

## In Confidence

Office of the Minister of Transport

Cabinet Economic Development Committee

## Progressing the City Centre to Māngere Project through a public service delivery approach

### Proposal

- 1 This paper seeks agreement to progress work on the City Centre to Māngere light rail project (CC2M). It proposes to set up an Establishment Unit, guided by an inclusive governance structure made up of representatives of central and local government, iwi/Māori and an independent chairperson.
- 2 The Establishment Unit will progress a business case process that allows Ministers to take firm decisions on the scope of the project, including in relation to mode and alignment. It will also provide advice on a future delivery entity, and proactively engage with stakeholders, communities and Māori to increase the visibility of the project and develop its social licence.

### Relation to government priorities

- 3 Cabinet has prioritised progressing light rail from the city centre to the airport in the next decade, as the first spine of a wider rapid transit network for Auckland [DEV-18-MIN-0059 refers]. This reflects the commitments the Government has made through the Auckland Transport Alignment Project (ATAP). A commitment to the project was made in the 2020 Labour Party Election Manifesto.

### Executive Summary

- 4 Work on a rapid transit solution for CC2M has been taken forward through different processes in recent years, including earlier business case work conducted by Auckland local government and Waka Kotahi New Zealand Transport Agency (Waka Kotahi).
- 5 In 2019, Cabinet initiated a parallel process to determine a preferred delivery partner between Waka Kotahi or NZ Infra (a joint venture between the New Zealand Superannuation Fund and Canadian institutional investors CDPQ Infra). In terminating this process in June 2020 [CAB-20-MIN-0300 refers], Cabinet resolved not to take forward either of the proposals, and instead instructed the Ministry of Transport (the Ministry) and the Treasury to report back on how the project could be taken forward through a public service delivery approach.
- 6 Since this direction, the Ministry, with the support of the Treasury has led a collaborative exercise with ATAP partners<sup>1</sup>, Ministry of Housing and Urban

<sup>1</sup> ATAP partners are Auckland Council, Auckland Transport, Treasury, Ministry of Transport, Waka Kotahi, KiwiRail and the Public Service Commission

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Development (MHUD), Kāinga Ora and the Infrastructure Commission (Te Waihanga) to develop advice to the incoming government.

- 7 This work has demonstrated that there are many areas of agreement among stakeholders and partners regarding the strategic case for CC2M. There are, however, a number of strategic choices and trade-offs that still need to be worked through to assist us in confirming the best way forward.
- 8 To ensure that critical and enduring decisions can be made on matters such as mode and route alignment, as well as on funding and finance and the nature of a delivery entity, I propose that our next steps are based on the following key elements:
  - 8.1 **An Establishment Unit is set up** to provide the visible face of the project, undertake stakeholder and community engagement, and take forward work to resolve key outstanding questions in relation to project scope and delivery entity;
  - 8.2 **A business case is taken forward**, initially led by the Establishment Unit, to ensure a robust process for determining the mode and alignment of a rapid transit solution, prior to detailed planning and investment decisions; and
  - 8.3 **An inclusive governance structure is developed** to oversee the first phase of a business case, involving key central, local government and Māori partners and with a strong focus on partnership and building social license.
- 9 The 'stop-start' nature of the project over recent years has resulted in a low level of social licence, with limited visibility of the project's objectives among local communities and stakeholders including the private sector. The work of the Establishment Unit will therefore include a programme of communication and engagement that will be vital to the success of the project. The business case may be used as a basis for this consultation.
- 10 I am also proposing that the Establishment Unit provides advice on two options for a delivery entity (a joint venture or City Rail Link Limited).
- 11 The work of the Establishment Unit will advance our understanding of the cost of the project. While this will not provide a detailed costing, it will allow Ministers to agree the scope and parameters of a future Delivery Entity, and to advance work on the funding and financing tools needed for a project of this scale.

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- 12 A significant Crown contribution should be expected to fund this project, reflecting that it is the largest and most complex infrastructure project undertaken in New Zealand. Costs are driven by the need to retro-fit a very large transport project in our largest city, along existing urban corridors.
- 13 In addition to a Crown contribution, value capture and commercial opportunities are well suited to a project of this nature, and further work is proposed to progress these tools.
- 14 Key elements of the current legislative framework are not suited to accommodating the delivery and operation of a project of this scale and complexity. I propose that the Ministry works with other central government agencies to take forward a comprehensive policy work programme, running concurrently and collaboratively with the work of the Establishment Unit.
- 15 Informed by the business case, I intend to return to Cabinet seeking substantive decisions on the scope of the project, delivery entity and next steps. I expect to do this in November 2021. This does rely on a 'fast start' for the Establishment Unit and the business case work being completed in approximately six months.

