

TO: Hugh Mazey
FROM: Ministry of Transport (with input from the Treasury)
SUBJECT: Progressing the City Centre to Māngere Project through a public service delivery model: responses to additional questions raised by the Office on 18 November 2020
DATE: 20 November 2020

MOBILISING AND COSTING THE FUTURE PROGRAMME AND BUSINESS CASE WORK

1. Is there a breakdown of the █████ sought
 - 1.1. The costs provided in our advice are indicative – the █████ figure is based on the experience of comparable projects and we do not currently have a detailed breakdown of the █████ sought at this stage.
 - 1.2. In developing this indicative figure, we reviewed the costs of the business case and planning phase of other light rail projects in Australia (such as Canberra light rail and Brisbane Cross River Rail) as well as other complex business cases (such as the hydro dam facility). This has helped provide a benchmark of what we can expect the CC2M business case and planning phase to cost.
 - 1.3. We expect key drivers of costs will be consultancy and advisory services across a number of disciplines, including international expertise that will be needed. The indicative costings also reflect the assumption that the Programme Office would utilise all of the evidence contained in the Intellectual Property from previous proposals that we currently have access to.
 - 1.4. We are currently working with our technical consultants to develop a more detailed understanding of the sequencing of future work to develop the project, which we expect to discuss with you in December 2020. This will be necessary to develop a detailed breakdown of costs.
2. Can we get more information on the implications of funding the █████ from the NLTF? Would it come from a reprioritisation or from the \$1.8b set aside for project delivery?
 - 2.1. ATAP 2018 signalled the Government's commitment to allocate \$1.8bn from the NLTF to support the CC2M and NW light rail corridors in Auckland. This funding has been accounted for in the funding ranges for the Public Transport Infrastructure activity class in GPS 2021 (and the Rapid Transit activity class in GPS 2018). Under a status quo arrangement (i.e. delivery under Waka Kotahi), funding to set the up the Programme Office would be sourced from the \$1.8 billion in the NLTF that has been signalled in ATAP 2018 (assuming the Waka Kotahi Board approves this).
 - 2.2. However, given that delivery is currently not led by Waka Kotahi, an alternative funding arrangement will need to be put in place. The Ministry is proposing to use Section 9(2)(c) of the LTMA, which allows the Crown (subject to joint Ministers of Transport and Finance approval) to utilise land transport revenue (i.e. NLTF funding) to fund certain activities carried out by the Ministry that relate to matters that could have a significant impact on the NLTF.
 - 2.3. This mechanism essentially shifts decision-making away from the Waka Kotahi Board to joint Ministers. Given CC2M is largely a transport project (whose delivery would have been funded through the NLTF if led by Waka Kotahi), we consider in principle that the Programme Office should be funded through the Section 9(2)(c) mechanism.

- 2.4. Assuming that funding [REDACTED] for the Programme Office to progress the project is approved by joint Ministers through the Section 9(2)(c) mechanism, the Ministry considers that this should be allocated against the \$1.8 billion and be counted against the Public Transport Infrastructure activity class in GPS 2021 (Rapid Transit activity class for spend in 2020/21). This means that the [REDACTED] to progress the project through the Programme Office will not come from a reprioritisation of other transport projects.
- 2.5. Officials have yet to confirm such an arrangement with Waka Kotahi (in terms of which activity class will be impacted) but consider that this is a logical approach given that the funding will be used to develop a rapid transit project. We note that expenditure of this nature would be incurred by Waka Kotahi if it was leading the Project over the next phase – accordingly, this is more about where the funding sits, rather than the nature of the work to be completed.
- 3. In paragraph 64 there was some key milestones indicated in groups, can we get more of a full timeline of the expected time ranges of each key milestone?**
- 3.1. We are currently developing a programme for the works with our technical consultants. This is focussing on the high level activities required to progress the project to investment readiness, including developing the technical solution.
- 3.2. The programme under development will confirm the nature and timing of technical works to be delivered by the Programme Office prior to the establishment of the Delivery Entity. As our advice stated, these works will most likely include:
- Progressing a two-stage business case
 - Developing the technical solution through detailed engineering and design
 - Confirming the Delivery Entity arrangements
 - Undertaking stakeholder, iwi and community engagement to help develop the solution and build social licence,
 - Market engagement to more fully understand domestic and international market interest and capacity, delivery risks and supply chain constraints
- 3.3. The high level programme currently being developed will result in a series of delivery milestones, and we will updated Ministers as these are developed.
- 3.4. We anticipate having a draft programme for discussion with you in December, at which point we will agree a set of key milestones. Following this we will develop a more detailed programme based on the agreed assumptions and drivers. This will be used as part of the mobilisation of the Programme Office and to aid with handover to the Programme Office team as they are identified / recruited.
- 4. Can we get more details on the cost and timing implications of a single stage vs a 2-stage business case?**
- 4.1. The key difference is in relation to timing. A two-stage business case would allow Ministers/Cabinet to take decisions on the completion of the indicative-level business case. As part of this, there would be an opportunity to engage with Auckland local government. This gives Ministers the opportunity to consult/consider options on the outputs of the indicative-level business case before moving to the next stage, although this would require additional time. To mitigate this, the detailed business case could commence in the background, reducing any delays associated with this. Overall, our advice is that the cost and timing

implications for a single-stage vs two-stage business case would not be material. The same development/planning work would be required regardless.

