



GROUP

To: Project Sponsors
From: Auckland Light Rail Group
Meeting date: 14 June 2021

A. Purpose and recommendations

As part of its resolution to set up the Auckland Light Rail Establishment Unit, Cabinet authorised the Ministers of Finance and Transport (in consultation with the Minister of Housing and Auckland local government) to take decisions on the following matters:

- The questions of strategic direction that will need to be confirmed in order to commence with the business case (Recommendation 7.1)
- The scope of the business case outputs, including what key decision criteria will be included, such as mode, alignment and funding and financing options (Recommendation 7.2)
- The Stakeholder Management Plan and a Mana Whenua Engagement Plan (Recommendation 7.3)

Cabinet also resolved to authorise Sponsors to provide direction to the Establishment Unit to confirm the parameters of the business case and investment objectives (Recommendation 8).

The purpose of this paper is to update Sponsors on the work being undertaken by the Establishment Unit to progress the indicative business case and seek Sponsor confirmation of the approach. Specifically, the paper recommends that Sponsors:

- **note** the role of the agreed project outcomes and investment objectives as the basis for supporting future decision making on the project, particularly in the context of wider policy considerations and funding commitments;
- **note** how the scope of the indicative business case outputs are intended to be structured in order to support Sponsors in making key decisions;
- **agree** the proposed scope of the Indicative Business Case;

- **agree** how the strategic questions will be addressed through the indicative business case process; and
- **Endorse** the Stakeholder Management Plan and the Mana Whenua Engagement Plan.

B. The Establishment Unit has commenced work on the Indicative Business Case and stakeholder engagement and mana whenua plan

Following Cabinet direction, the Establishment Unit has been set up comprising members from Waka Kotahi, Auckland Council, Auckland Transport, Kāinga Ora and the Ministry of Transport. The Establishment Board has also been set up comprising representatives from Auckland Council, Auckland Council elected members and local boards, Auckland Transport, Waka Kotahi, Kāinga Ora and the Ministry of Transport, with representatives from the Treasury and Te Waihangā as observers. A mana whenua representative is in the process of being appointed.

To date, the focus has been on establishing the multi-agency team, undertaking business case scoping work, and developing stakeholder and mana whenua engagement plans. The Business case scoping work has involved developing the scope and outputs, including the development of investment objectives and associated key performance indicators (KPIs) to assess different options through the business case process.

C. Clear outcomes and investment objectives will help provide structure to assess and compare different options

Project outcomes

The agreed outcomes for CC2M, developed in early 2019 by ATAP and set out in the Cabinet paper are:

1. **Access and Integration** - Improved access to opportunities through enhancing Auckland's Rapid Transit Network and integration with the current and future transport network
2. **Environment** - Optimised environmental quality and embedded sustainable practice
3. **Experience** - A high quality service that is attractive to users and highly patronised
4. **Urban and Community** - Enabling of quality integrated urban communities, especially around Māngere, Onehunga and Mt Roskill

Value for money has also been explicitly added as an outcome per the Cabinet paper.

The project outcomes reflect the opportunity that the project presents to deliver positive and intergenerational benefits for Auckland and its communities, and to help address nationally significant challenges.

The outcomes are not distinct from each other but create reciprocal benefits. For example, increased access (through rapid transit investment) makes areas more attractive to current and prospective residents, and allows medium and high density development to occur in more places (resulting in higher patronage on the proposed line). This supports a mode shift away from single-occupancy vehicles and an urban form that is denser and better connected, supporting active travel and emissions reduction.

There are however trade-offs that will need to be considered that relate to all of the outcomes, and the business case will need to provide information to support choices on how best to deliver against these outcomes.

These choices will not only relate to questions around mode and alignment, but also the extent of associated urban development that can be enabled by the project. There are further decisions to be made around the role of central and local government in delivering some of this associated growth. Amongst other things, these trade-offs will need to consider levels of acceptable risk, appetite to amend existing frameworks, funding choices and the timing of benefits realisation relative to investment.

