

DRAFT AGENDA – Auckland Light Rail Sponsors meeting

16 May 2022 : 5.30-6.00pm

Online via Zoom

Zoom details:

Attendees: Minister Grant Robertson, Minister Michael Wood, Minister Megan Woods, Mayor of Auckland Phil Goff, Deputy Mayor of Auckland Bill Cashmore

AGENDA:

Item	Time	Details	Paper prepared by
1.	5.30pm	Short welcome and updates from Ministers	
2.	5.35	Direction on terms of reference for new ALR Board	Ministry of Transport
3.	5.45	ALR Group project update	ALR Unit
4.	5.50	Investment Management System (IMS) Letter	Ministry of Transport
5.	6.00pm	Close	

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Auckland Light Rail Board: Terms of Reference

12 May 2022

Purpose

- 1 The purpose of this paper is to summarise the draft Auckland Light Rail Board Terms of Reference (terms of reference) and seek direction from Sponsors on specific issues that need to be addressed to finalise the Terms of reference.

Recommendations

ALR Sponsors are invited to:

- **Endorse** the proposed approaches to finalising the Auckland Light Rail Board Terms of Reference with respect to the following key issues
 - the role of the Board with regard to the ALR Project and the ALR Programme
 - Balancing the need for the Board to have autonomy with the need for the Sponsors to provide direction
 - The role of observers on the Board
 - Establishing that the Board are ultimately accountable to the three ALR Ministers

The ALR Board Terms of Reference are a key component to provide clarity to the Board of its role within the bespoke governance arrangements for the project

- 2 The terms of reference describes the role of the Board and how it will operate during the detailed planning phase.
- 3 The terms of reference are an important document to provide clarity to the Board about their role in this complex programme. They have to explain how the Board fits within and is supported by the bespoke governance arrangements and organising model Cabinet approved in December.
- 4 The terms of reference will have a wide audience given the number of agencies that will play key roles in advancing the programme and achieving the desired outcomes. This includes members of the Board, Crown and partner agencies, mana whenua and Auckland Council who will work together on the Auckland Light Rail project.
- 5 The terms of reference have been developed on a principles-basis, except where specificity is required. This means that the Board will need to do further work to define its policies and procedures and agree a set of KPIs.
- 6 The terms of reference are part of a set of arrangements being put in place to enable the Board to operate. This includes a delegations framework between the Ministry of Transport and the ALR Board which will provide financial, human resource and, risk and reputational delegations. Also a services agreement between Waka Kotahi and the Ministry of Transport, to provide the services to the ALR Unit which it will need to function. For example, office space and information technology.

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- 8 This set of agreements are being developed as a priority to enable transitioning to the new ALR Board from the Auckland Light Rail Establishment Unit Board. The terms of reference will be the foundation document that will need to reflect how all these arrangements support the Board to operate.
- 9 In order to give the Board direction on its role it is critical to have them approved when the new ALR Board takes effect. This is expected to take place in June. The process to select mana whenua Sponsor representatives is underway but these representatives will not be in position by the time the terms of reference need to be finalised.
- 10 The Sponsors Agreement will not be progressed until these representatives are in place, however given timing these representatives will not be consulted on the terms of reference prior to their approval. If the mana whenua Sponsor representatives selected identify a significant concern with the terms of reference, a process could be undertaken to amend them.

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There are key issues to be resolved to finalise the terms of reference

- 12 Given the complexity of the programme and the bespoke nature of the organising model and governance arrangements, a number of issues need to be resolved to clearly articulate the role of the Board and ensure it has clarity for its responsibilities. The key issues are:
- 12.1 The role of the Board with regard to the ALR Project and the wider ALR Programme.

¹ Membership is comprised of senior representatives from the Ministry of Transport, the Treasury, the Ministry of Housing and Urban Development, Auckland Council and Auckland Transport.

- 12.2 Balancing the need for the Board to have autonomy against the need for the Sponsors to provide direction.
 - 12.3 The role of observers on the Board.
 - 12.4 Establishing that the Board are ultimately accountable to the three ALR Ministers.
- 13 Officials have developed proposed responses to each of these issues and are seeking the views of Sponsors on these to finalise the terms of reference.

