



**GROUP**

**BOARD AGENDA**

<b>Meeting</b>	24 August 2021, 9.30am – 12.30pm
<b>Location</b>	VC
<b>VC/dial in</b>	Teams
<b>Attendees</b>	Leigh Auton (Independent Chair), Peter Mersi, Nicole Rosie, Shane Ellison, Hayley Fitchett (Alternate for Katja Lietz), Jim Stabback, Cr. Darby, Margi Watson, Karen Wilson, Ngarumi Blair Leilani Frew (observer), Dan Cameron (observer) Tommy Parker. Lucy Riddiford, <b>Out of Scope</b>
<b>Apologies</b>	Kata Lietz

\* Present for part of the meeting

**Karakia timatanga** (to open the meeting)

Kia hora te marino	May peace be widespread
Kia whakapapa pounamu te moana	May the sea be like greenstone
Hei huarahi mā tatou I te rangi nei	A pathway for all this day
Aroha atu, aroha mai	Let us show respect for each other
Tātou i a tātou katoa	For one another
Hui e! Tāiki e!	Bind us all together

No.	Item	Sponsor	Attendees	Timing	Mins
Introduction					
1	Board Only	Chair		9:30am	15
2A	Apologies	Chair		9:45am	5
2B	Minutes				
3	Assurance Panel Introductions	Chair	Frank Allen / Anna Chau	9:50am	30
3A	Assurance Panel Terms of Reference				
<b>Break</b>				<b>10:20am</b>	<b>5</b>

No.	Item	Sponsor	Attendees	Timing	Mins
4	Mana Whenua	Chair		10:25am	30
5	Short List Update	Tommy Parker	Out of Scope	10:55am	75
6	Procurement, Funding & Delivery Entity Update	Tommy Parker	Lucy Riddiford Out of Scope	12.10pm	20
	<b>MEETING CLOSE</b>			<b>12:30pm</b>	

**He Karakia Whakamutunga** (to close the meeting)

Unuhia, unuhia

Draw on, draw on,

Unuhia ki te uru tapu nui

Draw on the power of the natural world

Kia wātea, kia māmā, te ngākau,  
te tinana, te wairua i te ara  
tāngata

To clear, to free the heart, the  
body and the spirit of mankind

Koia rā e rongō whakairia ake ki  
runga

Peace, suspended high above us

Kia tina! Tina! Hui e! Tāiki e!

Draw together! Affirm!

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# CC2M/ALR Assurance Panel – Terms of Reference

## 1. Objectives

An Assurance Framework is being developed for the CC2M Project (Project). It comprises four sets of activities for an assurance process:

1. Gateway Review
2. Assurance Panel
3. Internal Assurance Group (IAG)
4. Peer Review Regime

The Assurance Panel has been established to support the Project Board as it makes key Project decisions. The Assurance Panel members are independent from the Project management team. The Assurance Panel are independent experts who will fulfil the “Critical Friend” role to the Project Board.

## 2. Membership

### Members

- Frank Allen (based in Ireland)
- Anna Chau (based in Sydney, Australia)

Secretariat support to be provided by Project team.

Members may change over time, as agreed with the CC2M/ALR Project Director.

### In Attendance

Recognising that Assurance Panel members are based outside of New Zealand, members will video-conference in to Board and other meetings.

### Minutes

To be taken each meeting (focused on what was agreed and actions) together with decisions.

### Meeting Frequency

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The Assurance Panel will engage with the Project Board on an as-requested basis. Outside of Board meetings, Assurance Panel members will meet together and/or with the IAG, Project team members to enable the Assurance Panel to be informed of Project progress. These meetings will be coordinated through the IAG Chair.

### **3. Delegated Authority**

The Assurance Panel has no delegated authority. Any decisions will require the use of the CC2M/ALR Project Director financial and non-financial delegated authority.

### **4. Terms of Reference**

The Assurance Panel will advise the Project Board on key assumptions and decisions. This may include commenting on: key strategies (e.g. consenting strategy, property acquisition strategy), key risks, stakeholder management, project programme and CC2M progress compared to international experience.

The IAG Chair (with prior approval of the CC2M/ALR Project Director) may liaise directly with the Assurance Panel.

Board papers will be made available to the Assurance Panel on an as-required basis and approved by the CC2M/ALR Project Director.

### **5. Reporting**

A written record of Assurance Panel advice during discussions and meetings with Project team members shall be kept by the Secretariat. A summary of this advice will be kept and made available to the Project Board and the IAG, as required. Advice given during Board meetings shall be recorded through the Board meeting minutes.

### **6. Papers**

Any topics for consideration by the Assurance Panel should be provided to the Assurance Panel Secretariat for distribution to the Assurance Panel three days prior to the planned meeting. All files to be stored on a shared site.

