand's most complex project, the fees paid to the board members will set a precedent. We consider that it would be appropriate to benchmark the fees of members of the ALR Board to that of similar boards in the sector, for example Kāinga Ora, City Rail Link Limited and Auckland Transport. The individuals sought to date are of a similar level of skill and experience to those sought for the above boards. The fee ranges for Waka Kotahi NZ Transport Agency and KiwiRail Holdings were also considered; however, those fees are dated and have not been reviewed for some time.
21. The fees paid to the members of these boards varies. Taking account of the scale and complexity of this project, current pay restraints within the public sector, and balancing the need for the ALR Board to be competitive alongside other boards in the sector, the proposed fees are intended to strike the right balance.

IN CONFIDENCE AND BUDGET SENSITIVE

22. A lot of the Board's responsibilities rest on the Chair as both the leader of the Board and in their additional role of Senior Responsible Officer². The Senior Responsible Officer role will require a considerably larger time commitment in comparison to other Chair roles, as this individual will be required to devote a considerable amount of time to political discussions with Ministers and Council, front stakeholder meetings with communities and business groups, and also front many commercial negotiations on behalf of the Board. As such, the fee will need to appropriately reflect the additional risk they carry in executing this function.
23. The incumbent Establishment Unit Chair has also indicated to the Ministry that he worked approximately 10 days per month in that role, and he did not hold the same level of responsibilities as the new Chair. We are expecting a higher workload for this Chair, and our Budget estimate has capped this role at 17 working days per month.
24. While much of this risk sits with the Chair, the Board is required to support the Chair in their decision making through their collective duties and expertise.

The final delivery entity is likely to be remunerated at a higher rate than the daily allowance provided by Group 4, Level 1 Bodies

25. The Board is designed to endure through the detailed phase into a final delivery entity. While the final type of entity has not yet been determined by Cabinet, s 9(2)(f)(iv) [REDACTED] It is highly likely that the final fee paid to this Board will be higher than the maximum daily rate allowed for while it is operating as a Group 4 Level 1 ministerial advisory committee.
26. As such, we consider that it is reasonable for this ALR Board to be remunerated at a fee that more closely resembles what they will receive once it has transitioned to a legal statutory entity.

Any difficulties in recruitment and retention

27. The recruitment for this Board is currently underway, with the initial focus being on appointing a Chair and a member with a credible voice with mana whenua by the end of May 2022. The remaining member appointments are expected to take place in mid-2022.
28. Discussions on fees are not held unless asked. The evidence received from our recruiters, Kerridge & Partners, is that the views on fees are mixed. We are aware of at least two candidates assessed in the longlist for the chair role, that expressed a view that paying appropriate fees would be necessary for them to prioritise this role in their governance portfolio.

² The person with single point accountability for the project. The SRO is ultimately accountable for the delivery of the project and for ensuring the project meets its objectives, delivers the projected outcomes, and realises the required benefits.

IN CONFIDENCE AND BUDGET SENSITIVE

29. Other individuals approached to date have indicated that they aren't concerned about fees as they are aware they will receive significantly less money for serving on a public sector Board.
30. Paying higher fees could become more applicable as the search for the remaining board members focuses on specific rare technical skill sets, possibly recruited from overseas.

PROACTIVELY RELEASED BY
TE MANATŪ WAKA MINISTRY OF TRANSPORT

IN CONFIDENCE AND BUDGET SENSITIVE

Appendix A: Fee Comparison Tables

Transport and Urban Development Crown Boards (Central and Auckland Local Government)

Board	Entity Type	Chair Fee	Daily Rate	Member Fee	Daily Rate	Scope of Functions (High Level)	Assumed Working Days	Other Notes
Auckland Transport	Council Controlled Organisation	\$108,000	\$2,160	\$54,400	\$1,800	Responsible for regional transport services in Auckland (excluding State Highways).		Assumed working days are not factored into Auckland Council's fees formula. I have calculated a daily rate against the Fees Framework.
Eke Panuku	Council Controlled Organisation	\$108,000	\$2,160	\$54,400	\$1,800	Delivers urban regeneration in Tamaki Makaurau.		As above.
Kāinga Ora	Crown Entity	\$98,000	\$1,960	\$49,000	\$1,633.33	Provider of housing, accommodation and housing related services to those in need. Responsible for a number of urban development functions.	50 Chair, 30 member	
City Rail Link Limited	Schedule 4A Public Finance Act Company	\$98,000	\$1,960	\$49,000	\$1,633.33	Deliver the City Rail Link Project - estimated project cost \$4.4bn.	50 Chair, 30 member	
KiwiRail Holdings Limited	State Owned Enterprise	~\$80,000	\$1,600	\$40,000	\$1,333.33	Provide freight and rail services across NZ, maintain rail network, involved in rail safety.	50 Chair, 30 member	
Waka Kotahi NZ Transport Agency	Crown Entity	\$71,400	\$1,428	\$35,700	\$1,190	Build and maintain State Highway Network (~\$59bn in value), manage and invest NLTF (~\$4bn), regulation of land transport across NZ (\$200+m).	50 Chair, 30 member	