The role of the Board with regard to the ALR Project and the Programme

- 14 The board is part of a bespoke organising model and set of governance arrangements in which there is both Sponsor (Crown, Auckland Council and mana whenua) and project (ALR Board)-level governance.
- 15 In developing the Sponsors Agreement Heads of Terms, the scope of the ALR Programme and ALR Project were described. The ALR Programme comprises a broad programme of work which includes:
- the ALR project itself (the light rail transport infrastructure and associated urban development activities)
 - the investments and interventions required to realise the benefits of investment in ALR project
 - the associated interactions between ALR/CC2M and decisions made elsewhere in respect of Auckland's growth and development, including large scale projects (LSPs) underway with Kāinga Ora and other rapid transit projects in Auckland such as the Additional Waitematā Harbour Crossing (AWHC) and the City Rail Link (CRL).
- 16 It is proposed that the terms of reference clarifies the role of the Board with respect to the ALR Project and ALR Programme in the following ways.
- a. Describing the scope of the ALR Project and the ALR Programme consistent with the Sponsors Agreement Heads of Terms.
 - b. Setting out the Board's responsibilities according to the ALR Project and the ALR Programme.
 - c. Establishing the primary role for the Board is with respect to the ALR Project, to submit the business case to the Crown within the parameters set by the Crown and Sponsors to inform final investment decisions.
 - d. For the ALR Programme, there are two key roles for the Board.
 - i. Contribute to, and seek information from, from partner agencies, mana whenua, and Auckland Council on wider planning and growth for transport and urban development across the region. Include this in the business case and accompanying advice to properly inform investment decisions.

- ii. Incorporate decisions made by the Crown with respect to the ALR policy work programme into the business case and accompanying advice.

Balancing the need for the Board to have autonomy against the need for the Sponsors to provide direction

- 17 It is important for the Board to have clarity of its role and to be empowered to deliver against this. This will support the pace required for the programme to achieve its ambitious timeframes. This has to be balanced with the need for Sponsors to provide direction to be received and considered by the Board, and reflected in the business case.
- 18 Recognising the complexity of the project and the governance arrangements, instead of attempting to outline all circumstances in which the Board would need to seek direction from Ministers or Sponsors, it is proposed the terms of reference describe the nature of the relationship between the Board and the Crown, other Sponsors and the Sponsors' Representatives Forum and, clarify the specific mechanisms that will support this.
- 19 The terms of reference would describe what these relationships will look like when they are working well. For example, the Board would seek guidance from the Sponsors' Representative Forum to determine if a sensitive or significant decision being progressed requires Sponsors' direction.

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- 21 The alternative approach would be to provide a higher degree of specificity for when the Board needs to seek direction from Sponsors. The challenge with this is pre-determining these decisions, inevitably all decisions will not be foreseen.

The role of observers on the Board

- 22 Having observers on or advisors to the Board brings the benefit of their expertise and insights to support the Board. However, the Board has been purposefully established to be skills-based with members appointed on the basis of their skills and experience to provide the oversight and direction required to progress the ALR Project through the detailed planning phase.
- 23 There is a case for Te Waihangā, with its expertise in aspects of business cases and procurement, and the Sponsors' Representative Forum to have representatives as observers to the Board.
- 24 However, given the skills-based purpose of the Board it is proposed that no officials or advisors are prescribed through the terms of reference. Instead, the Board is encouraged and empowered to draw on the expertise of advisors, specifically Te Waihangā and the Sponsors' Representative Forum, as well as other appropriate parties. It is important the terms of reference are clear that such an advisor role would have no decision-making rights and their attendance is to provide assistance to the Board as and when required and, provide clarity on Sponsors' expectations.