## Background

### Supporting Auckland's growth requires significant investment in transport

- 16 To avoid exacerbating Auckland's current transport challenges, it is vital that the city's future growth is enabled by a transport system that improves access, reduces overall journey times and supports a shift to sustainable and active travel.
- 17 Auckland's population is set to grow significantly over the next 30 years, with much of this growth anticipated to occur along the CC2M corridor. CC2M not only represents a significant opportunity to transform an area of Auckland, but also to lay the foundations for the wider rapid transit network across the city as envisaged through ATAP.
- 18 Projects like CC2M are highly complex in nature. Having a clear understanding of the outcomes being sought is therefore essential. From an urban development perspective, the outcomes aim to guide the project towards enabling more housing to be built and to enhance the urban environment. The expected growth along the corridor is significant – over the next 30 years it is expected to account for around 17 per cent of Auckland's population growth and 33 per cent of its employment growth. A project of this nature offers new opportunities for transit-oriented-developments (for example, mixed use development above and adjacent to stations) and compact vibrant urban form.
- 19 The project is also key to unlocking a high quality transport solution for planned developments along the corridor. The CC2M corridor contains substantial areas of publicly owned land, with urban development, including

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up to 20,000 new homes, planned through Kāinga Ora's Auckland Housing Programme for Mount Roskill and Māngere.

- 20 CC2M is the first phase of a wider rapid transit network that will drive and shape Auckland's future growth. It will support significant intensification of housing, employment and other activities along the corridor. CC2M will enable large numbers of people to travel within these communities, and to other parts of the city through fast, frequent and high-capacity services along dedicated rights of way.
- 21 CC2M offers the opportunity to dramatically increase the number of people able to travel from areas like Māngere, to access opportunities across the city. It would introduce a fast and reliable option to communities in Māngere, Mount Roskill and Onehunga that encourages people out of cars and reduces congestion and emissions.
- 22 The effects of a rapid transit projects such as CC2M can be felt across the network, with wide benefits for the city as a whole. In combination with other public transport and walking and cycling networks, CC2M will be essential in lifting transport capacity across Auckland as a whole, supporting the delivery of housing to meet pressing needs.
- 23 CC2M is intended to be the first part of a new wider transit network for Auckland. It will therefore influence the nature of the wider development of that network over the next 50 years and beyond. It is critical that we take this long term view in making decisions on its route, mode and alignment. In this way, CC2M should be seen as a vital component of a long-term and integrated approach to combating congestion and reducing emissions in Auckland, as well as strengthening communities and promoting more compact urban form.

### **ATAP Partners have prioritised investment in rapid transit along the CC2M Corridor**

- 24 ATAP is an agreement between the Crown and Auckland Council. It was collectively developed by ATAP Partners.
- 25 Cabinet has previously agreed that light rail along the CC2M Corridor should be prioritised within ATAP, recognising its national significance (e.g. commercial and employment centres around the city centre and the airport)
- 26 ATAP Partners (along with MHUD and Kāinga Ora) recognise that the current transport system along the CC2M corridor is unable to accommodate new developments and housing which are essential to supporting Auckland's growth and productivity. The current system also does not foster the reduction of emissions, as it does not sufficiently encourage people out of their cars.
- 27 Seed funding of \$1.8 billion for rapid transit along both the CC2M and North Western corridors has been specifically allocated in the ATAP 2021-31 investment package. This was carried over from the previous ATAP 2018 package.

## History and origins of City Centre to Māngere project

- 28 The development of a rapid transit solution for CC2M has been subject to a number of iterations in previous years, including by Auckland local government and Waka Kotahi.
- 29 Transport solutions that have been considered over time include bus improvements, and heavy rail between the airport and Puhinui. Heavy rail would provide a service to airport users, but would not serve the high growth communities of Māngere, Onehunga and Mt Roskill, or add to the network's development.
- 30 In May 2018 Waka Kotahi was commissioned by Cabinet to develop a single stage business case [DEV-18-MIN-0059 refers]. Its design was based on the street-integrated light rail solution that had been earlier developed by Auckland Transport and shared with Auckland stakeholders.
- 31 While Waka Kotahi made significant progress, its draft business case was not finalised. At the time, the incoming Light Rail Director at Waka Kotahi noted that the business case could be further improved, and that there was an opportunity to put forward an enhanced solution.

## Parallel process

- 32 In April 2018, NZ Infra (a joint venture between the New Zealand Superannuation Fund and Canadian institutional investors CDPQ Infra) approached the Government with an unsolicited option for an alternative delivery and financing approach to CC2M.
- 33 In 2019, Cabinet agreed to establish a parallel process, which was aimed at determining a preferred delivery partner (either Waka Kotahi or NZ Infra).
- 34 The previous Government considered proposals from both respondents. However, the result of cross-party consultation was that the three parties of Government were unable to reach agreement on a preferred delivery partner. There were also elements of both proposals that were not acceptable to the Crown in an environment of economic recovery.
- 35 Cabinet decided not to proceed with either proposal, and ended the parallel process [CAB-20-MIN-0300 refers]. In doing so, Cabinet agreed to revert to public service delivery, and noted that as a consequence, neither proposal will be progressed.
- 36 While the parallel process is complete, there remain ongoing Crown legal obligations to treat both respondents fairly and in good faith, and not to misuse confidential information and intellectual property provided as part of the process. The proposals in this paper take account of those ongoing legal obligations.