# Short List Update following MCA

Meeting date: 24<sup>th</sup> August 2021

Subject: Results from MCA on options

Author: Out of Scope

Date: 18<sup>th</sup> August 2021

Pages: 9 + supporting material

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# Purpose

- Following review of the briefing materials that accompany this paper the Establishment Unit conducted a multi-criteria analysis (MCA) of the five shortlisted CC2M options
- This paper sets out the high level findings of the MCA and identifies the rationale for further reduction in short list options

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# Method and approach

- An MCA is a standard assessment methodology used in business case process
- The MCA is based on agreed criteria in two key parts:
  - **Investment Objectives** – How do projects deliver against the project objectives
  - **Opportunities and Impacts** – What are the impacts and risks/opportunities to delivery
- The MCA was undertaken by subject matter experts from across the Establishment Unit, partners and consultants.
- A seven point scoring system of these criteria has been used (+3 to -3)
- The MCA is just one tool to inform option selection
- The next step (2<sup>nd</sup> half of August) is consideration of value for money, including:
  - Costs (CAPEX and OPEX)
  - Benefit Cost Ratio (BCR)

# The Do Minimum

- Within the MCA all options are compared to the Do Minimum
- The Do Minimum includes assumption in 2031 and 2051 of investment in the wider Auckland network and forecast landuse projections
- For this corridor the main difference from the Do Minimum relates to the number of buses serving the corridor and the anticipated land use

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Option	Option 1A	Option 1B	Option 2A	Option 2B	Option 3
Alignment	s 9(2)(i)	s 9(2)(i)	s 9(2)(i)	s 9(2)(i)	s 9(2)(i)
Cross Section	Street running		Tunnel through urban areas, fully segregated in other areas		2A cross section from north of Mt Roskill and Light Rail cross section south
Service Pattern	15tph Driver operated		20 tph Driverless operation		20 tph Driver operated
Capacity	Assumed 12,600 Maximum 16,800		Assumed 23,200 Maximum 46,400		Assumed 16,800 Maximum 33,600
Stations	23 Stations	22 Stations	17 Stations	16 Stations	18 Stations
Travel time (Airport to Wynyard)	58min	57min	36min	34min	44min
Indicative Cost					

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# MCA Outcomes

**Ahead of any cost assessment, the key takeouts from this assessment include:**

- All short listed options achieve the investment objectives of the project and perform better than the do minimum
- The Light Metro options generally perform better owing to a higher increase in patronage, urban uplift, mode shift and emissions reductions. They also have fewer impacts than light rail (with the exception of embedded carbon)
- The Light Rail options have some significant risks associated with consenting, property and business disruption.
  - The Sandringham LRT option requires the relocation of a significant power cable (to Dominion Road, doubling the impact).
  - The Light Rail options also require partial closures of Queen Street for 5 years and considerable disruption to Fanshawe Street for a similar timeframe
- The hybrid option generally performs closer to the Light Metro options and has the best urban outcomes

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**S 9(2)(g)(i)**

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# Best Performing Light Rail option

- Both route options have similar patronage, carbon, urban uplift and accessibility outcomes
- A significant differentiator between the options is that the Sandringham option has a strategic power cable running down Sandringham Road which would need to be relocated (to Dominion Road) and would involve an additional two year construction period on both corridors
- Given the similarities between each option apart from this, it is **recommended that the Dominion Road option be identified as the preferred Light Rail option**



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# Best Performing Light Metro option

## Best Performing Light Metro Option

- Both options have similar patronage, carbon, urban uplift and accessibility outcomes. There is also little differentiation between the options from a travel time perspective
- Unlike Light Rail there are no significant differentiators between the two Light Metro routes. This is less of a concern for Light Metro as - given the option is now assumed to be a bored tunnel – the alignment does not need to follow a road corridor and could be reconsidered at DBC stage when options pick up key locations in Dominion and Sandringham could be considered.
- At this IBC phase, however, the team needs to pick a route to model. Based on the assessment of investment objectives the Sandringham Option scored higher due to slightly better patronage and uplift, primarily based on the accessibility to the Kainga Ora developments in Mt Roskill.
- **It is therefore recommended that the Sandringham Light Metro option is identified as the preferred Light Metro option**





GROUP

## Board paper

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Meeting date:	24 August 2021
Subject:	Procurement, funding and delivery entity
Author:	Lucy Riddiford
Date:	16 August 2021
Pages:	11 + 2 appendices and 3 attachments

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### 1. Purpose

1. To update the Board on procurement, funding and governance and partnerships for the Delivery Entity.

### 2. Recommendations

2. It is recommended the Board **note**:
  - The procurement update, including the Procurement: Options Assessment Report, which will be appended to the commercial case in the business case;
  - The funding update, including the funding shortlist report, which will be appended to the financial case in the business case;
  - The Delivery entity update, including:
    - The consideration of powers in appendix B; and
    - Initial governance and partnering roles.

### 3. Background

3. This is the fourth paper for the Board on the commercial and financial workstream. In this paper, we cover:
  - The conclusions of the procurement workstream, which will be incorporated into the commercial case

- A further update on the funding workstream, including the funding shortlist report
- A recap on the delivery entity approach, with a detailed summary on the powers required and some considerations for partnering and governance. We are yet to complete the final assessment on delivery form and transition will be discussed at a workshop with key stakeholders on 25 August, ahead of final recommendations to the Board.

4. Appendix A is a summary of the key deliverables in the Delivery Entity workstream and how they will be used in the business case and in the provision of further advice.

#### 4. Procurement update

5. The core activities for the procurement workstream have been completed, subject to finalisation through the drafting and review process of the Commercial Case. The scope and conclusions that were reached for this phase of the process were supported by a procurement reference group, including representatives from Auckland Transport, Infracom, Waka Kotahi, and the Ministry of Transport.