Establishing that the Board are ultimately accountable to the three ALR Ministers

- 25 The terms of reference must provide clarity on where direction comes from to the Board and where accountability sits.
- 26 Recognising the important role of Auckland Council and mana whenua in the programme, the intent of the governance arrangements, reflected in the Sponsors Agreement, is that direction to the ALR Board has regard to the views of all Sponsors and is provided as a 'one sponsor' direction.
- 27 The Sponsors Agreement Heads of Terms sets out the approach for 'one sponsor' direction. Sponsors will seek to reach consensus on decisions while acknowledging that it is likely there will be differences of opinion. Sponsors will communicate with the ALR Board on a "one sponsor" basis through a Sponsors' Representative, with any differences between Sponsors being resolved under the Sponsors Agreement. This will not restrict the Crown instructing the Board to investigate alternative options that may represent differing opinions of Sponsors.
- 28 While respecting the spirit of the Sponsor partnership, the ALR Board is a Ministerial Advisory Committee. The Board is therefore appointed by and accountable to the Crown. This accountability also reflects the funding arrangements for the ALR Board and Unit for the detailed planning phase, that will be covered by the Crown. This

accountability also means it is the responsibility of the Crown to give direction to the ALR Board, in consultation with other Sponsors under the Sponsors Agreement, as discussed above.

- 29 In the terms of reference, it will be necessary to confirm which Ministers will have responsibility for this accountability role. It is proposed that the three Sponsoring Ministers, the Ministers of Finance, Housing and Transport jointly undertake this role, as this is consistent with the delegations made by Cabinet in December 2021.

Next steps

- 30 It is critical that the new ALR Board chair is given the opportunity to input in the development of the terms of reference. Following confirmation of that appointment officials will work with the new chair on this.
- 31 Further feedback from Sponsors and the new ALR Board chair's feedback will inform a final draft which will be given to Sponsoring Ministers for approval. This is expected to take place in May/June.

Consultation

- 32 Officials from all Sponsoring agencies have been involved in discussions and provided feedback on the development of the terms of reference. Guidance was provided by the Sponsors' Representatives Forum, which has enabled Auckland Transport to also provide feedback. These agencies will continue to be engaged through to the finalisation of the terms of reference.

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GROUP

To: Project Sponsors
From: Auckland Light Rail Group
Meeting date: 16 May 2022
Title: Paper 2: ALR Group project update
Pages: 4 + 1 appendix

A. Purpose

1. This is the ALR Group report for the sponsors' meeting on 16 May 2022.

B. Contents

2. This paper covers:
 - Recommendations
 - Update
 - Risks

C. Recommendations

3. We recommend that the Sponsors:
 - **note** the contents of this paper

D. Update

Procurement of professional services

4. The primary focus of the ALR Group since the last board meeting has been the procurement of professional services consultants to undertake the work necessary to support investment decisions.
5. The Board approved the procurement strategy at its April meeting. The initial procurement is for engineers, urban planners, designers and industry teams to prepare bids for the detailed planning and design work. We are calling this the "UEP" (Urban, Engineering and Planning) procurement/ tender.
6. We are running a coordinated procurement approach with the Additional Waitematā Harbour Crossing team. The intended outcomes of coordinated procurement are:
 - To expedite the procurement process for both projects
 - To ensure the most suitable market resources are applied to each project

- To reduce the tendering burden on the professional services market given current market conditions
 - To attract specialist adviser resource that can support both projects where appropriate.
7. Only the *procurement* is integrated, there will be separate governance, contracts and teams for each project. A proponent can submit and be shortlisted for both projects but can only ultimately win one. There will be a common evaluation team for both projects.
8. We are proposing an alliance type model for the UEP. This is appropriate due to:
- Supports flexibility and innovation
 - Uncertainty of scope (having to refine the scope further would delay the procurement)
 - Transparent pricing mechanism
 - Supports flexibility and innovation
 - A requirement to achieve non-cost outcomes and achieve collaboration with the ALR group, Sponsors and Partners
9. The expectations around execution of the UEP contract include:
- Advancing progress on the projects as expeditiously as possible in order to meet sponsors' expectations
 - Have an extended Interim Alliance period in order to establish key scope outcomes
 - Proceed with the Project Alliance agreement when scope and risks have been better understood.
10. The alliance will be a "tailored alliance". By this we mean that there will be greater client participation by the light rail team in the alliance than has occurred in some more recent New Zealand alliances, which have largely been outsource models. This will allow for the right level of influence in the pre-construction/ detailed planning phase work and allow for continuity from the IBC phase. The model does not derogate from the roles of the ALR Board and the sponsors in decision-making.
11. Separate procurement processes will be run for additional services, including funding and financial advisers, RMA and other lawyers, operations and maintenance advisers. Some of these processes are expected to run in parallel with the UEP procurement.
12. Māori advisers are also out of scope for the UEP and will be procured separately. This approach has been followed to ensure that Māori businesses are not required to choose a single consortium to partner with during the UEP procurement process (with the attendant risk that Māori business not associated with the successful tender would be excluded from future opportunities to work on the project). This approach allows the ALR Group and the preferred UEP consortium to identify appropriate Māori businesses and work together to engage them to support the project. This will provide