## Taking an Outcomes Approach

- 37 The ongoing development of CC2M needs to be guided by a clear understanding of the outcomes required by Government, Māori and stakeholders. This is vital to ensure that the scope of the project is continuously assessed and refined in a robust manner as the project progresses through its various stages against clearly defined measurements.
- 38 Prior to the 2019 parallel process, an Outcomes Framework was developed and agreed collaboratively by ATAP and additional central government partners. This provided a “solution agnostic” set of outcomes, where no one mode or alignment is favoured above another. The agreed outcomes are:
- 38.1 **Access and Integration** - Improved access to opportunities through enhancing Auckland’s Rapid Transit Network and integration with the current and future transport network;
  - 38.2 **Environment** - Optimised environmental quality and embedded sustainable practice;
  - 38.3 **Experience** - A high quality service that is attractive to users and highly patronised; and
  - 38.4 **Urban and Community** - Enabling of quality integrated urban communities, especially around Māngere, Onehunga and Mt Roskill.
- 39 ATAP partners have agreed that the outcomes remain relevant and should endure in taking the project forward through a public sector delivery model.
- 40 During the parallel process the relative value of different options was considered in the absence of a specific value for money outcome. I recommend adding a specific value for money outcome that complements this outcomes framework and appropriately reflects the Government’s priorities.

## There are strategic choices relating to the scope of the project that require resolution

- 41 In line with Cabinet’s direction in June 2020, the Ministry, with the support of the Treasury, have recently been leading a collaborative piece of work with ATAP partners, MHUD and Kāinga Ora to develop options for the public sector delivery of the project. Input from Te Waihanga was also sought throughout the development of the advice.
- 42 The agreed project outcomes were used as a starting point, and the work drew on intellectual property from the Waka Kotahi parallel process proposal (that was subsequently acquired by the Crown following termination of the parallel process), and the significant body of work undertaken over many years by Waka Kotahi, Auckland Transport, Auckland Council and Kāinga Ora.

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- 43 This work confirms that there are many areas of agreement among stakeholders and partners regarding the strategic case for CC2M, and the transformative social, economic and environmental impact that it will have on Auckland and New Zealand.
- 44 There remain a range of questions and trade-offs that still need to be resolved before decisions can be made on the scope of the project, notably in relation to the choice of mode and alignment.
- 44.1 **What city shaping function should CC2M serve?** This relates to the alternative roles of CC2M as one that primarily supports existing and planned growth along the corridor, or one which enables a new pattern of urban development across Auckland. In places such as Māngere and Mount Roskill, the nature, form and alignment of rapid transit will be a major determinant of how these areas grow and on the wellbeing of their existing communities.
- 44.2 **What level of commitment can be given to delivering on the urban development opportunities unlocked by CC2M?** This requires considering the nature and scale of development potential, how consistent the current spatial strategy for Auckland is with this, and how, when and by whom these development opportunities would be taken up. Close alignment with the Auckland Housing Programme will be necessary to establish the connections between CC2M and achieve the urban development outcomes.
- 44.3 **What role should CC2M play in Auckland's wider rapid transit network?** This relates to ensuring multi-generational outcomes for Auckland as a whole, while also resolving the transport and growth pressures that already exist along the CC2M Corridor.
- 44.4 **What level of complexity are the Government and stakeholders prepared for?** The form and alignment of CC2M will have a significant bearing on cost, and matters relating to consenting, land take, utilities, Māori land and Treaty settlement provisions, construction feasibility, procurement and timing all need to be factored into a decisions on project scope.
- 45 The remaining sections of this paper outline my proposed approach to addressing these matters. This will be vital to ensure that the agreed scope of CC2M is enduring and to allow meaningful progress to be made towards its delivery.

## **Moving towards investment readiness requires a structured approach**

### **A temporary Establishment Unit will be charged with advancing CC2M**

- 46 Given the need to progress the project towards delivery with clarity while also addressing a number of outstanding strategic questions, I intend to set up a temporary Establishment Unit to undertake work that will help the Government and its partners to jointly:
- 46.1 work through the strategic issues outlined above and make firm decisions on matters such as scope, delivery entity and funding and finance;
  - 46.2 initiate a business case, which provides a robust process for considering the options and to determine a short list that can be rigorously developed, prior to taking investment decisions;
  - 46.3 rebuild the social licence for CC2M through a programme of Māori, stakeholder and community engagement, including involvement at a governance level; and
  - 46.4 support and inform policy work on a number of policy and regulatory matters that need to be resolved for project delivery, including the permanent form of the CC2M delivery entity.
- 47 In order to deliver the above in the proposed timeframes, the Establishment Unit must be set up quickly and have governance and management arrangements that efficiently support its operations and its objectives. I propose that it be overseen by a streamlined governance structure, involving a standalone Establishment Unit Board that is accountable to a sponsoring group of Ministers and representation from Auckland local government (Project Sponsors). The Establishment Unit Board would be chaired by an independent person, appointed by myself and the Minister of Finance.
- 48 The Establishment Unit will provide the visible face of the project and be responsible for delivering the short-term work programme. The majority of its work, and in particular its leadership of the business case process and providing advice on the form of a permanent delivery entity, will take place over approximately 6 months. However, it will need to remain in place until such time as it can either transition or handover responsibility for the next phase of the project to the permanent delivery entity. I therefore anticipate that the Establishment Unit will exist for a period of 6-9 months.

### **The Establishment Unit should be set up quickly within Waka Kotahi**

- 49 The Establishment Unit is being set up for a defined purpose and the Establishment Unit Board will be accountable to the Project Sponsors. The Establishment Unit will not be a legal entity, its board will not have statutory obligations, and its role will be defined by a terms of reference to be developed by officials and agreed with partner agencies.

