

# Auckland Light Rail Ltd

## Briefing to the Incoming Minister of Transport

### December 2023

Congratulations on your appointment as Minister of Transport.

Auckland is growing fast – up to 700,000 more people could live there within the next thirty years. Contributing 37% of New Zealand's GDP and home to 35% of its workers, Auckland is New Zealand's economic engine and its gateway to the world.

This presents a huge opportunity. Unless action is taken to speed up Auckland's transition to a quality compact city we will face:

- rising congestion increasing travel times and, together with limited housing and worsening productivity, unemployment and livability
- dispersed development increasing infrastructure and service delivery costs and degrading the environment;
- Auckland being less attractive to business and less competitive because it fails to attract the talent that drives productivity;
- locking in high-carbon travel patterns that threaten net zero targets and fail to build a resilient transport network.

Delivering a quality compact approach to growth for Auckland requires a bold intervention to unlock significant urban development potential. This cannot be achieved without high-capacity public transport to service it.

A rapid transit solution across the isthmus, connecting the city centre to the south (City Centre to Māngere - CC2M) is also critical as a necessary central connection for other planned transport interventions – Airport to Botany, Northwest rapid transit and a new Waitematā Harbour Crossing.

The company has worked closely with partner agencies in Auckland at operational, management and governance levels to ensure a coordinated and strategic approach to planning and delivery of the Harbour Crossing and Northwest rapid transit projects in particular, with alignment of assumptions and outputs to enhance the network.

The fully separated mass rapid transit (MRT) proposal addresses both transport and urban challenges. The transport solution has a healthy Benefit Cost Ratio (BCR), returning \$2.40 in economic benefits for each \$1 invested, and the work to date shows value for money can be further enhanced through integrated investment in wider urban and social outcomes.

The company has also developed an understanding of the costs and benefits of an alternative street running solution (light rail), although this has a less developed design. This scheme would respond to Auckland's existing problems in a different way – it would not support the same scale, form and location of urban outcomes and has less ability to integrate with other rapid transit projects.

### Progress so far

Auckland Light Rail Ltd was established in October 2022 to deliver the detailed planning for the project. During the past eighteen months, we have completed significant work to understand the challenges facing Auckland, as well as the range of mass transit solutions, including their benefits and limitations.

The work completed through the planning phase has resulted in the development of a mass rapid transit (MRT) scheme running on a dedicated track and separate from the road network. This is not "light rail" as it is technically understood but rather a metro



system that would ensure the required level of service and capacity, along with generating higher levels of urban development.

The combined transport and urban outcomes being sought are unique for a project of this scale in New Zealand. A team of local and international experts was formed to deliver solutions that can grow and stimulate the economy, boost productivity, improve transport congestion and connectivity and enable urban development to facilitate quality integrated communities.

In September we reduced this team to a bare minimum, operating on a cost and expense model, but we have preserved the contractual relationship in order to ramp up if required.

### **The following is now in place:**

- Established governance arrangements that would enable the Government to achieve alignment with local government and establish the foundations necessary for a “City Deal”.
- Extensive modelling that has provided a clear understanding of the transport and urban challenges facing Auckland, particularly in the City Centre to Māngere (CC2M) corridor, but also the necessary connections to other major public transport routes that would be part of a mass rapid transit system in Auckland.
- Consent designs completed for the metro scheme and Notices of Requirement. Designs include key information about designation boundaries, land requirements, key features, functionality and constraints, interfaces with existing infrastructure and buildings, design considerations, key construction activities and constructability, as well as risks and opportunities.
- Planning and commercial validation of urban growth scenarios enabled by this project.
- Robust evidence base to support the BCR assessments (the cost is \$12.6Bn NPV, with a BCR of 2.4).
- Proposals for staging so that the project can be affordable and inter-generational
- Established systems, processes and policies that could be used for delivering large scale infrastructure.
- Market intelligence which demonstrates significant investor and industry appetite for this investment.
- A high level of public support (60%) for a rapid transit solution in this corridor, measured by independent Kantar surveys.
- Well established relationships with stakeholders, particularly in the transport and urban sectors, and with mana whenua groups who have interests in the route.