opportunities for the greatest proportion of Māori businesses to be involved in providing services to the project in the next phase.

13. The schedule for the procurement of professional services is figure 1.

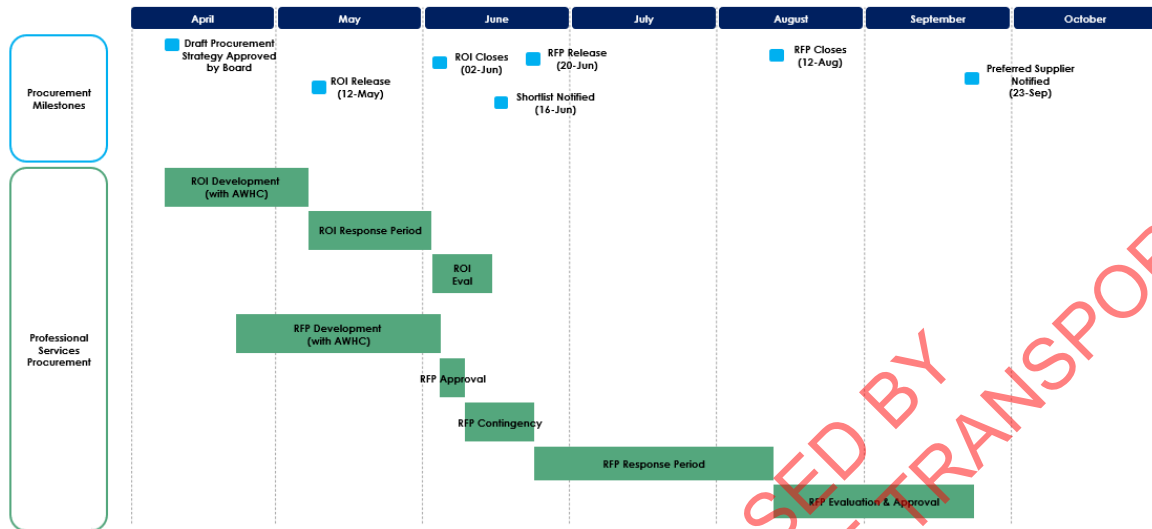


Figure 1

Communications and Engagement

14. The tender process is being co-ordinated with the Additional Waitematā Harbour Connections project, to give industry professionals the ability to better plan their resources for the pipeline of infrastructure work that is coming across the country. The two projects are planning to issue separate media releases and stakeholder updates to communicate the release of the Registration of Interest tender on 12 May.

15. Ongoing engagement with key stakeholders and peak bodies is continuing with UN Youth, Kainga Ora, Eke Panuku and Property Council NZ taking place this month. Planning is underway to establish an interactive display and co-location at the Kāinga Ora Mt Roskill development hub by the end of June.

Other activities

16. Since the last sponsors meeting, we have focused on:

- Preparing for the transition of the Board and the transition of funding from NLTF to core Crown funding
- Working with the Ministry of Transport, Treasury and MHUD to scope up the policy workstreams
- Developing a partnering strategy at the project layer

- Securing new premises for the project to move into by September, so that we can accommodate the alliance
- Developing workstreams for Thriving Infrastructure and care for people (incorporating workforce capacity) and Sustainability
- Developing the property and consenting strategies
- Developing our thinking on early works opportunities.