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- 50 To progress CC2M quickly, I am seeking to 'host' the Establishment Unit within Waka Kotahi. This approach provides several advantages over other options, including access to existing back office systems, support/corporate staff resource, and potential Establishment Unit funding through the NLTF. Further work needs to be undertaken to confirm the feasibility of this funding source<sup>2</sup>.
- 51 Should the NLTF be used as the funding source, this will require the approval of the Waka Kotahi Board. In order to provide clarity to the Waka Kotahi Board in relation to the funding of the Establishment Unit, I am recommending that Cabinet's previous direction on the role of Waka Kotahi to deliver light rail is rescinded. This earlier direction was designed to facilitate Waka Kotahi's role in an earlier iteration of the project.
- 52 Rescinding this previous direction by Cabinet will be particularly important to distinguish the work of the Establishment Unit from Waka Kotahi's role in the previous process to lead a business case for the development of CC2M. Waka Kotahi has broader responsibilities in respect of public transport and transit that are set out in other instruments.
- 53 While the Establishment Unit will be 'hosted' in Waka Kotahi, so that it can quickly leverage Waka Kotahi systems and processes, it will be run as a joint endeavour with Auckland Transport to ensure high levels of operational support and collaboration. The Establishment Unit will be accountable directly to the Establishment Unit Board for its performance and deliverables.
- 54 This distinction is important and will be set through clear Terms of Reference that outline key points including reporting lines and accountabilities. This is particularly important to give partner agencies assurance that their interests will be equally represented.
- 55 In addition to resourcing the Establishment Unit with expertise from partner agencies, the Establishment Unit will require significant external resource and technical expertise, including international experts and organisations with experience of developing complex projects of this nature.
- 56 The Establishment Unit will have a 'one team culture' focused on ensuring that the project achieves the best outcomes for Auckland and New Zealand. The proposed collaborative arrangement recognises the key roles that our partners will need to play and provides them with an environment in which they can work constructively towards a common objective.

### Progressing the Business Case allows key choices to be made

- 57 Given the need to refine the scope of the project, the Establishment Unit will oversee the development of a business case.
- 58 The business case will ensure the robust comparison of options, drawing on previous available work and addressing gaps in evidence necessary to make

<sup>2</sup> Costs associated with the Establishment Unit to be further refined. [REDACTED]

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informed decisions. This approach gives me confidence that our decisions, especially relating to the delivery entity and the nature of the solution to be delivered, have regard to the full range of costs, benefits and risks associated with different choices.

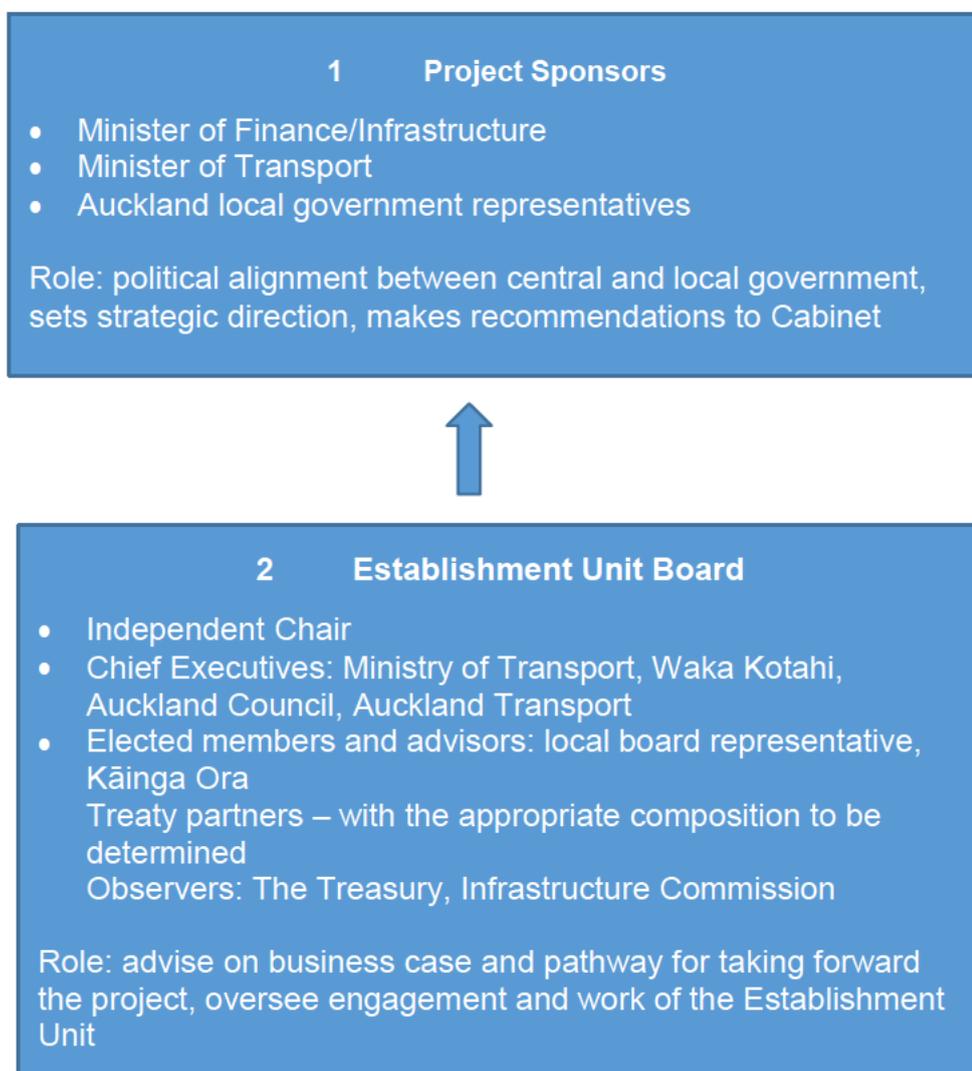
- 59 In initiating the setup of the Establishment Unit and confirming the parameters of the business case, I propose that the Project Sponsors are given the opportunity to provide direction on the strategic choices identified above. This will be important to confirm the project's investment objectives and ensure that the work of the Establishment Unit remains focussed, reflects the level of ambition, and is conducted within a clear set of expectations from decision-makers.
- 60 I will seek direction from the Project Sponsors within 4- 6 weeks of setting up the Establishment Unit.
- 61 Following this direction, I expect the business case process to last approximately six months. At the end of this exercise, I am proposing to return to Cabinet to:
- 61.1 provide a high level cost estimate for each of the short-list options;
  - 61.2 outline the preferred way forward, in relation to route and mode, noting that this will be subject to validation through a detailed economic assessment of the short-list of options;
  - 61.3 recommend the preferred project governance framework, including specific advice on the appropriate delivery entity form to progress the project;
  - 61.4 identify initial priorities for the policy, legislative and regulatory work programme; and
  - 61.5 identify the next steps for the project, including the scope for subsequent detailed business case work.