Sponsors will need to consider how options fit within a wider context of central and local government policy objectives and funding commitments, including (but not limited to):

- The Government's housing objectives as agreed by Cabinet, including create a housing and urban land market that credibly responds to population growth and changing housing preferences, that is competitive and affordable for renters and homeowners, and is well-planned and well-regulated [CAB-21-MIN-0045 refers];
- The commitments being made within the Government's Emissions Reduction Plan, currently being developed in response to the Climate Commission's recommendations;
- The delivery of the Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan;
- Policy initiatives to enable and support Auckland's growth, through the implementation of the National Policy Statement on Urban Development, the delivery of the Auckland Housing Programme, and the reforms to the Resource Management system;
- The ATAP 2021-31 investment package, which includes the Auckland NZUP projects, as well as strategic projects
- The development of a long-term Rapid Transit Plan for Auckland; and
- Three Waters reform.

The project outcomes are designed to endure throughout the project. They will guide the development of the business case, to provide a consistent basis to navigate key strategic issues, trade-offs and co-benefits.

Investment objectives

Beyond the broader set of outcomes, investment objectives have been developed specifically to guide the development of the business case. Alongside a set of KPIs, these investment objectives will provide a structure to how the benefits of different mode and alignment options are assessed, in line with Treasury guidance.

An initial long list of options for mode and alignment will be refined to produce a short list. Each of the mode and alignment options on this short list will be appraised as part of a cost-benefit analysis (CBA) against the Investment Objectives and KPIs agreed by the Establishment Unit.

The Investment Objectives that have been developed by the Establishment Unit are:

1. A rapid transit service that:
 - a. Is attractive, reliable, frequent, safe and equitable
 - b. Is integrated with the current and future active and public transport network
 - c. Improves access to employment, education and other opportunities.
2. A transport intervention that embeds sustainable practice and that reduces Auckland's carbon footprint.
3. Unlocks significant urban development potential, supporting a quality compact urban form and enabling integrated and healthy communities.

We request that the Sponsors **note** the role of project outcomes and investment objectives as the basis for supporting future decisions making on the project, alongside the wider policy context.

D. The indicative business case will present Sponsors with options on how best to progress the project. Additional advice may be provided outside of the business case process to support decision making.

The Cabinet paper referenced the preparation of a business case to enable key choices to be made. This phase of the business case will most closely align to an Indicative Business Case (IBC), in line with the Treasury's Better Business Case guidance, the focus of which will be to provide information as to how the proposed investment fits within the strategic intentions (i.e. the CC2M outcomes, wider central government and Auckland Council objectives) and confirms the need and case for investment to support Ministers in making key decisions.

The Indicative business case will cover:

- a short list of options with a high level cost estimate, assessed against the project outcomes and assessment criteria. It is noted that the cost estimates will be in the order of magnitude only, in line with an IBC approach and the time available;

- a recommendation of the preferred options in relation to route and mode. This recognises that an indicative-level business case does not provide the necessary level of detail on which to make firm investment decisions; that the strategic questions will need further consideration to enable a preferred route and mode to be assessed and; that many aspects of route and alignment will need further engagement with the public before a decision can be made;
- Advice on the options and trade-offs for the delivery entity and governance frameworks, including a transition plan;
- Advice on the options, trade-offs and supporting actions that may be required to facilitate growth in the corridor above that contemplated under existing planning frameworks;
- Advice on the options for funding the core infrastructure and wider urban form activities, as well as how this relates to benefits and funding streams that may accrue to the project over time; and
- Identification and recommendation of the next steps for the project, including the subsequent detailed business case work.

There may be additional advice provided to Ministers as part of the process (for example policy considerations) to support Ministers to make decisions.

We ask Sponsors to:

- **note** how the scope of the Indicative Business Case outputs are intended to be structured in order to support Sponsors in making key decisions; and
- **agree** the proposed scope of the Indicative Business Case.

E. The strategic questions will shape the final project and the decisions Sponsors will need to make. The scope of the work undertaken needs to be sufficiently broad to enable this advice to be provided.

The Cabinet paper confirmed that in order to steer the project and confirm a preferred way forward, Sponsors will ultimately need to resolve a series of key questions. The strategic questions that were reflected in the Cabinet paper are:

1. What city shaping function should CC2M serve?
2. What level of commitment can be given to delivering on the urban development opportunities unlocked by CC2M?
3. What role should CC2M play in Auckland's wider rapid transit network?
4. What level of complexity are government and stakeholders prepared for?

The Cabinet paper sought guidance from Sponsors on these questions within the first six weeks of the Establishment Unit. It is recognised that to answer these questions, significant additional advice is required.