17. Figure 2 is a high level schedule for the next two years. This will obviously be refined once the UEP is procured.

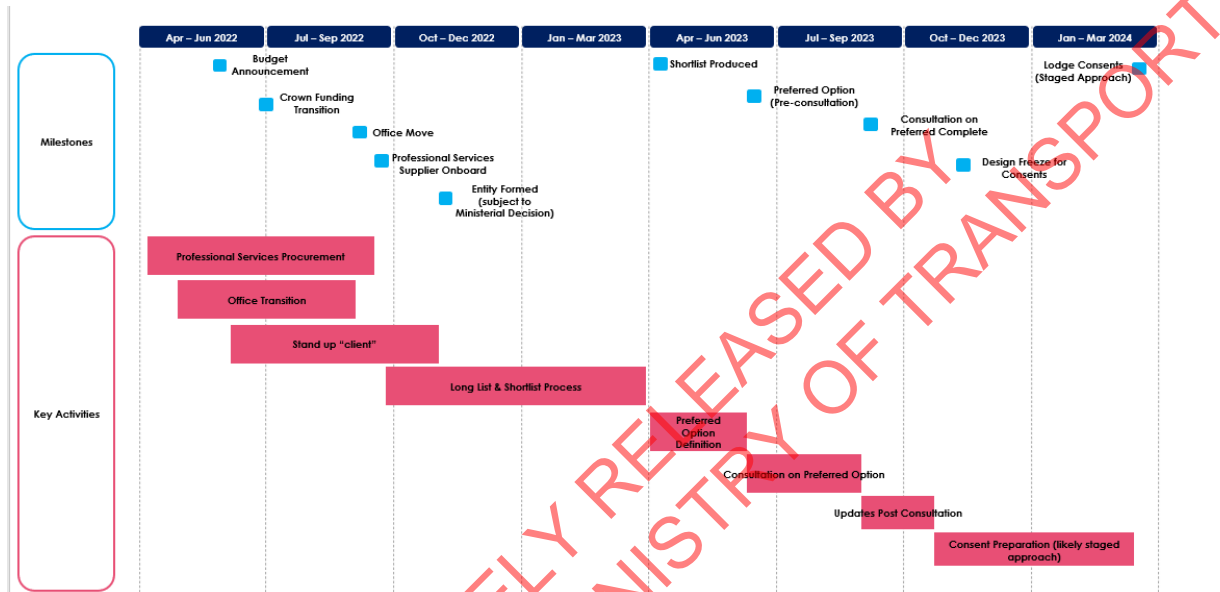


Figure 2

Key risks

18. The appendix shows key risks identified in the last sponsors paper with commentary on the risk trend.

Appendix is withheld in full.

Draft Investment Management System Letter

12 May 2022

Purpose

- The purpose of this paper is to provide Sponsors with a draft Investment Management System Letter and seek endorsement and any feedback before the Minister of Transport sends the letter
- The draft Investment Management System Letter provides the Auckland Light Rail Board and Unit with clarity on Sponsor expectations related to the business case and investment decision-making process

Recommendations

ALR Sponsors are invited to:

- **Note** that Sponsoring Ministers were delegated responsibility to confirm the approach to investment management by Cabinet in December 2021
- **Note** that officials intend for Sponsoring Ministers to send the Investment Management System Letter to the Auckland Light Rail Unit Board Chair following any feedback from this Sponsors meeting
- **Note** that the draft Investment Management System Letter has been drafted on behalf of Crown and Council ALR Sponsors
- **Note** that officials from Sponsoring agencies, as well as the Auckland Light Rail Unit and Te Waihanga have been consulted on the Investment Management System Letter
- **Endorse** the draft Investment Management System approach outlined in this briefing and the Investment Management System Letter

Background

- 1 In December 2021, Cabinet authorised “*the Minister of Transport, Minister of Finance and Minister of Housing, in consultation with Auckland Council and mana whenua, to take decisions as required in relation to the detailed parameters of the next phase, the scope of the business case and the mandate to the new ALR Unit*”.
- 2 While Ministers of Transport, Finance and Housing (Sponsoring Ministers) are accountable and responsible for decision making in this area, the intent of the collaborative governance arrangements consistent with Cabinet direction and in the Heads of Terms of the ALR Sponsors Agreement, is to seek the views of the current ALR Sponsors before providing direction to the ALR Board, and to speak to the ALR Board as ‘one-sponsor’. In doing so we note that the mana whenua Sponsors have not yet been appointed.