### **Establishment Unit Governance and Funding**

#### **Project governance structure for the short-medium term**

- 62 To ensure the Project's success, governance is the most critical thing to get right, and from the outset. Until a delivery entity is appointed, I propose the following governance structure.

Figure 1 Proposed Governance Structure



- 63 Based on the above, the proposed governance aims to provide a structure that consists of key stakeholders and agencies with an interest in the project, including Auckland local government agencies.
- 64 Given the dual responsibilities of overseeing the outputs of the Establishment Unit and reaching consensus on a preferred way forward, the role of the independent chair will be critical in bringing together the diverse composition of the Establishment Unit Board, working with members who are participating in the process in the spirit that is required and who feel accountable for the success of their work.
- 65 Given the mixed composition of membership on the Establishment Unit Board, different members will have different roles. Officials would have the broadest set of responsibilities. Local board members, iwi and advisors would have fewer responsibilities focused on their areas of relevant expertise and knowledge.

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- 66 While I see the delivery of this project to be focused on transport, I recognise that urban development outcomes play a central role in refining the scope of the project. It is also vital that the project is closely aligned to priority housing and urban development opportunities, including those set out in the Auckland Housing Programme.
- 67 It is therefore important that there is strong advice on this aspect of the project, and I am proposing that Kāinga Ora is included on the Establishment Unit Board.
- 68 It is important to note that this governance structure is proposed for the first phase of the business case and until the permanent delivery entity is in place. Once the delivery entity has been established a different governance structure will be critical for project success.
- 69 This will need to be fit for purpose for overseeing the more technical phase, further developing a detailed business case, and transitioning to the delivery phase of the project. The composition of the governance structure at this time will need to shift to being a competency-based governance board having a stronger technical and commercial capability set, including light rail and major infrastructure expertise.

### Views from our partners

- 70 I have heard a range of views about this governance structure from our partners. While acknowledging the intent of an inclusive governance structure, a particular concern is the mixed membership proposal for the Establishment Unit Board, and its ability to both oversee the functions and outputs of the Establishment Unit, and build consensus on strategic matters and a preferred way forward. Concerns about this approach include:
- 70.1 having stakeholders in the boards' composition risks slowing down decision-making as the focus turns to consultative and information sharing;
  - 70.2 caution against having those better placed as advisors on the Establishment Unit Board; and
  - 70.3 having members with different roles on the group could create role confusion.
- 71 Treasury officials have noted their concern with the approach I am proposing, specifically that it does not meet with international best practice. Its recommendation is to have a smaller Establishment Unit Board with a narrower focus which draws on requisite skills and with a clear mandate to make decisions arising from the business case process. This Board would receive advice from a separate stakeholder advisory group, with membership made up of local board members, iwi representatives and MHUD/Kāinga Ora.

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- 72 This would separate out functions regarding technical business case outputs and reaching consensus on strategic matters. The Treasury propose that there could also be the possibility of other expert and technical advisory groups as deemed necessary to support the Establishment Unit Board.
- 73 These concerns have been reflected by some of our other partner agencies, including Auckland Council and Te Waihangā. Many of the concerns relate to the ability of the Board to make critical decisions on matters such as mode and alignment in a timely way.
- 74 I have considered the views of our partners on this matter and appreciate the concerns raised. However, it is my view that given the current phase of the project and the outstanding strategic matters to be resolved, the emphasis must be on inclusivity, building consensus and social licence.
- 75 It is my view that the governance structure I have proposed achieves this while achieving the principles of good governance – accountability, transparency and confidentiality.