6. The focus of the procurement workstream included the following activities:

- a. identification of a short list of packaging options, which we propose is the starting point for developing and refining the procurement strategy at the DBC phase;
- b. identification of a short list of contracting and procurement options to apply to the packages short listed in the DBC phase;
- c. high-level overview of the typical risk allocations for the different types of contracting and procurement models to enable decision makers and other workstreams to understand what kind of risks may be applicable and, in particular, retained by the public sector;
- d. identification of the key trade-offs / considerations that will be considered in further detail at the DBC stage; and
- e. Identification of the next steps to progress the procurement workstream, including market engagement activities, at the DBC stage.

7. The key points to note in relation to the procurement workstream are outlined below:



s 9(2)(i)

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<sup>1</sup> It is common to use an international delivery partner for mega projects – their role would include establishing and running the programme management office.



8. A detailed overview of the options assessment, short list options and conclusions for this phase is provided in the attached Procurement: Options Assessment Report (see attachment 1).

## 5. Funding update

9. A detailed short-list document has been prepared to provide a detailed overview of the short list of funding tools available for the project (see attachment 2). This report seeks to:

- a. Introduce the concept of beneficiaries, how they benefit from the project, and how different funding tools can be used to recover costs from the various beneficiary groups. Mapping the benefits to specific beneficiary groups and identifying the applicable funding tools minimises the risk of the tools being implemented in different forms for similar benefits.
- b. Provide additional detail on the short listed funding tools including:
  - i. which beneficiaries they target, and which stages of the project they can be applied to;
  - ii. the process required to implement each tool, including policy and legislative considerations;
  - iii. key considerations and trade-offs of using these tools (e.g. potential behavioural impacts, impact on development and other outcomes, affordability, etc.); and
  - iv. order of magnitude (high level indicative estimates).

10. This report does not recommend a funding solution to take forward. It identifies the potential trade-offs of different options, which should be considered in greater detail once the technical solution, costing, procurement, Delivery Entity and governance arrangements are further developed, following a decision by Cabinet.

11. Alongside the preparation of this report, two more focused reports are being prepared which bring practical insights and perspectives to the theoretical application of funding tools:

- a. **Detailed Funding Advice:** Detailed overview of the capacity for different Crown and Council organisations to contribute to the project, potential levers available to each organisation to fund a

contribution, balance sheet considerations and policy / wider trade-offs and considerations.

- b. **Value Capture Advice:** Detailed overview of a select range of value capture tools, including the potential application to the project, impact on beneficiaries, and key trade-offs. A couple of case studies will be included, which focus on the practical application of the selected tools. This report will also provide an overview of how different funding tools may be combined as part of the overall funding solution.

12. These two documents will help inform the basis of advice provided to Ministers alongside the IBC and will be completed by mid-September.

13. The table below summarises the funding tools considered including:

- a. Beneficiary groups and potential funding tools;
- b. Application of funding tools to the different project phases (pre-delivery (i.e. all activities prior to construction), delivery and operations);
- c. Magnitude, certainty, and implementability of the funding tool.  
*Note that magnitude is based on a number of assumptions and would need to be refined when there is greater certainty around the scheme (Red (<\$150m), Amber (\$150m to \$500m), Green (>\$500m)).*

	Crown funding sources			Council funding sources										Development sources				Fares		Other sources					
	Crown appropriation	City Deal	NLTF	Council contribution	Tax increment financing	General rates	Transport rates	Levy	Betterment levy	Business rate supplement	Vacant land tax	Workplace parking levy	Increase in parking charges	Development contribution	Negotiated contribution	Increase in the value of public land	Sale of existing land	Development partnering	Development / air rights	Strategic purchase and sale of land	Farebox	Premium farebox	Advertising	Retail / commercial	
National	X	X													X	X									
Regional				X	X	X									X	X									
Local – residential							X	X	X																
Local – commercial										X													X	X	
Local – development														X	X			X	X	X					
PT user																					X	X			
Motor vehicle users			X									X	X												
Pre-delivery		✓	✓	✓		✓		✓								✓	✓								
Delivery	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓					
Operations	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Magnitude	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Certainty	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Implementation	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

14. A number of key principles, trade-offs and considerations were identified through the preparation of the report:

- a. **A range of options with similar beneficiaries and magnitudes** – There are a number of available tools that target the same beneficiaries and could generate similar amounts (e.g. IFF, Targeted Rate, Betterment Levy). The relative merits of these will need to be considered in terms of certainty, implementability, balance sheet impact, application and timing of funding, and flexibility. Flexibility may also include consideration of the potential impact on beneficiaries of potential future North West and North Shore stages.
- b. **Affordability** – Affordability is an important consideration in the implementation of different taxes, levies and rates, particularly in the lower socio-economic portions of the alignment. A high level affordability assessment suggests that an additional \$1,500 levy/rate for properties within station catchments would remain within a 5% affordability threshold (total rates/levies to household income). This would need to be reviewed at a more granular level at the DBC stage. One of the levers available to mitigate affordability constraints is to implement a comprehensive postponement scheme, which would enable land owners to defer levy payments (i.e. until post a sale). The implications of such a scheme (i.e. impact on financing) will be considered at the DBC stage.
- c. **Value capture and development potential** – Capturing value from landowners may have implications on incentivising development. This needs to be considered in the context of Auckland-wide patterns of intensification. It also has implications on future patronage and mode-shift and associated environmental benefits. The impact on development will depend on the proportion of value captured and how the market prices this in. To the extent the market prices the cost into land markets, the potential impact on Gross Floor Area (GFA) could be estimated through the land use change model that measures the correlation between land value and GFA. However, prices achieved on the Milldale transaction indicate that the levies were not priced into land markets, and did not materially affect development.
- d. **Precedent setting impact** – The funding allocations and tools selected to deliver ALR may set a precedent for the delivery of future projects (i.e. equitable allocations to regional/local

beneficiaries, investigation of alternative funding tools, capturing value from different beneficiary groups).

