

City Centre to Māngere (CC2M)

Milestones

5 July 2021

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Approach and final deliverables

Cabinet has mandated the Establishment Unit to undertake work to support a decision on the CC2M project by the end of the year

On 29 March 2021, Cabinet agreed that an Establishment Unit would be set up and tasked with the following work over a six-month period¹:

- Completing business case work to inform future advice to Cabinet;
- Undertaking initial iwi, stakeholder and community engagement;
- Preparing advice on the form and governance arrangements for the delivery entity for the CC2M project;
- Preparing advice on the options to take the project forward, including mode, alignment and decision gateways;
- Supporting and informing, as required, policy work undertaken by policy agencies.

Ministers are seeking to take a recommendation to Cabinet in November 2021 with:

- 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;
- Recommendations based on the detailed policy changes that are needed to take the implementation of the project forward.

The work undertaken by the Establishment Unit will also provide Ministers with a greater understanding of some of the key considerations, trade-offs and changes (legislative, regulatory and other) that may be required to achieve the project outcomes.

The business case will follow Treasury's better business case methodology

Treasury's Better Business Case methodology provides objective analysis in a consistent format to decision-makers, allowing for better comparability and transparency and enabling government to make investment decisions that maximise public value. The business case will comprise 5 cases, which address the following questions.

- **Strategic Case:** What is the compelling case for change? What are the benefits of CC2M?
- **Economic Case:** What are the options? What is the best option for New Zealand?
- **Commercial Case:** Is the proposed procurement commercially viable? Can the market deliver on this?
- **Financial Case:** Is the investment proposal affordable? How will we fund it? What Crown and Council mechanisms can be used? What are key Value Capture considerations?
- **Management Case:** How will the project organise for successful delivery? What form of delivery entity should take the project forward? How do you transition from the Establishment Unit to this entity?

There are some risks to the business case process

Further detail is provided in each section of this report along with mitigations for each risk.

¹ CBC-21-MIN-0036

- The tight timelines for indicative business case preparation mean underlying supporting workstreams are running in parallel. These will need to all come together to provide coherent, broad and appropriate advice.
- Advice in certain areas (e.g value capture) will be driven by the technical solution, urban form and political appetite. These elements will remain fluid over the course of the next few months making it difficult to fully evaluate the trade-offs.
- With limited time available, cost estimates will be as progressed as possible, but more detail will be required in the next stages.
- There is a significant amount of work occurring at a central government policy level (for example in relation to urban development and RMA reform) that is likely to have implications for this project, but may not be able to factored into this phase of the work.

Assurance plan

The EU has adopted a four-layer approach to assurance

Planning is underway to support a **Gateway Way Review** process. The timing and scope of this is yet to be confirmed, however at this stage we expect it will occur after the substantive work to inform the recommendations in November has been completed.

An **Assurance Panel** is being established whose role will be to support the EU Board in their deliberations. The Assurance Panel will have members who are independent, likely from overseas, with experience in delivering Light Rail or similar schemes. The experience sets will be broad and include funding and financing, delivery entity form/responsibilities, social licence (community engagement), design/construction, and urban form/development.

Within the EU project team, an **Internal Assurance Group** (IAG) has been established to ratify key assumptions and decisions. The IAG members are independent from the workstream leads who will bring recommendations to the IAG on an as needed basis.

Within the EU technical workstreams, a **Peer Review** regime is being implemented to verify the multiple technical reports being delivered. Peer Reviewers are independent and are sourced from agencies involved in the project or external consultants.

Stakeholder engagement and Mana Whenua partnership approach

The overall objective of communications and engagement is to introduce light rail to local communities and wider Auckland. We are informing and positioning the project as a catalyst for improving communities as part of a growing Auckland.

The purpose of stakeholder engagement is to start the conversation and build new support from stakeholders who will play a role in advocating for the project. This is being achieved by engaging through community listening sessions, targeted workshops, local board/councillor workshops and online tools.