IN CONFIDENCE AND BUDGET SENSITIVE

Ministerial Advisory Committees – Group 4, Level One Bodies

Note: The primary comparison has been made with Crown Entity Board given the nature of responsibilities placed on the ALR Board (refer to paragraphs 7-9 and 18-26)

Board	Entity Type	Chair Fee	Member Fee	Scope of Functions (High Level)	Other Notes
Strategic COVID-19 Public Health Advisory Group	Group 4, Level One	\$1150 per day	\$865 per day	Independent advice on the whole-of-government response to COVID-19, and assurance on the performance and strategic direction of COVID-19 response including: <ul style="list-style-type: none"> • MIQ • Planning for outbreaks • Public communications • Responses to community transmission. 	https://covid19.govt.nz/assets/reports/Independent-Advisory-Groups/IG1-Ministerial-Advisory-Group-COVID-19-Independent-Continuous-Review-Improvement-and-Advice-Group-CAB-21-MIN-0055.pdf https://covid19.govt.nz/assets/resources/latest-updates/COVID-19-Strategic-COVID-19-Public-Health-Advisory-Group-Terms-of-Reference.pdf
Ministerial Advisory Board – Oranga Tamariki	Group 4, Level One	\$1000 per day	\$800 per day.	Independent advice and assurance about Oranga Tamariki, with respect to the following areas: <ul style="list-style-type: none"> • Relationships with family, whānau and Māori • Professional social work practices • Organisational culture. 	https://www.orangatamariki.govt.nz/assets/Uploads/About-us/Information-releases/Cabinet-papers/OT-Ministerial-Advisory-Board/Cabinet-paper-Ministerial-Advisory-Board-Oranga-Tamariki.pdf
Ministerial Advisory Committee on Emergency Management	Group 4, Level One	\$845 per day	\$635 per day	The purpose of the committee is to advise the Minister for Emergency Management on making the role of Māori central to the vision of an emergency management system that is geared towards an inclusive, community-led response to natural disasters and emergencies including health events. Tasks include:	

IN CONFIDENCE AND BUDGET SENSITIVE

Board	Entity Type	Chair Fee	Member Fee	Scope of Functions (High Level)	Other Notes
				<ul style="list-style-type: none"> • Independent expert advice • Strategic advice on stakeholder engagement • Facilitate engagement with stakeholders • Review and comment on opinions, strategies and policies developed by NEMA 	

PROACTIVELY RELEASED BY
 TE MANATŪ WAKA MINISTRY OF TRANSPORT

Office of Hon Chris Hipkins

MP for Remutaka

Minister for COVID-19 Response

Minister of Education

Minister for the Public Service

Leader of the House



Hon Michael Wood
Minister of Transport
Parliament Buildings
Wellington

Dear Michael

Auckland Light Rail Board – Request for Fees Exception

Thank you for your letter seeking my support for a fee exception for the daily rate for the Chair and members of the Auckland Light Rail (ALR) Board.

Due to the significance and complexity of the project, I agree to support the fee exception for both the Chair and members of the Auckland Light Rail Board.

Due to the significance and complexity of the project, I agree to support the fee exception for both the Chair and members of the Auckland Light Rail Board.

I acknowledge your advice that you intend to take the appointments and exceptional fee request to the Cabinet Appointments and Honours Committee for consideration on 11 May 2022. I will support you in the exceptional fee request.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'CH', written over a large red watermark.

Chris Hipkins
Minister for the Public Service

PROACTIVELY RELEASED BY
TE MANATŪ WAKA MINISTRY OF TRANSPORT