- e. **Behavioural impact** – Certain funding tools can be used to manage demand for public transport and private vehicle usage. Increases in fares will need to be balanced against the objectives of driving mode-shift/patronage. Other demand management tools (e.g. workplace parking levy, increasing parking charges) may be worth pursuing to balance/incentivise public transport usage, even where the financial benefit is relatively low.
- f. **Crown / Delivery Entity role in capturing land value uplift** – There is a spectrum of ways the Delivery Entity and / or the Crown could capture land value uplift on both public and wider land holdings in the corridor. Land ownership and active development provides opportunities to better control urban outcomes and capture value. However, this comes with increased risk, the potential for upfront investment and greater intervention and capability requirements. Legislative change would likely be required for some of the tools being considered.

## 6. Delivery Entity – governance and partnerships

### A recap on approach

- 15. Our general approach is that “form follows function” and, to this end, we have worked with stakeholders to define several dimensions before entity design has been considered. The dimensions include: purpose, governance, partnerships, roles and accountabilities, and functions of all entities in the wider central and local government system, and how they will work with mana whenua and the private sector.
- 16. We have focused on the following four areas:
  - **Institutional arrangements & Powers:** mapping of where powers sit in the current institutional framework, what powers the Delivery Entity might need, how easy it is to delegate, or access existing powers, and whether new bespoke legislative powers are required for the Delivery Entity.
  - **Governance and partnerships:** detail around roles and responsibilities of partners, how together they can achieve the CC2M outcomes and overriding principles needed for successful delivery.
  - **Transition:** identify key activities, risks and capability requirements at different stages, capability needed and structure and governance arrangements needed to take the project beyond the Establishment Unit.

- **Delivery Entity considerations:** considerations around repurposing existing entities vs creating a new entity to deliver CC2M. This will include the consideration of different existing agencies/entities, different entity forms and the evaluation of CRL and a JV, as requested by Cabinet. This work also has a time dimension, noting that the delivery entity is likely to evolve over the various project stages.

17. We have had a number of workshops on the Delivery Entity with a broad range of stakeholders, including partner entities and policy agencies. At the workshops we discussed the existing institutional arrangements and powers, an assessment framework, the proposed scope, assessment criteria and initial transition considerations. In addition, the Establishment Unit has conducted an assessment of CRL, undertaken an international review of comparable transit projects and prepared a review of the institutional arrangements/ powers required for the appropriate delivery entity to take the CC2M project forward. Most recently we had a workshop on Delivery Entity Governance and Partner roles, which is the main focus of this paper.
18. At the last Board meeting, we discussed our working hypothesis on scope, which is not repeated here. We also discussed preliminary transition issues, which are the subject of a workshop on 25<sup>th</sup> August. We will bring these to the Board after the workshop.
19. The work has been undertaken in parallel with the development of a preferred route and mode, urban development potential, funding, financing and procurement. As such, the preliminary findings will continue to be refined.

### **Delivery Entity Powers**

20. A key task in recommending the form of the DE is to identify and analyse the powers that may need to be exercised to support the CC2M project. To address this matter we undertook a review of the required legal powers in the context of the existing institutional arrangements and analysed the ability/risks to transfer/obtain powers outside of existing arrangements. The legal analysis is based on Chapman Tripp advice and other supporting information supplied by Waka Kotahi and Auckland Transport.
21. The preliminary analysis suggests that the CC2M project could be planned and delivered within existing legislative framework through statutory agencies, partnerships and commercial arrangements.
22. The key findings from the powers review are set out in Attachment B. Attachment B does not deal with powers to levy or use other potential

value capture tools, which might require new legislation, depending on which, if any, new tools Cabinet might choose to develop further.

23. With the exception of any new value capture mechanisms, the unit's review of legal powers does not support a case for significant legislative change. Although specific powers will be needed to support effective delivery of the project outcomes, these powers already sit with existing entities, and could be leveraged through effective partnership and commercial arrangements.

24. We do acknowledge that there is a lack of certainty around the future resource management/ consenting framework. Our work looks at the current Resource Management Act and we are providing information to policy ministries on how a project like Auckland Light Rail could be accommodated in the new legislative framework. We have also looked at how/ if the Urban Development Act could be leveraged. From a pure transport perspective we consider that there are better alternatives, but there may be broader considerations. This is an area where the views of the unit and the views of policy agencies may differ.

25. Scope considerations are relevant, especially if Cabinet were to decide that a broader scope were desirable to ensure the delivery of broader outcomes (especially urban outcomes).

### **Delivery Entity - Partnering**

26. We have included the Delivery Entity governance and partner roles workshop pack as attachment 3.

27. Consistent with guidance from sponsors, our preliminary thinking, which we continue to refine, is that the Delivery Entity should adopt a partnering principles approach. The advantages with this arrangement is that partnering:

- As appropriately leverages rather than replicates capability and capacity that already exists in a number of entities / agencies.
- Has particular relevance given scale and complexity of CC2M and the potential requirements needed to deliver on urban outcomes (both individually complex and large).
- Supports differing timeline of outcomes realisation: urban outcomes are likely to take significantly longer to realise than transport infrastructure delivery outcomes.