### **Still to come:**

The strategic case, economic case and the urban commercial case are ready to present to officials. We have a well-developed procurement strategy, which needs to be tested with the market. We have a well-developed financial case, with identified funding sources. Once the project gets a firm direction, the business case can be finalised for a final investment decision by mid-2024.

### **Future scheduled key milestones and decisions include:**

#### **Up to March 2024 - Market Engagement**

Further market engagement will inform the transport commercial, urban commercial, financial and management cases. Market engagement is also critical to informing the procurement strategy and delivery model.

Following endorsement from Sponsors, initial market intelligence conversations began in August. These focused on seeking insights from relevant major infrastructure projects experiences. It included conversations with clients, contractors, developers, financiers and



rolling stock/system suppliers and operators. The next phase will involve further targeted market sounding.

**Feb 2024 – Treasury Gateway Review.** The final draft Corridor Business Case programmed for treasury gateway review in February 2024.

**April 2024 – final Corridor Business Case to Sponsors** for endorsement in April 2024.

**Mid 2024 – Final Investment Decision.**

## **FURTHER DETAILS OF PROGRAMME**

### **1. Problem statement**

The requirement for a rapid transit solution within the CC2M corridor to meet the demands of rapid growth has been identified in several strategic transport studies in the past decade dating from the 2015 Auckland Regional Land Transport Plan and the joint Government/Auckland Council initiative, Auckland Transport Alignment Project (ATAP), in August 2017.

#### **Auckland is facing three connected challenges**

##### **1. Increasing traffic congestion and lack of effective transport choices**

- Growing congestion is leading to worsening accessibility to jobs, education and health services. This reduces economic productivity and increases pollution. It is estimated that congestion costs the Auckland economy around \$1.3bn per year currently and will get worse.
- Low levels of public transport use - 81% of trips are made by car, with just 12% on public transport.
- 60% of Aucklanders do not live within easy walking distance of rapid or frequent public transport.
- Auckland has the highest vehicle kilometre travelled (VKT) in New Zealand cities - measured at 15.18 billion km in 2019.
- Spatial constraints mean additional bus usage would add to congestion, especially in the city centre, alongside the negative impacts on urban quality and liveability.

##### **2. Poor integration of urban and transit systems**

- Limited and inconsistent concentration of housing and employment in close proximity to high quality transport connections, increasing inequities and reducing social cohesion.
- A dispersed urban form, limiting the city's economic performance and stifling the benefit that agglomeration of activities can bring.
- Inefficient use of existing infrastructure including uncoordinated investment in renewal and maintenance programmes.

##### **3. High carbon footprint**

- Low density growth is carbon intensive.
- Heavy reliance on cars contributes to rising air pollution and emissions.
- Auckland is responsible for 30% of New Zealand's overall vehicle fleet which accounts for 44% of total emissions in the city.

### **2. Characteristics of a tunneled mass rapid transit scheme**

The mass rapid transit (MRT) scheme we have developed offers a better level of service to more people, generating higher levels of urban benefit than a street running light rail.

Key features are:

- Operates in a fully separated corridor, including tunnels, at grade and elevated sections, allowing for longer trains, at higher speeds, carrying larger numbers of people to improve capacity, reliability and travel times.



- Automated, to cut cost, maximise capacity, reliability and adaptability to demand surges and to minimise disruption.
- A train at least every 5 minutes at peak, with capacity for higher frequencies as demand increases.
- Provides a 36-minute journey from the city centre to the airport.
- Halves travel times to the city centre from most destinations, placing 50,000 more households within 45 minutes of the city centre.
- Integrates with all other forms of public transport (including heavy rail, existing and future busways) to make all journeys quicker and could ultimately extend to the North Shore as part of the Waitematā Harbour Crossing.
- Allows for increased demand when other transport connections are built.
- Triggers up to 75,000 additional homes and 122,000 additional jobs by 2051.
- Facilitates the delivery of urban development, at scale, that provides choice in location and housing types and is well connected to employment and education opportunities.
- \$38bn in economic benefits and \$13bn in additional GDP from agglomeration and productivity growth over the next 60 years.
- Allows for the coordination efficient investment in sustainable urban infrastructure to unlock large scale urban development opportunities.