- 4.2. The key impact of a single stage (as opposed to a two-stage) business case is that Ministers/Cabinet would not be given an opportunity to influence what goes to detailed planning (in the detailed business case phase). Whilst the conclusion of an indicative-level business case phase provides Ministers/Cabinet with conscious decision-making rights on key macro-level decisions (e.g. mode, route alignment), there is no such gateway review associated with a single stage business case. There is therefore a risk that if Ministers/Cabinet don't provide direction at this point, rework may be required if Ministers/Cabinet aren't satisfied with the outcome at the end of the single stage business case.
- 4.3. It is useful to note that single stage business cases are designed for projects with a low level of investment and/or risk profile (so as not to take up Cabinet time unnecessarily). Our advice reflects our assessment that this project is not suitable for a single stage process.
- 4.4. A business case process can be a highly visible process, and when well run, can support high levels of stakeholder engagement. This can assist decision-makers confidently select the best solution. It has very practical components to it, including community engagement, traffic, geo-technical and utilities assessments.
- 4.5. As the business case is progressed, a greater level of understanding will be developed around the choices needed to be made on the nature and function of a delivery entity.

THE 'RAG' ASSESSMENT AND THE VIEWS OF STAKEHOLDERS

5. Is the RAG assessment a separate document if so could we get a copy of it?

- 5.1. A summary of the RAG assessment is attached at Annex A. 
- 5.2. The RAG assessment was developed and populated collaboratively by the Ministry of Transport, Auckland Transport, Auckland Council and Kāinga Ora. The purpose of the assessment was to structure our conversations so that we could identify and appraise the key considerations and criteria affecting the scope of the project. This allowed participants to draw out the areas where there is agreement or divergence in views, and helped reveal the key choices and trade-offs around which decisions will need to be made going forward.
- 5.3. Overall, the work to co-populate the assessment was highly collaborative and provided a sound basis around which to build an understanding of the issues. For the purposes of identifying the different views around the table, a RAG assessment was considered by participants to be an appropriate approach. The fact that it was co-created and co-populated meant the RAG acted as a useful focal point for discussion and collaboration.
- 5.4. Whilst the RAG assessment was done in a largely qualitative manner, many of the views of participants were based on research and analysis undertaken historically by Auckland Council, Auckland Transport and Kāinga Ora. This includes, for example, analysis undertaken as part of previous business case work (before the Parallel Process) and other land use and transport planning activities along the Corridor. All of this can be used to inform the next stage of business case development.

5.5. There are, however, a number of qualifying points that should be considered specifically when interpreting the RAG assessment outputs:

- [REDACTED]
[REDACTED] Given the scale and complexity of the project, it is critical that decision-making is informed by robust and quantified economic analysis through the proposed business case. This will build on much of the evidence and analysis that has been undertaken by agencies to date.
- [REDACTED]
- [REDACTED]

6. In the commentary on stakeholder engagement there are some comments made on page 58 about groups concerned with the lack of stakeholder engagement and on page 38 that stakeholders have expressed different preferences around the mode used. Could we get a summary of who these stakeholders were and what their preference was? (This might already be covered or partially covered in the RAG documentation)

6.1. [REDACTED]

6.2. From the outset, we have been aware of the divergence in views on the merits and rationale for a light metro solution or a street integrated light rail solution. Light metro is very different to the original street-grade proposal considered by Auckland Transport and Waka Kotahi through previous business case work. This earlier scheme has been more visible to the public in a way that was not possible through the Parallel Process.

6.3. The Parallel Process precluded involvement of stakeholders, and made it hard to engage with Auckland Transport and Auckland Council in a way which was meaningful. Our approach to developing this most recent advice has been to work collaboratively with agencies in a way that works through the tensions and trade-offs associated with alternative rapid transit solutions, and identifies the strategic choices needing to be made to resolve them.

6.4. In addition to this, Annex B of this note provides an overview of the feedback we have received from Auckland Council (following a meeting between the Ministry and the Council's Planning Committee), special interest stakeholders and industry bodies.

6.5. The advice that we have provided includes recommendations on next steps for stakeholder engagement and Māori engagement. Whilst this advice is being considered, the Ministry and the Treasury are scheduled to meet with partners who contributed to the advice and the Mayor of Auckland in the next fortnight.

6.6. The purpose of these meetings is to close the loop on the collaborative work that went into preparing the advice and to provide general updates on progress.

6.7. To date, the Ministry and the Treasury have met with the co-chairs of the Tāmaki Makaurau Mana Whenua Forum, as well as the Forum itself, to provide an update on the project. This is

supporting us in establishing a better understanding of Mana Whenua's interests in the Project and the aspirations of Iwi. We have recently written to all Iwi in the Auckland region, requesting feedback on how best to engage with Iwi entities going forward.

ONGOING LEGAL OBLIGATIONS

7. The advice doesn't cover off whether there are any legal constraints on the Minister's decision making or access to information resulting from the previous process run. Does the Ministry have formal legal advice on that if so can the Office please see it?

7.1. The response to this question is provided in Annex C.

PROACTIVELY RELEASED