### **Proposed governance**

*Mana whenua*

28. The role of mana whenua in the governance framework is still to be worked through and the Chair has organised a hui for a subset of the Board to discuss this. At this stage, we propose that mana whenua are represented in the partner reference group, described below.

#### *Sponsors Forum*

29. The Sponsor Forum will:

- provide a single point of oversight and be the channel of communication between the Sponsors and the Delivery Entity ;
- be available to support partnership arrangements, including potentially having oversight of other initiatives and investments required to support broader urban outcomes:
- be the primary forum to deliver and respond to communications with the Delivery Entity and monitoring performance against Sponsor requirements.
- be responsible for making decisions and providing guidance to the Delivery Entity -.

30. Representatives at the Sponsors Forum will:

- need authority from Crown/Council to perform their roles.
- be well connected in their home organisation and/or the community in order to help resolve issues in a timely manner.
- meet at predetermined intervals for the duration of CC2M.

31. The Sponsors Forum will have the following functions:

- Clearly define CC2M vision
- Provide clarity on requirements and hold Delivery Unit board accountable
- Monitor and oversee Delivery Unit performance and obligations
- Ensure appropriate protections in place to safeguard investment
- Provide strategic direction and funding to their respective agencies
- Monitor performance and hold respective partner agencies to account



- Utilise influence with central and local government to support achieving CC2M

32. The Sponsors Forum, will include representatives from the following:

- Minister of Finance
- Minister of Transport
- Minister of Housing
- Auckland Local Government

*Partner Reference Group*

33. The Partner Reference Group will be the forum for Partners and DE to come together and provide timely advice and guidance to the Delivery Entity.

34. It provides an opportunity for Partners to influence in shaping Delivery Unit actions and decisions, being kept updated of progress and identifying and rectifying issues early on. Representatives will be senior executives at their respective organisations who:

- have a birds-eye-view into their organisations operations and priorities.
- the authority and autonomy to reflect these views and ensure that progress and decisions can be made in a timely and efficient manner
- are empowered to make decisions on their organisations' behalf.
- Are well connected in their home organisation and/or the community in order to help resolve issues in a timely manner.

35. Representatives should bring practical experience of delivering infrastructure projects with similar outcomes to CC2M. The Partner Reference Group should be established during the transition stage and retained throughout all stages to ensure whole-of-life considerations. Representatives may change through the project lifecycle.

36. The Partner Reference Group could include representatives from the following:

- Ministry of Transport
- The Treasury
- Waka Kotahi



- Kāinga Ora
- Ministry of Housing and Development
- Auckland Council
- Auckland Transport
- Mana Whenua
- Community representatives

*Operationally independent board*

37. The Board will be the single point of responsibility for the Delivery Entity. It will be empowered to make operational decisions. Members will need to have the appropriate range and depth of expertise to cover all areas of CC2M operations, including expertise in:

- Large scale infrastructure delivery, ideally rapid transit
- Property development/ urban regeneration
- Project risk management and assurance
- Local government (with strong Auckland Council/ community connections)
- Central government (with strong Crown connections)
- Te Tiriti (with strong relationships with mana whenua partners)
- Managing projects of strategic and/ or national significance
- Financial and commercial experience (with a focus on risk management)
- Overseeing comparable entities with similar funding and financing arrangements.

**Appendix A**

**Overview of deliverables in the Delivery Entity Workstream**

<b>Workstream</b>	<b>Deliverable</b>	<b>Status</b>	<b>Business case</b>	<b>Detailed advice</b>
<b>Procurement</b>	Market trends & insights reference pack	<b>Complete</b>	Appendix to Commercial Case	N/a
	Delivering on broader outcomes reference pack	<b>Complete</b>	Appendix to Commercial Case	N/a
	Procurement methodology report	<b>Complete</b>	Overview of material in the body. Report appended to Commercial Case	N/a
	Packaging contracting options long list	<b>Complete</b>	Included in the high level options assessment report (not a stand alone deliverable)	N/a
	High level options assessment report	<b>Complete</b>	Overview of material in the body. Report appended to Commercial Case	N/a
	Risk allocation principles & considerations reference pack	<b>Complete</b> (include in options)	Overview of material in the body. Report appended to	N/a

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		assessment report)	Commercial Case	
	High level payment mechanism reference pack	<b>Agreed as being out of scope</b>	N/a	N/a
	High level accounting principles & considerations reference pack	<b>Underway and on track</b> (due 30 August)	Appendix to Commercial Case	N/a
	Commercial case	<b>Underway and on track</b> (due 30 August)	N/a	N/a
<b>Funding</b>	Funding options long list	<b>Complete</b>	Appendix to Financial case	N/a
	Long List to Short List Report	<b>Complete</b>	Overview of material in the body Report appended to Financial Case	N/a
	Short List Report	<b>Complete</b>	Overview of material in the body Report appended to Financial Case	Material leveraged for funding advice and value capture advice
	Financial Case	<b>Underway and on track</b>	Financial Case	N/a