**Based on work to date, a street-running scheme would also have a similar BCR, but would support urban outcomes of a different scale, form and location**

<b>Trade Off</b>	<b>Preferred MRT Option</b>	<b>Street Running (light rail)</b>
<b>Ultimate Capacity</b>	19,800 people per hour, per direction	6,990 people per hour, per direction
<b>Travel Time</b>	<ul style="list-style-type: none"> <li>• Airport to Wynyard (CBD) 38mins</li> <li>• Mt Roskill (Wesley station) to University (CBD) 10mins</li> </ul>	<ul style="list-style-type: none"> <li>• Airport to Wynyard (CBD) 58mins</li> <li>• Mt Roskill to University (CBD) 30mins (19min journey + 11 minute walk)</li> </ul>
<b>Modal Shift in peak period</b>	<ul style="list-style-type: none"> <li>• 4,057 cars in 2031</li> <li>• 6,851 cars in 2065</li> </ul>	<ul style="list-style-type: none"> <li>• 3,835 cars in 2031</li> <li>• 5,710 cars in 2065</li> </ul>
<b>Urban Form</b>	<ul style="list-style-type: none"> <li>• 75,000 additional homes</li> <li>• 122,000 additional jobs</li> </ul>	<ul style="list-style-type: none"> <li>• 48,000 additional homes</li> <li>• 84,000 additional jobs</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>• \$12.6Bn (NPV)</li> <li>• BCR 2.4</li> </ul>	<ul style="list-style-type: none"> <li>• \$9.0Bn (NPV)</li> <li>• BCR 2.4</li> </ul>
<b>Carbon</b>	Higher up-front carbon, due to larger construction. Greater payback through emissions avoided.	Smaller up-front carbon investment with smaller payback.
<b>Integration</b>	Is able to provide for both Northern and NW RTN system	Is unable to operate at a satisfactory level of service to provide for interface with any other interlining light rail service
<b>Disruption during construction</b>	Construction period of up to 9 years Localised impacts due to largely off-line construction	Construction period of up to 7 years Significant impacts along Dominion Road and CBD



### 3. Urban Regeneration

#### **The proposed route and station locations optimise the transport and urban outcomes and create the potential for housing and employment growth.**

With the Waitematā Harbour at its northern end, and the Airport at its southern end, the City Centre to Māngere corridor contains three of Auckland's largest development opportunities, identified in the Auckland Plan 2050 Future Development Strategy.

It lies between the city's two most strategically important employment centres, thus filling one of the largest gaps in the city's rapid transit network and addressing an area that experiences significant deprivation and transport inequity, especially in the south.

Overall, the project delivers growth in the corridor of approximately:

- 50,000-75,000 additional homes for 119,000-193,000 more people by 2051
- 85,000-122,000 additional jobs by 2051.

Within the corridor there are six key areas of urban regeneration opportunity, totalling more than 1500ha of land within a walkable distance of metro rapid transit stations.

Unlocking major development sites will enable higher densities around new, integrated station precincts within the heart of safer, more attractive town centres, underpinning the potential to deliver integrated communities, which are highly attractive for developers.

### 4. Funding and finance

The company has explored various mechanisms for funding and financing (including offshore market intelligence) and work has been undertaken by Treasury. The project can be funded and delivered in various ways, binding together the transport and urban elements, and balancing the competing value drivers.

Our market intelligence indicates that it will be attractive to private financiers, institutional investors and private developers.

The funding stacks developed clearly set out the trade-offs (land value capture, household affordability, Crown contribution, beneficiary pays), so Government can make choices about how individual and combined levers can be utilised.

There is already a tool for capturing land value uplift, using the Infrastructure Funding and Financing Act. Other pathways include buying land early to capture benefits of the public infrastructure investment, and revenue tools applied at the time of property sales or development.