### Key governance considerations being worked through

- 76 Recognising the variety of views, there are a number of matters that require further consideration that I have asked officials to look into, working alongside partner agencies and Auckland local government. I propose the finalisation of these matters is delegated to myself and the Minister of Finance, in consultation with Auckland local government.
- 77 I have asked for this work to be completed by no later than April 2021. These matters are ones that require discussion with Auckland Council and with the Boards of Auckland Transport and Waka Kotahi. It is critical that these matters are resolved with urgency so that the Establishment Unit can be populated as quickly as possible. I have asked officials to start setting up a pre-mobilisation team to support the mobilisation of the Establishment Unit.
- 78 Key matters to finalise will include:
- 78.1 Confirming Terms of Reference which provide role clarity and decision-making authorities for all parties. This will include setting out the appropriate role for Treaty partners and how technical expertise will be accessed to inform decision-making. These ultimately will need to be agreed by Council, the relevant bodies and the independent chair.
  - 78.2 Ensuring that all parties have the necessary mandate/delegated authorities from their organisations to participate fully and efficiently.
  - 78.3 Completing any necessary partner agreements between participating agencies.

**Best practice engagement approach is vital to the Project's success**

- 79 Success of the Project relies on strong partnerships and bringing stakeholders on the journey. Stakeholder and community engagement will support the business case process, by drawing on expertise and benefiting from multiple perspectives.
- 80 Social licence is currently low and there is a risk of delays and cost escalation if we don't adopt a collaborative approach to address this from an early stage.
- 81 There are Māori-Crown responsibilities to fulfil, which will need to be reflected in CC2M's engagement approach. CC2M represents an opportunity for a step change in how the Crown partners with Māori on major projects.
- 82 The first step in the engagement process is to build a common understanding of CC2M and the benefits it will deliver. This can be achieved through a targeted public information campaign.
- 83 The stakeholder engagement and Māori partnership work will need to be well resourced in the Establishment Unit. It will also need to commence shortly after the Government announces next steps for the project to continue the momentum of interest and avoid speculative commentary.

**Policy, regulatory and legislative changes will be needed to enable delivery and operation of the project**

- 84 The work of the Establishment Unit will happen alongside a policy work programme that will consider the legislative, regulatory, and institutional frameworks that are needed to move the project to delivery. This has the potential to be a significant and challenging programme in its own right, and will require contributions from a number of agencies (including the Ministry of Transport, MHUD, Treasury and Ministry for the Environment).
- 85 We have identified a number of key policy and legal issues that will need to be taken forward alongside technical work to develop CC2M itself. Key issues are likely to relate to:
  - 85.1 acquisition of land and rights of use, while safeguarding Māori land and Treaty settlement land that might be impacted;
  - 85.2 the roles of agencies in supporting urban development, and the nature of partnerships between those agencies;
  - 85.3 funding and financing, including any possible changes to the Land Transport Management Act's funding framework and the establishment of value capture mechanisms; and
  - 85.4 entity form, including possible establishment of a new delivery entity.

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86 Other matters that may require further policy work may include: consenting processes, utilities, asset ownership, public transport planning and operational roles of Auckland Transport and rail regulation.

87 Work will also be required to ensure that there is appropriate Māori and community involvement, including having regard to the Cabinet Guidelines in CO (19) 5, for policy makers to consider Te Tiriti o Waitangi/the Treaty of Waitangi in policy development and implementation.

88 During this initial phase of the project, the policy work is intertwined with the business case work, which informs the key priorities for detailed policy development. It is expected that the majority of the policy work programme will take place post approval of the business case outputs by Cabinet, and this will require the attention of a range of policy agencies beyond the Ministry.

89 The Ministry will lead work to scope and initiate this policy work programme in consultation with Waka Kotahi, [REDACTED]

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[REDACTED]  
[REDACTED]

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90 [REDACTED]  
[REDACTED]

**Funding and finance will be better understood through Business Case and policy work**

91 Broader Project funding and financing (beyond the initial Establishment Unit/business case phase) will largely be addressed through the business case process and policy workstream.

92 A project of this scale, with objectives spanning transport and urban development, is likely to require new approaches to funding and financing. Identifying the appropriate funding and financing arrangements involves considering who benefits from the investment (beyond just passengers), when they benefit (this will vary over a period of decades), and where the risks associated with construction and operation of the rapid transit solution will rest.

93 Overall, this points to a combined approach across Crown, NLTF, farebox, local government tools (to capture local/regional community benefit), private funding sources (to capture commercial/private business benefit) and new value capture mechanisms. The business case will need to identify the best mix of these for the project, given factors such as forecast patronage, preferred cost per fare, and distributional impacts both along the corridor and across the city. These involve trade-offs which we will need to consider carefully.



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transfer risk to the private sector via financing, in which case a Crown loan is likely to be simpler and more cost effective.

- 100 A key consideration will be the proportion of non-Crown project funding (e.g. NLTF, local government funding tools, new revenue sources such as other value capture mechanisms, farebox revenue, and other commercial revenue). This funding needs to be sufficient to support any CC2M specific debt financing.
- 101 It is my view that the funding and financing arrangements should reflect and be consistent with a model of public ownership and public operational control of CC2M.