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		(due 30 August)		
	Detailed Funding advice	<b>Underway and on track</b> (due mid September)	N/a	Detailed Funding advice
	Detailed value capture advice	<b>Underway and on track</b> (due mid September)	N/a	Detailed Funding advice
<b>Delivery Entity</b>	Powers & institutional framework summary		Summary included in Management Case Brian's table appended	
	Case study reference pack	<b>Complete</b>	N/a	N/a
	Assessment framework paper	<b>Complete</b>	N/a Elements used in final Delivery Entity assessment advice	N/a
	Scope considerations summary	<b>Complete</b>	Consolidating old pack with updated thinking sent for 9 August hui. Narrative in body of the business case and delivery entity report.	N/a

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			Append this consolidated pack to the Management Case	
	CRLI summary report	<b>Complete</b>	N/a	TBC. Will possibly be provided as separate advice.
	Option development & evaluation	<b>Complete</b>	N/a Elements used in final Delivery Entity assessment advice	N/a
	Recommended delivery entity (governance)	<b>Complete</b> (as governance & partner pack)	Overview of material in the body. Paper appended to Management Case	Can be provided as stand alone advice also
	Transition plan	<b>Underway and on track</b> (due prior to 25 August hui)	Overview of material in the body. Paper appended to Management Case	N/a
	Delivery entity assessment advice	<b>Underway and on track</b> (due prior to 30 August hui)	Overview of material in the body. Paper appended to Management Case	Stand alone report can be used for wider advice
	Management Case	<b>Underway</b>	N/a	N/a

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		<b>and on track</b> (due 30 August)		
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## **Appendix B – Delivery Entity Powers**

### *Planning*

- a. Auckland Transport (AT) is the statutory decision-maker responsible for planning and consulting on public transport services in Auckland region
- b. Waka Kotahi is the government's national transport agency and has a statutory whole of system role to oversee the planning, operation, implementation, and delivery of public transport in New Zealand

### *Consenting*

- c. AT is a Requiring Authority for the purposes of activities in the Auckland transport system for which Council has financial responsibility
- d. Waka Kotahi and CRLI are Requiring Authorities for certain purposes but not currently for light rail
- e. A Delivery Entity could apply to become a Requiring Authority, and may apply to compulsorily acquire lands for public works under PWA

### *Land Acquisition*

- f. An assessment of what constitutes public works needs to be made on case-by-case basis to comply with PWA conditions
- g. Acquisition of land using PWA for TOD likely to raise a number of risks
- h. CRLI generally relied on Auckland Transport/Auckland Council to acquire land for transport and TOD activities
- i. A Delivery Entity could apply to compulsorily acquire lands for public works under PWA

### *Land access and roading powers*

- j. AT is the Road Controlling Authority for the local road network and has power to make and enforce bylaws

### *Urban Development Act*

- k. In order to use the Urban Development Act (UDA) for the CCM2 project, legislative change would be required.

- l. Even if the UDA is changed, there doesn't appear to be any significant advantages to using the UDA for the light rail component of the project over the existing next best alternative(s).
- m. Kāinga Ora is the logical agency to lead urban development activities noting difficulty for Delivery Entity to acquire capability and similar powers to Kāinga Ora

#### *Operations*

- n. AT is the statutory decision-maker responsible for procuring and contracting public transport services in the Auckland
- o. AT could contract for public transport with the Delivery Entity (as principal contractor) who could then subcontract with an operator
- p. Confirmation required whether Waka Kotahi could be a party to an entity that provides public transport services

#### *Ownership*

- q. Ownership of light rail infrastructure can be held by any entity, noting substantial portion of assets will be located on Auckland Council land
- r. Ownership of rolling stock can be held by any entity

#### *RMA Reform*

- s. The Government's current timeline for enacting the NBEA and SPA is early 2023 and there will be a lengthy transition period after the NBEA enters into force while subordinate instruments (such as the National Planning Framework) are created.
- t. As "new" legislation there is likely to be uncertainty once the NBEA/SPA is in force due to potentially untested terms and concepts. This could result in possible legal challenge, litigation and delay.
- u. Uncertain regulatory framework during transitional period and high likelihood of litigation present significant consenting risks for the Project.
- v. At this stage the status quo RMA process is preferable but no certainty if existing RMA will be available.

#### *Need for Legislative Change*



- w. The unit considers that the legal powers review does not support a case for a significant legislative change. Although specific powers will be needed to support effective delivery of the project outcomes, these powers already sit with existing entities, and so could be accessed through effective partnering and commercial arrangements.
- x. The key exception to this is the need for legislative change for funding tools, which is considered separately in the value capture advice.

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Auckland Light Rail Establishment Unit Board Meeting Minutes	
<b>Date &amp; time</b>	24 August 2021, 9.30am to 12.30pm
<b>Location</b>	Teams meeting
<b>Board members</b>	Leigh Auton (Independent Chair) Peter Mersi* (Ministry of Transport) Bryn Gandy* (Ministry of Transport, alternate) Hayley Fitchett (Kāinga Ora) Shane Ellison (Auckland Transport) Nicole Rosie (Waka Kotahi) Jim Stabback (Auckland Council) Councillor Darby (Auckland Council) Margie Watson (Local Board Representative) Ngarimu Blair (Mana whenua representative, observer until appointment complete) Leilani Frew (Treasury, observer) Dan Cameron (Te Waihanga, observer)
<b>Staff in attendance</b>	Tommy Parker (Project Director) Lucy Riddiford (Board secretary)  Out of Scope [Redacted] [Redacted] [Redacted] [Redacted] [Redacted]
<b>Guests</b>	s 9(2)(a) [Redacted]

\* Present for part of the meeting

## 1. Board Only Session

There was a Board Only Session.

