



Treasury/ MOT Report: Auckland Light Rail Business Case

Date:	8 November	Report No:	T2018/3172
		File Number:	SH-8-4-1

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Note contents of report	None
Minister of Transport (Hon Phil Twyford)	Note contents of report	None

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
[Redacted]	[Redacted]	[Redacted]	✓
David Taylor	Manager, National Infrastructure Unit	[Redacted]	
Karen Lyons	Director Auckland, Strategy and Investment, Ministry of Transport	[Redacted]	✓
[Redacted]	[Redacted]	[Redacted]	

Withheld to protect the privacy of natural persons

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Enclosure: Yes

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Recommended Action

We recommend that you **note** the contents of this report.

David Taylor
Manager, National Infrastructure Unit

Bryn Gandy
Deputy Chief Executive – Strategy and Investment, Ministry of Transport

Hon Grant Robertson
Minister of Finance

Hon Phil Twyford
Minister of Transport

Treasury/ MOT Report: Auckland Light Rail Business Case

Purpose of Report

This report provides an update on the development of the business case for the City Centre to Mangere light rail project and outlines key dates. It also comments on a letter from NZSF to NZTA that you have received a copy of.

Business case process

Previous Cabinet decision on the requirement for a business case

On 2 May 2018 the Cabinet Economic Development Committee agreed (DEV-18-MIN-0059 refers):

“that the New Zealand Transport Agency (NZTA) will lead the preparation of a single stage business case (including economic, financial and commercial aspects) for the city-to-airport link and all subsequent projects within the RTN programme, for consideration by the government”

Progress and areas of focus

A business case is subdivided into five ‘cases’:

1. The strategic case, which makes the case for change.
2. The economic case, which explores and evaluates options.
3. The commercial case, which sets out the plan for the potential deal.
4. The financial case, which ascertains affordability and funding requirements, and
5. The management case, which outlines the proposed project management arrangements.

NZTA have prepared early drafts of all these ‘cases’ and shared them with Ministry of Transport (MoT) and Treasury officials. NZTA have also undertaken workshops with MoT and Treasury officials as well as with its own Board.

Officials have had good opportunity to provide feedback. Our main areas of focus as part of the business case process have been around ensuring that the:

- analysis is balanced and robust, given this is the first formal business case being conducted for the full route from the City Centre to Mangere.
- procurement options are developed through a rigorous process that considers the risks to government and the NZTA’s ability to attract local and international competition for the project.
- financial implications are clearly articulated, in terms of the funding requirements for the project and the available revenue from the National Land Transport Fund and other sources such as value capture.

- governance arrangements are appropriate for the significant scale and complexity of ultimate ownership arrangements are clearly articulated, including how these link back to project governance and decision-making structures.

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Withheld to protect the confidentiality of advice tendered by Ministers or officials

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We are continuing to work with the NZTA to develop our advice to Ministers and Cabinet on these matters.

Next steps

While the NZTA Board is scheduled to consider a paper on the business case at its next meeting on 9 November, it is unlikely that it will be in a position to resolve all issues that a business case requires as a minimum.

Officials propose to provide a progress report to Ministers within 2 – 3 weeks after NZTA’s Board meeting on 9 November. We envisage that the report will also invite you to make decisions regarding further engagement with the market so that the project can continue on its current timeframe.

Officials plan to provide a Cabinet paper in February 2019 with a full assessment of the business case, pursuant to the Cabinet recommendation above, and seeking a decision to progress with procurement of the project.

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Letter from New Zealand Superannuation Fund (NZSF)

The Chief Executive of NZSF has written to the Chair of the NZTA requesting a range of information. A copy of the letter is attached.

Managing probity during the business case phase

Government procurement must take place in an open and fair environment to ensure all potential suppliers are given impartial and equitable treatment. Although the project is only in business case stage, the release of information to selected parties now could give them an unfair advantage when the project is brought to market through a formal procurement process.

In order for NZTA to effectively manage its probity requirements, we recommend that all requests for information be directed to the project team (including consultation with the project team where the requested information is held by another agency).

Responding to NZSF's information requests

The New Zealand Superannuation Fund has made multiple requests for information it requires to further advance a proposal to government. The correct process to follow in responding to these requests is that set out in the Official Information Act (i.e. either provide the requested information, or withhold it on one of the permitted withholding grounds).

If providing some or all of the information, NZTA also needs to decide whether to release the information publicly. In this case, we believe the public release of any response would be in the best interest of ensuring a fair and competitive process for the project. The provision of information exclusively to one or more parties (particularly parties associated with the Crown) risks significant reputational damage, or legal challenge of the process.

NZTA is working through what information can be provided without prejudicing the project. Given the substantial scope of the request this process is not yet complete. Further detail of what information has been provided will be given in a future progress report.