A partnership is being established with Mana Whenua to incorporate cultural values and opportunities, to be carried into the next phases of the project. The initial approach is to engage with 15 Mana Whenua groups at a

governance level during July, who have identified with customary interests across the project area. We are also hosting hui with specific Mataawaka groups in the project area.

Progress and outputs:

A focus for the next three months is to establish social licence for the project by engaging with stakeholders and communities. The communications and engagement for the project was launched on 1 July. This marked a big step for the project as it is the first time there has been widespread engagement with the public. Feedback is now open for two months with lots of interest and comments on our online survey. Over 100 responses were received in the first 12 hours.

Extensive media coverage featured in the NZ Herald, Stuff, National Business Review and TVNZ. A print, outdoor, radio and ethnic media campaign will run throughout July and August. Targeted workshops in five corridor communities have also started along with planning for 10 activations and events in August.

There are significant time constraints in delivering the business case, which will limit the extent to which stakeholder and community feedback can be used to inform or shape the business case itself. There are also limits to the level of detailed feedback that can be gathered in this early stage with a concept route only.

An Engagement Summary, Social Outcomes Strategy and Maori Outcomes Strategy will be supplied as appendices to the business case at the end of September. The purpose of these documents is to reflect on the feedback that has been heard and to summarise key insights and themes which can be carried into the next phases of the project.

Strategic Case

The strategic case presents the context for considering a step change to rapid transit in Auckland, particularly the city centre to Mangere corridor. It outlines the case for investment, defining the problems facing Auckland and outlining the potential benefits that may be achieved through this project.

The Strategic Case will include information on the following:

Item	Description
Background and summary of previous work completed	There has been a substantial amount of work completed to consider a rapid transit connection from the Airport to the City Centre via Mt Roskill, Onehunga and Mangere. That work holds a wealth of information relevant to the current ALR project. A background summary of the purpose and key findings of this earlier work will be documented.
Strategic context	The strategic context section details the key Social, Policy, Technological, Environmental, Economic, and Political factors that may influence or impact on decision-making.
Problem definition	Problem definition determined via the ILM process will be the basis for the evidence gathered in this Strategic Case. The Strategic Case will document a problem definition section where interrogated problem statements will be outlined and supported by evidence based data and reference materials.

Item	Description
Benefits of investment	The benefits to be realised through investment are first identified in the ILM workshop. They are linked to the problems and should be benefits that the investment 'owner' can actually deliver. This section adds the data and evidence to the mapping of the problem statements, the benefits owner, as well as forecast information around future benefit realisation resultant from the completion of the project.

Potential gaps and risks:

- Problem statements do not accurately reflect the issue as interpreted by the community and project sponsors
- Evidence does not support the outcomes of the ILM

Key deliverables

Deliverable	Information Covered
ILM and Investment Objectives	The Investment Logic Map (ILM) and associated Investment Objectives, mapped to the high-level Outcomes as defined in the Cabinet Paper
Strategic Case	The draft Strategic Case sets out the reason for investment, including the key problems to be addressed, backed by data driven evidence to provide a robust basis for decision-making. The evidence establishes a compelling case for change, highlighting the significance of the existing (and future) problem and defining the urgency of need.

Economic Case

The purpose of the Economic Case is to set out the development and assessment of options, identify a short list of options, how these options perform relative to each other, what the key trade-offs between options are, to ultimately allow decision makers to identify the recommended option. For this project, this would be the mode and route.

The Economic Case will include information on the following:

Item	Description
Option Assessment Process	The Economic Case will start by outlining the approach to option assessment, how options are developed and assessed and what criteria was used in the assessment.
Long List Option Assessment	This section details all options considered and the process used to determine how options were chosen for the short list. There will be a synopsis, and where appropriate, evidence to provide context on why options were eliminated from progressing to the short list.