## 2. Apologies and minutes

### Apologies

Katja Lietz.

Karen Wilson (Chair's note: Karen was engaged with COVID-19 alert Level 4 issues within Iwi/community)

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Minutes

<b>Resolution</b>	The Board <b>approved</b> the minutes of the last meeting, subject to some amendments proposed by Ms Sitterlé.
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### 3. Assurance Panel Introduction

Mr Parker introduced Anna Chau and Frank Allen, who have been engaged as the Assurance Panel to support the Board as it makes its key project decisions. The draft terms of reference have been provided to the Board and approval was sought.

Ms Chau introduced herself and identified three strategic considerations for this phase of the project:

- The importance of problem/ opportunity definition – this is a critical stage of project planning and a clear statement of problem or opportunity definition. Transport/ urban or both. Will drive options, cost profile, set of beneficiaries. Also need to look at opportunities. Examples where lack of problem definition caused failure are in Kuala Lumpur.
- Vision of the future light rail project as part of the overall transport network - regardless of size, even if single corridor, the project needs to be integrated with the transport network. Most successful schemes have been well-integrated. Good example Manchester. What is the compelling view of future network to sell to the community? Having cohesion and commitment to future network is critical.
- Construction disruption and stakeholder consultation - disruption has been the Achilles heel of many projects. For example, in Edinburgh, they dug up the high street and then did not proceed; Sydney has had major issues and still faces opposition. Made worse from delays caused by utility movement. Deal with these issues early – both physical and stakeholder issues. The best projects have involved extensive consultation/ engagement and management throughout, even after project goes into operation.

Mr Allen then introduced himself and identified three lessons learned:

- Challenges during the approval period – Mr Allen has worked in light rail in many places and he was the Chief Executive of Dublin Light Rail (LUAS) when it was being planned, built and then extended. Dublin is comparable to Auckland in terms of size, income levels and a main objective of LUAS was to address urban sprawl. During implementation, it was controversial and there were times when the Government considered cancelling it or changing its scope.
- Successful mitigation of patronage risk - From the weekend LUAS opened, the patronage was above forecast. Why were forecasts wrong? Examples – catchment area included up to 1km and the design went far beyond the statutory requirements for disability. It turned out that collectively this addressed a lot of people. Forecasting focuses on peak periods – but by understanding off peak, from day 1 they were able to cover the full costs of operations. Some reasons they achieved high patronage could assist with our project, e.g. should rebuild street from building line to building line. Need to attend to these matters at early stage for procurement.
- Strong governance structure and relationships – the project started off in the national railway and ultimately the delivery entity became a dedicated statutory agency with its

own board. This gave it status, for example to utilities. Protocols for dealing with complaints to individual board members are very important.

There was a general discussion, focussed on the following points:

- On the topic of the broader network, there was a discussion about how to talk about the future network, when the costs are likely to be so high. How much of the “network” was part of the initial consultation? Ms Chau advised that the experience differs by city and scheme. In Sydney, a lot of planning was done before announcing the shortlist of route alignments. Significant work was done to narrow the options, because there were so many known issues with many of the potential routes (disruption in the CBD, heritage issues, tree issues). In Manchester, they took a different approach, with a vision early on, but no detailed planning. In that case, it created issues for the procurement, as there was not enough detail. From experience, you need a vision early on that is sufficiently compelling, but do not lock yourself in before announcing details such as stop locations. Providing the vision of a regional corridor is enough. Ultimately it comes back to the problem definition and opportunities and tie that to the transport network. Problems can occur if a scheme is developed as a single scheme without integration, e.g. in Malaysia.

Mr Blair joined the meeting at 10.10 am and the discussion continued.

- The LUAS board and the importance of having communication protocols to protect individual board members.
- The Sydney and Dublin schemes and the extent to which the delivery entity delivered the urban regeneration outside the core transport. In Dublin, the scheme was designed to regenerate the heart of Dublin, which was very rundown. They made a deliberate choice to add very high-quality infrastructure and regeneration occurred. Areas around LUAS now have high density. It helped that they were previously rundown. Deals were done with developers and for extensions, 50% of the capital cost came from the uplift in property valued (this could not have occurred with the first line, as they needed to demonstrate value). Ms Chau advised that the jury is still out on the best approach; the most tangible evidence for general regeneration outside core transport is in Manchester.
- Problem definition in the context of this project, noting that we had defined the objectives.

Resolution	The Board <b>approved</b> the Terms of Reference for the Assurance Panel with minor amendments.
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#### 4. Mana whenua

s 9(2)(a) joined the meeting at 10.35am, after the board had taken a short break.

There was no paper. Mr Auton led a discussion:

- He noted that the Project Unit has been seeking to establish what should be undertaken (incorporated into the IBC phase of this project. As such we have been informing and engaging with iwi. There is a desire to be bold on mana whenua partnership in the Indicative Business Case. However, we do need to be realistic about how much can or should be developed in this phase, recognising that the DBC phase is much more critical

for partnership. We are advanced in our conversations with iwi. What we can do is develop principles of partnership. A lot of work is being done by govt – e.g. Three Waters Reform, also by Waka Kotahi in projects. Need to distil those models down and the principles behind that. The establishment unit has engaged Dr Brett Ogilvie from Tonkin & Taylor – Environmental Scientist, Te Arawa and Ngati Awa iwi, extensive overseas experience – to assist in ensuring there is a Te Ao Maori lens through the business case.