Private equity funding is a potential funding source and local investment funds such as the NZ Super Fund have expressed interest in infrastructure investments of this scale.

Delivery can be staged and packaged in a way that will be attractive to the market and manages cashflow spend. We have developed staging options.

There are multiple delivery and commercial options that have different pathways and timeframes. To further define their potential, an initial decision would be to start engagement with the global market on investment, finance and tendering appetite and optimal delivery and commercial settings, and to test and challenge the market on innovative alternatives for delivery.

### 5. Early property programme

As a legal entity, the Company is able to acquire and hold land. The Board and Sponsors approved an Early Property Programme (EPP) to enable early strategic land acquisition on the open market, on the basis of willing buyer/willing seller.

Sponsoring Ministers must approve acquisitions greater than \$10m incl GST. Under the early property programme, ALR Ltd could acquire three categories of land:

- Rail – corridor, stations, depots.



- Station Precinct – for station development and including land needed for construction layover.
- Wider station catchment development land – to facilitate land assembly for urban development outcomes.

Priority sites have been identified in Onehunga and Dominion Junction in the first instance.

Early property acquisition has begun, in alignment with the EPP and subject to Ministerial approvals. We settled the purchase of 317 New North Road, colloquially known as the Kiwi Bacon site on 30 September 2023 for \$33 million. The property was identified for construction purposes and the purchase will help mitigate against future business disruption claims. This site is likely to be of value for other projects in the mass rapid transit network.

Partnerships with Kāinga Ora and Eke Pānuku will be an essential component of the wider land acquisition strategy going forward. We have been working towards agreeing the preferred approach to land acquisition and entering into the necessary agreements to enable those property purchases.

## **6. Relationships with stakeholders, local and central government, local communities and Mana Whenua**

The Company has engaged in early, regular and genuine engagement with communities and stakeholders who will be affected by and will benefit from the project. This includes a programme of regular community events and activities to encourage participation and feedback, as well as communications to provide regular, relevant information to the distinct audiences in corridor communities and greater Auckland.

Independent surveys by Kantar Public show significant public support for the project (60% support with just 20% of respondents not supporting the project) and consistent and strong feedback that Aucklanders want to see the project progress.

Many of the project's goals will be created in partnership with others, including central and local government and their agencies, as well as community groups. We have embedded organisation-wide partnering and relationship management approaches, processes and tools to support a collaborative approach and to build trusted, long-term relationships and shared outcomes.

The quality and effectiveness of partnerships, as well as engagement and communications activities are measured and reviewed regularly through stakeholder feedback and surveys, as well as engagement outreach measures during formal engagement phases.

The company's relationship with Ngā Mana Whenua o Tāmaki is underpinned by Te Rautaki Huanga Māori: Māori Outcomes Strategy, which was developed for the Indicative Business Case in 2021, following hui with 11 of the 15 Mana Whenua Iwi Chairs and Mataawaka who have with an interest in the project corridor.

The Company has established Governance/Rangatira conversations with both the Mana Whenua Iwi Chairs and their management/operational leaders, to discuss economic and commercial opportunities that could potentially be realised through the life cycle of the project, and opportunities identified by mana whenua entities.

A Kaitiaki Forum also captures views on sustainability, cultural history and design, from a tikanga Māori perspective.



## 7. Governance

Auckland Light Rail Ltd is a Crown entity company named under Schedule 2 of the Crown Entities Act. It is responsible for advancing the project through the detailed planning phase including associated planning advice and activities required to develop a business case to enable the Crown to make a final investment decision in mid-2024. Shareholders are the Minister of Transport, the Minister of Finance and the Minister of Housing.

A Sponsors Group was also set up (comprising the Crown's three shareholding ministers, the Auckland Council and mana whenua iwi). The Council has two Sponsor representatives (currently the Mayor and Councillor Darby) and there are three mana whenua Sponsor representatives (Paul Majurey, Ngarimu Blair and Karen Wilson).