Item	Description
Short List Option Development	The short list options (a mix of Light Rail and Light Metro options) will then be developed and assessed in further detail. Specifically, this will include further engineering design and assessment of the forecast urban uplift potential of each option. The options will then be tested in the regional transport models, with this urban uplift potential to understand the transport demand, including mode shift and carbon reductions as a result of this increased urban uplift in the corridor and the enhanced accessibility of the different short-listed options.
Urban Uplift	The urban uplift forecast for each short-listed option will be detailed, giving an indication of the opportunity that each option provides from a land use perspective.
Transport Impacts	The transport implications of each option, including patronage, wider network impacts and forecast mode shift etc will be outlined for each option, providing a picture of the performance of each option from a transport perspective.
Short List Option Assessment	<p>The short-listed options will then be assessed in detail against a range of assessment criteria to understand the trade-offs of the different options. At a high level these criteria include:</p> <ul style="list-style-type: none"> • Investment Objectives – How well the options deliver against the outcomes sought, transport accessibility, carbon reduction and urban development outcomes • Risks/Impacts – What the key risks or impacts of an option are, such as deliverability, environmental impacts and such like • Value for Money – What the cost of the different options are and how the benefits relate to these costs (a detailed economic BCR)
Cost Benefit Analysis	The Economic Case will include the cost estimates of the options as well as a detailed Benefit Cost Estimates ratio assessment undertaken in line with the Waka Kotahi - Monetised Benefits and Cost Manual (MBCM). This will provide an economic view of the benefits vs the cost estimates of the project.
Recommended Option Identification	The Economic Case will then set out the key trade-offs between options, including the identification the best performing Light Rail and best performing Light Metro and ultimately the Establishment Unit's recommended option.

Potential gaps and risks:

Any specific areas for further focus in the next stage will also be identified for the recommended option (such as route finalisation in Māngere being dependent on public engagement on the different options in the DBC phase).

Detailed deliverables:

Deliverable	Information Covered
Technical Note - Assessment criteria	Note that sets out the assessment criteria used
Long List Report	Report that sets out the long list options developed and their assessment that resulted in the short listed options
Design Report	Report that sets out the design assumption and drawings of the options as well as alternatives considered
Cost Estimate Report	Detailed report of the cost estimation assumptions and costs for each option and sections
Urban Uplift Report	Report that sets out the forecast urban uplift for each option
Transport Report	Report that sets out the transport modelling analysis
Technical Note - Economics	Report that sets out the economic analysis for each option
Technical Note – Short List Assessment	Combination of all of the technical specialist assessments of the short list options
Economic case	

Commercial Case

The case will provide an overview of the short listed packaging and contracting options and provide a recommended go to market approach based on market analysis.

The Commercial Case will include information on the following:

Item	Description
Service requirements and scope	Overview of what is being delivered. For example, project scope elements - stations, stops, depot, rolling stock, track infrastructure, etc.
Market analysis and trends	Identification of potential suppliers, comments on market trends (e.g., risk appetite, capability, capacity, etc.), overview of other major projects that overlap, and relevant case studies with lessons learned.
Evaluation framework	Overview of the framework used to assess the packaging, contracting, and procurement model.
Long list and options assessment	Evaluation of packaging and contracting long list options, including identified key trade-offs and considerations.
Short list of packaging and contracting options	Short list of packaging and contracting options, including what is being ruled out and why.

Procurement risk and other considerations	Risk allocation principles and considerations, summary of potential payment mechanisms, and high level account considerations.
Urban delivery strategy	The strategy seeks to optimise transport and urban benefits through an integrated approach to project options identification, assessment and delivery.
Indicative consenting strategy	An overview of the regulatory and planning approvals required to proceed with the project, the environmental and consenting risks, and the proposed pathway to obtaining approvals.
Indicative property strategy	High level identification of property required for construction and operation of the project, anticipated acquisition costs and an overview of the acquisition strategy in the context of a joint transport/urban development project.
Market engagement strategy	Recommended “go to market” approach, including timing, content, and requirements, across all phases.