Confirming the Investment Management System and associated processes

- 3 Auckland Light Rail (ALR) is a unique project that sits outside of Government's traditional transport project Investment Management System (IMS) for transport projects. This includes different approaches to governance, investment decision making, business case, funding and financing.
- 4 Officials recommend that Sponsors clarify with the Auckland Light Rail Board (the Board) expectations around the IMS to be applied, specific areas the business case is expected to include, and to direct the ALR Unit to consult with Crown officials as work progresses. A draft letter to effect this is attached to this briefing (appendix 1).
- 5 There are two sections of the Investment Management System Letter officials would like to direct Sponsors attention to:
 - **The point of entry for the business case** – the range of options and decisions that are expected to be within scope of the business case to be explored further
 - **Funding and financing options** – confirming a public service delivery model which rules out Public Private Partnerships (PPP's) and other programme level private financing options

ALR business case point of entry

- 6 The Tunnelled Light Rail (TLR) option with indicative Sandringham Road alignment was one of three options assessed in the Indicative Business Case. Cabinet agreed that the TLR option would be taken forward into the detailed planning phase with further work required to confirm the scope of the project in advance of a final investment decision.
- 7 This section of the letter seeks to provide expectations on what options and decisions are in scope for exploration in the business case and those that do not require revisiting given the decisions made by Cabinet. The presentation of options in the business case will be critical to allow Sponsors to be properly exposed to the trade-offs across important aspects of the project and wider programme.
- 8 Officials recommend that a wide set of options are explored in the business case, in order to help ensure the best possible outcomes are considered for the final investment decision. This approach is reflected in the attached draft IMS Letter.
- 9 Ahead of finalising the IMS letter for signing and sharing with the Auckland Light Rail Board Chair, officials seek feedback from Sponsors on its content.
- 10 The areas of optioneering expected in the business case and included in the draft IMS Letter are described in the following sections.

Mode options

- 11 The Cabinet decision and subsequent announcements specifically highlighted TLR as the preferred mode to be taken forward. The choice of mode defines the speed, capacity and design requirements for the tunnels and other structures, materially impacting costs and benefits.

- 12 While it is not the purpose of the business case to relitigate the Cabinet decision on the TLR mode and other aspects, it is vital that it contains sufficient analysis to confirm the final recommended mode is the best value investment option for New Zealand and provides a robust evidence base that stands up to challenge.
- 13 To this end officials recommend in the business case:
- if any information is identified that challenges the Light Rail mode recommendation from the IBC we expect this to be raised with Sponsors
 - assessing the range of mode options within the Light Rail definition.

Route alignment

- 14 The TLR option recommended through the IBC and approved by Cabinet assumed an alignment that followed Sandringham Road. Limited analysis of different route options within the Sandringham and Dominion corridor was undertaken due to the breadth of options already under consideration and associated time constraints.
- 15 Tunnelling, as opposed to surface running, allows for variations to the TLR alignment that may serve different locations, optimising costs and benefits both for the transport and urban development components.
- 16 Officials recommend that flexibility is provided to develop the optimum alignment, noting the associated impact on station locations (described in the following section), along the identified corridor, particularly for the tunnelled sections.

Station locations

- 17 The Cabinet decision did not include specific recommendations about station locations but did note the need for alignment with the Kāinga Ora Large Scale Projects being delivered within the corridor to maximise benefits, with particular reference to Mt Roskill and Mangere.
- 18 Station locations and route alignment are highly dependent, but there are some separate points to note, for instance there may be benefit to providing early certainty to Auckland Council and Kainga Ora (as well as the wider market), about the general location of stations to avoid sub-optimal development in these areas, particularly where investment decisions are made ahead of the Auckland Light Rail Final Investment Decision (FID).
- 19 Officials recommend that flexibility is provided for station location options to be developed along the identified corridor, leaving the number and location open to more detailed analysis, with particular consideration given to how certainty can be provided to planned developments.