Sponsor responsibilities include:

- Oversight of the detailed planning phase and associated workstreams
- Acting as 'project champions' and providing political leadership
- Maintaining political co-operation between central government, local government and mana whenua
- Identifying and considering issues to be addressed by the Crown through a national framework for the approach to planning, funding and delivery of rapid transit (including integration of planning for transport and land use).

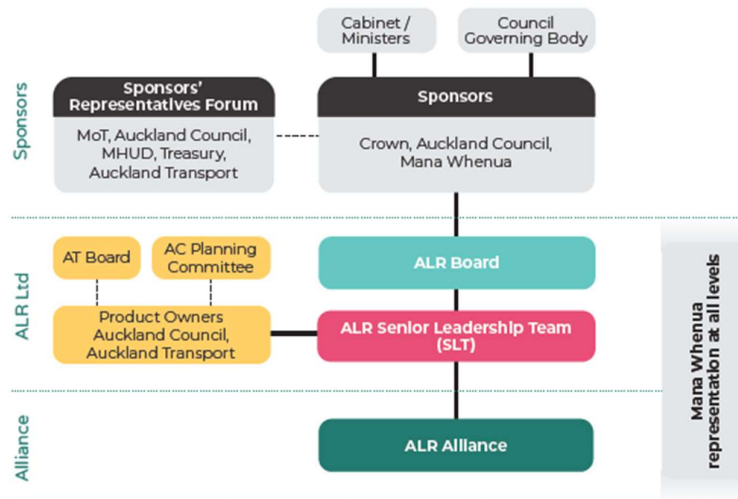
Sponsors have currently retained decision rights over changes to the programme, the approach to land acquisitions, progressing early capital works, the parameters for growth and/ or urban intensification, preferred station location and route alignment decisions and the lodgment of statutory approvals.

The Crown has reserved decisions about changes to the project scope, the governance arrangements for the programme, the final delivery arrangements and the final investment decision.

The company board comprises Dame Fran Wilde (chair – experienced company director and former central and local government politician), Chris Aitken (business leader with extensive experience in large scale property and urban development sectors), Heather Ash (former senior partner in legal firm and expert on planning/consenting processes and urban development projects), Leigh Auton (former council CE and Independent Chair of the Auckland Light Rail Establishment Unit), Shane Ellison (senior executive, with global experience leading diverse teams, most recently in the infrastructure and transport sector, including rail), Leo Foliaki (former PWC partner and lead audit partner on several publicly listed entities on the NZSE, focusing on large projects in complex operating environments) and Lucy Tukua (Kaihautu Whakarito - Technical Director Regenerative Outcomes for Mott MacDonald, active in both tribal governance and operations and also an experienced director). The chief executive is Tommy Parker (international and NZ leader of major infrastructure development e.g. Waterview Tunnel and Kaikoura road/rail restoration).







A Project Planning and Funding Agreement governs the Project during the detailed planning phase. This is an agreement between ALR Ltd, the Crown, and Auckland Council dated 7 October 2022.

This agreement sets out:

- The roles and responsibilities of the Crown, Sponsors and the Company;
- Assurance and monitoring arrangements;
- The terms under which the Crown will provide funding to the Company; and
- The key objectives and other terms and conditions on which the Company is appointed to advance the Project through the detailed planning phase.

There is an additional funding agreement to allow the Company to make strategic land acquisition under an Early Property Programme.

As of September, the Company has 23 employees across workstreams which include operational planning, consenting, commercial, urban, communications and engagement, Te Tiriti partnerships and corporate. Some staff are also seconded from key partners - Auckland Council, Auckland Transport and Waka Kotahi. The delivery of key priority areas has been supported by an Alliance of consultants, primarily through Aurecon and Arup, allowing the workforce to be scaled up and down appropriately to meet specific needs.

The Company has an established baseline forecast for the cost of the detailed planning phase of \$189m. This is a multi-year appropriation established in 2022/2023 and includes a capital appropriation of \$26m.

An additional \$131m has been made available for the delivery of the Early Property Programme.