- s 9(2)(a) advised that we are seeking to pull together principles and matters that can help on a practical level, which will be fleshed out as we get into the detail. Co-management is a new frontier, with few examples of where it has operated in practice. Some examples include Tainui with the Waikato River, and Orakei reserve, as well as more limited examples directly with the Crown. We do want to draw on existing examples.
- Mr Blair has recommended that we should get an independent historian so we have a resource to clarify who we partner with. This is a project of regional/ national significance. We also need to talk to wider Māori communities about value of doing this – this engagement process different that talking to mana whenua. Mr Blair is keen to see what Waka Kotahi has developed, as he has heard good feedback about Waka Kotahi approaches to partnership. We do not need to reinvent the wheel too much. He has not contemplated co-governance, noting that there are significant demands on iwi resources and co-governance of a hugely risky project like this could be challenging. He is keen to see more thinking if that's being asked for by iwi or the Crown, in terms of what it would look like in practice. He noted that in the Three Waters example, there is still a skills-based board that runs and delivers the project – that should be fought for and maintained, rather than having governance seats divided up amongst individuals who may not have the same skillsets.

s 9(2)(a) left the meeting at 10.49am.

Mr Parker provided a general update on the impacts of COVID-19 on the project, summarising what had been put in place for staff. The main impact is on engagement.

Concerns were expressed that we had not completed all of the community engagement, including in Avondale. Recognising the challenges, the board is keen to ensure that conversations continue, recognising that they will not influence this phase of the project.

## 5. Shortlist update

s 9(2)(a) joined the meeting at 10.55am.

s 9(2) introduced his paper. There was a general discussion, covering the following points:

- In response to a question, the team confirmed that there would be options to look at further stops, such as the university and hospital options, depending on the mode chosen.
- Carbon, embedded carbon and the fact that no transport project is carbon neutral. However, all 5 options have a net positive outcome over the life of the project (enabled carbon reduction outweighs the embodied carbon).
- Urban outcomes, noting that the transport intervention alone will not be enough to deliver urban outcomes.
- Capacity; options for connecting with the North Shore at Wynyard.
- Questions about the hybrid solution.
- How to deal with the urban uplift in the economic case.

- Potential property take, in particular for culturally important sites.
- Whether cost trade-offs would include the trade off costs around additional lines in the future, noting that this is a key differentiator between the short list options.
- Strong desire to see a compelling view of a network, not just this corridor. Whole of network context to frame up big compelling view is important.
- Journey time differences, understanding that most users will not make the journey from end to end.

Mr Parker led a discussion about the costs:

- A key question is the extent to which we should factor in urban costs, with two significant emerging costs being urban betterment and property. Considering how best to present this information. We are likely to use transport as the baseline, but present the narrative on how you could achieve broader urban outcomes and the costs associated with complementary measures.
- There was a discussion about how this should be factored into the business case and specifically the BCR. The business case does need to articulate the potential benefits. The baseline should include the minimum property take, overlaid with a level of practicality, for example not leaving a single house in a row. Provision for landscaping/ cycling and walking should be included in the minimum. In terms of TOD, the conversation should be more about enabling and the optionality about how it should be delivered (will come back to the delivery entity question and partnering approach).

<b>Resolution</b>	The Board <b>noted</b> the shortlist update paper.
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s 9(2)(a) left the meeting at 11.55am and Ms Stewart joined the meeting.

## 6. Procurement, funding and Delivery Entity update

Ms Riddiford introduced the paper and noted the following:

- Appendix A to the paper sets out all the reports that are being completed in the delivery entity, procurement, funding and financing workstream and how they map to the business case and the Independent Chair's ultimate advice
- *Procurement* – this work has been completed and we have a first draft of the commercial case. The procurement lead will be a key role. There is the potential for a delivery partner. There were questions about the work that will need to be done before substantial procurement is commenced, such as third-party agreements. This will be covered in the transition/ continuation approach. The criticality of third-party agreements (such as with utility owners) was noted, including the integration risk.
- *Funding*. Summarised the approach to the short list report and the further funding and value capture advice. Working closely with MoT and Treasury, with affordability being a key factor.
- *Delivery entity*. Recapped how we are approaching this work, noting that at the next meeting we would discuss transition, which will bring all the work together. On the

review of powers and existing institutional frameworks, the uncertainty associated with changes to the RMA framework in New Zealand was noted.

There was a discussion about the role of mana whenua in the governance framework, including the need for further work and that we would look at some reference projects. The possibility of community representation in the partner reference group was discussed. There was also a discussion of whether union representation might be appropriate, noting that the workforce, including in the supply chain is not highly unionised. The extent to which iwi might look for representation on the sponsors' forum was discussed and it was noted that mataawaka would not expect to be involved in governance. The need for strong customer expertise in governance was also discussed.

<b>Resolution</b>	The Board <b>noted</b> the Procurement, funding and Delivery Entity update.
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The meeting concluded at 12.30 pm.



Minutes approved by the Independent Chair

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Leigh Auton

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