### **Choosing the best public service Delivery Entity to progress the project**

- 102 Consistent with Cabinet's earlier decisions, the delivery of the project will be undertaken by a public service delivery entity. I am seeking for further work to be done to confirm the form of that entity through the business case process. There will be a number of features required for the entity, including:
- 102.1 it must have clear expectations and incentives to work constructively with other stakeholders, and vice versa;
- 102.2 it must also have clear and undiluted accountability for delivering the Project's key outcomes; and
- 102.3 it will need a stable operating environment, so that it can plan and deliver the Project with certainty, as well as manage its relationships with stakeholders and communities.
- 103 In addition, significant system and entity capability will need to be built up to deliver the Project, as no entities in New Zealand currently have the expertise or resource to undertake a project of this scale.
- 104 There is a strong case to separate transport and urban development functions. In effect, this suggests that the Delivery Entity should have a mandate to focus on delivery of the transport project and should partner with other agencies, in particular Kāinga Ora, to progress urban development outcomes.

### **Two initial options for the Delivery Entity for further development**

- 105 I would like the Establishment Unit to consider two main options for the Delivery Entity.

#### *A joint venture entity*

- 106 A Joint Venture combines and improves delivery capability, expertise and relationships of partnering agencies. Risks and accountabilities would also be shared between them. If there is a joint venture between Crown and Council

entities, this would provide both levels of government with representation in the project. There would however be considerable time and setup costs.

### *City Rail Link Limited*

107 City Rail Link Limited has established capabilities in infrastructure delivery. It was set up to operate as a delivery entity, with a mandate to deliver a well-defined project that has an agreed business case. With this history, it does not currently hold some key capabilities that are needed for CC2M, including design and planning capability, or in complementary areas such as partnering for urban development outcomes.

### **Financial Implications**

108 A funding decision for the Establishment Unit from the NLTF will be sought from the Waka Kotahi Board at its March meeting. Such approval will be subject to a decision by Cabinet to take CC2M forward through the Establishment Unit, as described in this paper. [REDACTED]

[REDACTED]

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109 [REDACTED]  
[REDACTED]  
[REDACTED] Given the eventual scale of the project additional funding or financing will need to be in place prior to commencing project delivery.

### **Legislative Implications**

110 As outlined above, key changes to legislation are likely to be required to enable delivery and operation of the project.

111 While there are no immediate legislative implications, changes are likely to be required to enable delivery and operation of the project. These will be identified through the business case and associated policy work, and will be reported back to Cabinet in due course.

112 A bid has been submitted that outlines any proposed legislation will go to Cabinet late 2022 for introduction in early 2023.

### **Impact Analysis**

#### **Climate Implications of Policy Assessment**

113 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal at this stage as the likely impact on emissions is not yet able to be quantified.

114 The CIPA team notes that the final option that is progressed is likely to result in significant emissions reductions by supporting mode shift from bus and private motor vehicle travel to rapid transit. As this work is progressed,

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comprehensive emissions analysis will be carried out in advance of final policy decisions as appropriate.

### Population Implications

#### Treaty of Waitangi and recognition for mana whenua

- 115 The Project needs to establish processes for working with mana whenua as Treaty partners over the life of the Project given its likely impact on:
- 115.1 Treaty settlements, potentially including rights of first refusal and activity in the marine and coastal areas where the route crosses the Manukau Harbour at Onehunga/Māngere; and
  - 115.2 matters of national importance under the Resource Management Act, specifically the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, waahi tapu, and other taonga.
- 116 Given its scale and duration, the Project represents a significant opportunity to make a step change in how the Crown and Māori work in partnership on major projects by embedding practices that move from engaging to empowering mana whenua.
- 117 The Ministry has made early contact with mana whenua entities with interests along the corridor to start identifying the opportunities, aspirations, issues and challenges they see arising from the Project, and to reflect these in the project scope as appropriate.
- 118 This should also help to identify opportunities for Māori businesses to participate successfully in procurement processes, commercial opportunities for Māori, and significant employment of Māori in quality jobs.

#### Consultation

- 119 The Ministry of Transport and Waka Kotahi worked with the Treasury, MHUD, Kāinga Ora, Te Kawa Mataaho Public Service Commission, Te Arawhiti and Te Waihanga Infrastructure Commission and consulted them on this proposal.
- 120 Crown Law has been consulted on the paper in relation to any public law aspects.
- 121 Auckland Council and Auckland Transport have been involved in discussions that informed the content of this Cabinet paper.

#### Comment from the Treasury

- 122 The Treasury supports the setup of the establishment unit, including its proposed functions and tasks, to ensure Cabinet can make informed and evidence-based decisions on the project based on the business case and other streams of advice, and to build social licence. We are aware of Ministers' desire to ensure the project moves forward with tangible progress

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towards delivery. With this in mind, we are concerned that the proposed single board, with broad membership mixing stakeholders and those accountable for the business case and advice, will dilute accountability and could result in delays due to a lack of clarity around decision-making.

- 123 The Treasury agree it is critical for the future of the project that there is as broad agreement as possible on key choices such as mode and route alignment. However, the Treasury's recommendation, aligned with international best practice, is that this is most effectively achieved through a separate stakeholder and/or expert advisory group. These groups would work closely with the Board (comprising those who are accountable for the business case and advice to Ministers) to ensure stakeholder perspectives are fully taken into account through the process. This structure would enable the Board to make timely decisions and will enable more efficient management of the operations of the unit, including managing financial delegations and holding the Project Director to account for performance and delivery. This will provide the Government with a clear line of sight on how the project is progressing. These views are also held by the NZ Infrastructure Commission, Te Waihanga.