In order to inform the work and analysis undertaken to refine the options for the IBC, some level of guidance on appetite in relation to these strategic questions by Sponsors in the interim is important. This will provide greater focus as the business case is developed and ensure Sponsors' views are considered throughout the process. To provide this guidance, we have outlined below a proposed approach to ensure the advice covers areas of most importance to the Sponsors.

We ask Sponsors to note the scope considerations that will be explored to provide advice in relation to the strategic questions (detailed below) and agree the proposed approach.

CC2M will have a range of transport and urban development benefits including improved access to jobs, education opportunities and housing supply.

Sponsors will be required to consider options for matters such as mode and alignment against the opportunities for investment to leverage housing and urban development. Sponsors will ultimately need to consider benefits of a scheme that is primarily oriented towards supporting planned growth and intensification along the CC2M corridor, against a scheme that enables much higher levels of growth focussed around a smaller number of higher density hubs.

The level of access that the scheme provides (by virtue of its capacity, alignment and level of integration with the wider transport network) will have a major impact on the scheme's 'city-shaping' nature, and the extent of housing and urban development that can be enabled. The nature of development will itself drive other outcomes, for example in relation to mode-shift and emissions reduction.

Key considerations and trade-offs to be considered in the IBC include:

The scope of the land use policies in relation to urban form outcomes: The IBC will include evidence regarding the extent of land use change that could be leveraged as a result of different investment options and how this could fully capitalise on the level of access and urban development potential the scheme provides (e.g. through changes to zoning and planning designations). Therefore, the IBC scope will include an assessment of benefits which would require a change to land use policies to realise.

The scope of the project in facilitating and delivering urban development: Beyond the capacity that could be enabled through investment and land use policy change, options will also be presented to Sponsors regarding the extent to which the project could have a role enabling, facilitating and/or actively assisting development along the corridor. This approach underpins not only the scope of and options for delivering the project, but also the trade-offs and optioneering considered and prioritised for the route and mode. There are significant opportunities for both value capture and private capital including a wider remit in the project scope;

equally this can add risk and complexity. Advice can be provided within the IBC on these risks and opportunities.

The IBC process will also involve exploring the functions and role of the Delivery Entity itself, and the role of agencies such as Panuku and Kāinga Ora, and the private sector in enabling, facilitating and /or assisting development along the corridor. The nature of any partnership arrangements between parties will also need to be considered.

The Scope CC2M should play in Auckland's wider rapid transit network: A key consideration will be the balance of emphasis being placed on meeting the current and future needs of the corridor and its communities (i.e. relieving congestion), as compared to improving access and integration across Auckland as part of a wider rapid transit network. This will also consider both integration with the current network as well as implications of, and on, the future network. The IBC will consider evidence of different options on patronage and capacity should CC2M be connected to potential future northern and north-western lines. Trade-offs to be considered include building a greater capacity line now or accepting that future lines may connect with but not extend the CC2M line (i.e. interchange).

The level of acceptable complexity and change: The IBC will consider a range of options with differing levels of complexity and change required. These trade-offs include potential land use change and the impact on urban outcomes; social license and disruption considerations in determining route and mode; type and quantum of acceptable risk and legislative change and how this may interplay with greater control over a broader set of outcomes and / or duration and scope of the Delivery Entity.

F. We seek endorsement for the Stakeholder Management Plan and the Mana Whenua Engagement Plan (Annex 1 and annex 2).

The overall objective of communications and engagement is to introduce the project to local communities and wider Auckland. The Establishment Unit will inform and position 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 will be achieved by engaging through community listening sessions, targeted workshops, local board/councillor workshops and online tools.

A partnership will be established with Mana Whenua to incorporate cultural values and opportunities, to be carried into the next phases of the project. The initial approach will be to engage with 15 Mana Whenua groups at a governance level, who have identified with customary interests across the project area. The project has an important role to play in finding opportunities to better respond to Mana Whenua aspirations while delivering light rail and urban renewal solutions.

A focus for the next six months is on starting to build social licence for the project by engaging with stakeholders and communities. However, 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.

The bulk of the work will be completed by the end of September.

An engagement summary, social outcomes strategy and Maori outcomes strategy will be supplied as appendices to the Business Case. The purpose of these documents is to reflect on the feedback that has been heard and to summarise key insights which will be carried into the next phases of the project.

We ask the Sponsors to **endorse** the Stakeholder Management Plan and the Mana Whenua Plan.

Released under the Official Information Act 1982