Other advice developed:

- Advice on market context underpinning market trends and insights.
- Advice on how procurement can enable achievement of broader outcomes.
- Advice on risks and how they might be managed.

Potential gaps and risks:

- Timelines for indicative business case preparation, means underlying supporting workstreams are running in parallel. These will need to all come together to provide coherent, fulsome advice. *Mitigation: commercial, financial, management elements being prepared by the same team in the Establishment Unit and same adviser team. Establishment unit dedicated integration manager and dedicated business case team.*
- For procurement strategy to be optimised, a high degree of specification on the technical solution is required. *Mitigation: this will be addressed at the detailed business case stage and flexibility will be retained in the shortlist across the workstreams. Technical design lead is included in the procurement reference group.*
- Anticipated Resource Management Act replacement means there is no clarity about the approval process that will apply to the project. *Mitigation: monitor legislative process and input into Ministry of Transport submissions on the provision of transport infrastructure.*

Detailed deliverables:

Deliverable	Information Covered
Market trends & insights reference pack	Short reference pack outlining the current market trends & insights in relation to procurement. Will draw on material from a couple of case studies.
Procurement methodology	Short pack that outlines the procurement methodology and framework, with a key focus on the evaluation criteria.

Deliverable	Information Covered
Packaging & contracting options long list	Long list of packaging & contracting options.
Delivering on broader outcomes reference pack	Short reference pack outlining how the CC2M procurement strategy will deliver upon the broader outcomes (e.g. incorporating sustainable procurement).
High level options assessment report	High level options assessment report for packaging and contracting options, with a focus on considerations and trade-offs.
Risk allocation principles & considerations reference pack	Summary of the key risks relating to CC2M and the principles and considerations in relation to risk allocation.
High level payment mechanism reference pack	High level overview of the potential payment mechanisms available for CC2M and the considerations/trade-offs of different options.
High level accounting principles & considerations reference pack	High level overview of the potential accounting principles/considerations.
Commercial Case	

Financial Case

This case will provide a short list of funding and financing options, and overall affordability of the project based on the options. As part of this, it will also cover value capture options and considerations.

The Financial Case will include information on the following:

Item	Description
Financial appraisal	High level overview of the revenue and costs associated with the project.
Funding options and evaluation	Long list of capital and operating funding options, assessed against the agreed evaluation framework, and identified short list of capital and operating funding options. High level identified risks and associated mitigations.
Value capture mechanisms	Overview of short listed value capture funding mechanisms, including estimation of quantum and identification of potential consequences (intended and unintended).
Financing options and evaluation	Long list of financing options, assessed against the agreed evaluation framework, and identified short list of financing options. High level identified risks and associated mitigations.
Overall affordability	Overview of overall affordability, considering both costs and funding sources associated with the project, overlaying different financing options.

Other advice developed:

- Value capture mechanisms & funding tools advice.

Potential gaps and risks:

- Timelines for indicative business case preparation, means underlying supporting workstreams are running in parallel. These will need to all come together to provide coherent, fulsome advice.
Mitigation: commercial, financial, management elements being prepared by the same team in the Establishment Unit and same adviser team. Establishment unit dedicated integration manager and dedicated business case team.
- Predicted on cost and, therefore, reliance on design and costing work to be completed. *Mitigation: two people allocated 'guardians of the cost' to act as interface between design, cost and commercial/financial workstreams.*
- Value capture will be driven by the technical solution, urban form and political appetite. These elements will remain fluid over the course of the next few months making it difficult to fully evaluate the trade offs. *Mitigation: ongoing flexibility retained and highlighting range of trade-offs and consequences.*

Detailed deliverables:

Deliverable	Information Covered
Long list of funding options summary	Long list of funding options, identifying the responsible party (Crown, Council), the final beneficiary and domestic/international precedent.
Long list to short list report (inc. evaluation framework)	Report that outlines the long list of funding options, the evaluation framework, the initial evaluation of options, and the short list of options.
Short list report (inc. value capture)	Report outlining the refined short list of funding options in more detail including key trade-offs and wider considerations. A key focus will be on the value capture options.
Value capture mechanisms & funding tools advice	Deliverable prepared to specifically respond to Cabinet Minute direction to commence work on value capture mechanisms and funding tools.
Long list of financing options	Long list of financing options, supplemented by spectrum of potential support options, and the evaluation framework.
High level options assessment report and draft short list	High level options assessment report for financing options, narrowing to a short list.
Short list of financing options	Agreed short list of options and high level programme for detailed business case phase.
Draft Financial Case	Draft of the Financial Case.