Staged approach to delivery

- 20 Cabinet did not make specific recommendations about staging other than to explore staging options as part of the FID for both the transport and urban development components.
- 21 A staged or phased approach to delivery could improve the risk profile, increase speed of benefits realisation and enable optionality to work within any identified constraints, such as affordability.

- 22 Officials recommend that flexibility is provided to the Board to explore staging options.

Grade separation

- 23 Cabinet did not make specific recommendations about grade separation but did note the importance of tunnelling to support connection into the rapid transit network and to reduce disruption to business and residents.
- 24 While the need for a tunnelled section through the central isthmus was integral to Cabinet's decision, there may be benefits in reducing the extent of tunnelling, such as potentially reducing costs and emissions.
- 25 Officials recommend that the Unit notes the importance of tunnelling through the central business district and explore grade separation options further south.

Integration with Auckland Waitemata Harbour Connections (AWHC)

- 26 The Cabinet decision noted the need to align and integrate decision making on the ALR and AWHC projects, but did not define the approach.
- 27 This section of the IMS letter clarifies that the projects are separate, but that there is an expectation that information will be shared and the business cases should clearly demonstrate how the projects will integrate with each other and the rapid transit network more broadly.
- 28 Other integration options will be provided when policy decisions are sought on the parameters of the delivery entity for ALR later in 2022.

Urban development and local bulk infrastructure

- 29 Cabinet recommended that the project be planned as an integrated transport and urban development programme but did not make specific decisions, such as in relation to the location and density options to be incorporated.
- 30 It is critical that urban development as well as transport options are developed to optimise investment across both areas.
- 31 Officials recommend that the importance of providing a range of urban development options is made clear and that these are incorporated into the business case work.

Funding and financing options

- 32 Ministry and Treasury officials understand that by agreeing to progress the Auckland Light Rail project using a 'Public Service Delivery' model in June 2020 [CAB-20-MIN-0300 refers] Cabinet was explicitly ruling out delivering the project under the New Zealand Public Private Partnership Model or private financing options similar to the model presented by CDPQ and the New Zealand Super Fund.
- 33 Subsequent to this, a range of funding and financing options were examined in the indicative business case, with further work to be done through the detailed planning phase. The December 2021 Cabinet decisions that confirmed progressing to the DBC stage [CAB-21-MIN-0531], included continuing work to recommend a funding and financing package including exploring Crown, Council and value capture

sources. No specific funding or financing sources were ruled in or out in Cabinet's decision.

- 34 In setting its expectations for development of the business case, officials recommend reconfirming, for the avoidance of doubt, Sponsors' expectations of a public service delivery model. This will ensure that the ALR Board has clarity around the scope of their work and as they progress with procuring advisory services.
- 35 Officials do not recommend ruling out the business case investigating other opportunities to utilise a broader range of funding and financing tools at this stage. Some of these options will include private sector financing, such as the use of the IFF levy SPV model, and the urban development funding tools under the Urban Development Act, and development partnerships.
- 36 Further policy work on funding and financing including development of specific guidance and expectations is continuing as part of the ALR policy programme, and officials will seek Sponsor guidance on options, including smaller scale commercial arrangements, in the near term. Further guidance to the Unit on Sponsor preferences to inform the business case can be provided subsequently.

Consultation

- 37 Sponsoring agencies, have been involved in related discussions and the development of this letter over the preceding months including consultation on the draft letter attached.
- 38 Te Waihanga and the Auckland Light Rail Unit have also been provided with the draft letter and have provided comment.

Next steps

- 39 Feedback from Sponsors will inform a final draft of the letter which will be given to Sponsoring Ministers for approval. This is expected to take place in May.

APPENDIX 1

Appendix 1 released separately.

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