### Communications

- 124 There is a high level of public interest in the project and the announcement of next steps can be expected to attract considerable interest.
- 125 Before any public announcements, it is important that we first brief key partners, especially ATAP agencies and the Mayor of Auckland.
- 126 I propose that the next steps for CC2M be announced at a Government media briefing in Auckland supported by key partners. To avoid speculation, it is important that this briefing provides as much information about the future of the project as possible, including:
- 126.1 the agreed outcomes and benefits;
  - 126.2 the work to be carried out by the establishment unit and plans for transition into a delivery entity;
  - 126.3 broad phases and timelines for delivery;
  - 126.4 decisions that will require further work and why, for example route and mode;
  - 126.5 opportunities for the market;
  - 126.6 how and when stakeholders and communities will be able to have their say; and
  - 126.7 The Government's intention to partner with Māori.

**Proactive Release**

- 127 It is my intention to proactively release this Cabinet paper, alongside my announcements on the project. Some material may need to be redacted to take account of any residual risks arising from the termination of the parallel process, including ongoing obligations of confidentiality owed to the respondents.

## Recommendations

The Minister for Transport recommends that the Committee:

- 1 **note** that in June 2020, Cabinet agreed that the City Centre to Māngere project be taken forward through a public service delivery approach [CAB-20-MIN-0300];
- 2 **agree** that an Establishment Unit will be set up and tasked with progressing the following over a six month period:
  - 2.1 completing business case work to inform future advice to Cabinet;
  - 2.2 undertaking initial iwi, stakeholder and community engagement;
  - 2.3 preparing advice on the form and governance arrangements for the delivery entity for the project;
  - 2.4 preparing advice on the options to take the project forward, including mode, alignment, and decision gateways; and
  - 2.5 supporting and informing, as required, policy work undertaken by policy agencies.
- 3 **agree** to the proposed Establishment Unit governance of project sponsors and an Establishment Unit Board;
- 4 **agree** to the Ministers of Finance and Transport to act as the project sponsors, alongside representation from Auckland local government;
- 5 **note** that the roles, responsibilities and composition of these governance bodies will be finalised in discussion with relevant agencies (including Auckland Council and Auckland Transport);
- 6 **agree** that the Ministers of Finance and Transport be delegated authority to finalise the governance structure that will oversee the project;
- 7 **authorise** the Ministers of Finance and Transport, in consultation with Auckland local government, to take decisions on the following matters:
  - 7.1 the questions of strategic direction that will need to be confirmed in order to commence with the business case;
  - 7.2 the scope of the business case outputs, including what key decision criteria will be included, such as mode, alignment and funding and financing options; and
  - 7.3 a Stakeholder Management Plan and a Mana Whenua Engagement Plan, specifically the scope and intent of iwi, stakeholder and community engagement.

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- 8 **authorise** the Ministers of Finance and Transport, in consultation with Auckland local government representatives on the Sponsors Group, to provide direction to the Establishment Unit to confirm the parameters of the business case and investment objectives;
- 9 **note** that the Sponsors Group and Establishment Unit Board will provide ongoing direction to the Establishment Unit in the development of the business case;
- 10 **note** that the Establishment Unit will be 'housed' within Waka Kotahi;
- 11 **note** that further work is underway to confirm whether the Establishment Unit can be set up as a joint endeavour arrangement between Waka Kotahi and Auckland Transport;
- 12 **direct** the Ministry of Transport to work with Waka Kotahi, Auckland Council and Auckland Transport to set up the Establishment Unit;
- 13 **authorise** the Minister of Finance and the Minister of Transport to take decisions as required to support the setup of the Establishment Unit, including appointing the members of the Establishment Unit Board and approving the Board's Terms of Reference;
- 14 **authorise** the Establishment Unit Board to appoint key members of the Establishment Unit, including the Project Director;
- 15 **agree** that the Ministry of Transport takes forward a policy work programme, encompassing legislative and regulatory changes that may be needed to enable the delivery of the project, including the permanent form of the CC2M delivery entity;
- 16 **direct** officials to commence work on value capture mechanisms and funding tools for the project;
- 17 **note** the proposed funding arrangements and budget for undertaking the work of the Establishment Unit;
- 18 **note** that the funding of the Establishment Unit is intended to be from the NLTF and that this is a matter for the Waka Kotahi Board to approve pursuant to the Land Transport Management Act 2003;
- 19 **agree** to rescind Cabinet's previous direction on the role of Waka Kotahi to deliver light rail, to provide clarity to the Waka Kotahi Board in relation to the funding of the Establishment Unit;
- 20 **note** that additional funding may be required to resource the policy work programme. The Ministry is working through a set of options and will provide further advice;

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- 21** **invite** the Minister of Transport to report back in November 2021, with:
- 21.1 further advice based on the Business Case, and recommendations on a preferred way forward, including route, mode, funding and financing and the form of the delivery entity; and
  - 21.2 recommendations based on the detailed policy positions developed with respect to CC2M, including legislative and regulatory changes that are needed to take implementation of the project forward.
- 22** **note** that the Establishment Unit will manage the development of the project until the delivery entity is appointed and mobilised and that the proposed governance framework will be in place until this time (expected in the 6 – 9 month timeframe).

Authorised for lodgement

Hon Michael Wood

Minister of Transport