Management Case

This case will provide an overview of the shortlisted delivery entity options assessed and will provide delivery entity design, establishment, risk management, and next steps, for the recommended delivery entity.

The Management Case will include information on the following:

Item	Description
Powers and Institutional Framework	Current institutional framework (who currently does what), what powers are needed to plan, deliver and operate CC2M? What powers would it make sense for the Delivery Entity to have?
Delivery Entity Scope	Based on domestic and international lessons learned and powers required, consider what scope areas will be the responsibility of the Delivery Entity and what will be delivered in partnership with other agencies.
Assessment Framework	The framework for assessing Delivery Entity options.
Options Development	Summarise Delivery Entity options, including their powers, partners, scope etc. This will include CRLL, JV and other options developed by the Establishment Unit.
Options Assessment	Assessment of each option against the agreed criteria to determine a preferred option.
Recommended Delivery Entity Structure	Further detail on the preferred option including governance structure, roles and responsibilities and assurance framework.
Recommended Delivery Entity Establishment	Summary of how to transition from the current Establishment Unit to a Delivery Entity. Will include considerations relating to governance and other transitional requirements.
Recommended Delivery Entity Risk Management	Describes the strategy, framework and outline planes for managing and mitigating risks during the project.
Next Steps	Overview of the next steps to move the project forward.

Other advice developed:

- Advice around trade-offs of different areas of Delivery Entity scope (i.e. what is the impact on risk, capability and outcomes of including or excluding certain scope areas)..
- Advice around the CRLL option based on Establishment Unit interviews with numerous existing and previous CRLL employees and stakeholders.
- Advice around timing and key transition considerations.

Potential gaps and risks:

- Timelines for indicative business case preparation, means underlying supporting workstreams are running in parallel. These will need to all come together to provide coherent, fulsome advice.

Mitigation: commercial, financial, management elements being prepared by the same team in the Establishment Unit and same adviser team. Establishment unit dedicated integration manager and dedicated business case team.

Detailed deliverables:

Deliverable	Information Covered
Powers and institutional framework summary	Short reference pack summarising status quo of powers, institutional framework and current partner roles.
Case studies reference pack	Short reference pack with high level case studies of domestic and international governance, entity, procurement, funding and financing considerations.
Assessment framework paper	Summary of entity attributes that will be used to assess the various delivery entity options.
Scope considerations summary	Short reference pack outlining key considerations of the delivery entity scope broadening across planning, delivery, supporting infrastructure, urban development and operations. Provides a recommended scope and trade-offs of alternative scopes.
CRLI summary report	Summary of the key findings from CRLI interviews.
Option development and evaluation	Report summarising options considered and how these score relative to the assessment criteria to determine a recommended delivery entity. This will explicitly cover CRLI, JV and other options
Recommended Delivery Entity (governance, roles, project vs programme)	Based on the recommended option, this paper provides a summary of the key features of the entity, the proposed governance structure and an overview of partner roles and responsibilities.
Transition plan	Summary of process to get from the current establishment unit to the recommended delivery entity. This will include capability needed at various stages, immediate changes required and any interim stages / forms needed. It will highlight the degree of change needed to implement.
Delivery entity assessment advice	Deliverable prepared to specifically respond to Cabinet question around the delivery entity. It will be a summary of the methodology adopted, entity scope decision, options considered and why the recommended option was selected. It will also provide specific advice around transition (timing, capability etc).
Management Case	

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