

Auckland Rapid Transit Network (RTN) Delivery

Reason for this briefing	Decisions are needed on how to proceed following provision of the "Auckland RTN Delivery Plan" by the New Zealand Transport Agency.
Action required	Direct the New Zealand Transport Agency and Ministry to prepare a programme business case for investment in the Auckland mass transit system.
Deadline	25 January 2018.
Reason for deadline	To enable your approach to mass transit investment to be taken into account in work on GPS 2018, the Auckland Transport Alignment Project update and Urban Development Authority legislation.

Contact for telephone discussion (if required)

Name	Position	Telephone	First contact
Bryn Gandy	Deputy Chief Executive Strategy and Investment	[REDACTED]	✓
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MINISTER'S COMMENTS:

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Date:	19 January 2018	Briefing number:	OC05605
Attention:	Hon Phil Twyford	Security level:	In confidence

Minister of Transport's office actions

- Noted*
 Seen
 Approved
- Needs change*
 Referred to
- Withdrawn*
 Not seen by Minister
 Overtaken by events

Executive Summary

1. Rapid transit, involving light rail, to transform Auckland's urban development is a key focus for you.
2. The *Auckland RTN Delivery Plan* (the Delivery Plan) provided by the New Zealand Transport Agency (NZTA) at your request, provides an initial implementation plan.
3. The scale of investment and the transformational vision for the programme makes it critical that the programme has a strong foundation which is underpinned by good evidence and analysis.
4. International experience of developing mass transit networks is that they are successful when they have clear objectives and these are embedded in the detailed design. Some parts of the Delivery Plan reflect current light rail proposals but others are at a very early stage. The Delivery Plan for these parts is not informed by enough evidence of what would meet the needs of network users or achieve your broader objectives.
5. A successful implementation plan would be informed by a business case for the programme. A strategic business case would offer a solid foundation for the work and provide assurance that the implementation plan realises the outcomes envisaged. It would also identify the risks associated with the programme. There are significant risks associated with a programme of this size and complexity and you should expect a high level of assurance that these have been well thought through and are being managed from the outset.
6. The strategic business case would be considered by Cabinet, appropriate given the scale of the investment. It would consider the strategic, economic, financial management and commercial cases for the programme. Once agreed by Cabinet, individual projects within the programme could progress through the normal NZTA business case approach.
7. It would be ideal to have a strategic business case before work commences, but given the work already undertaken on the CBD-airport route, you could consider progressing this route through the normal NZTA processes in parallel with developing a strategic business case. This would enable you to achieve some momentum while developing the overarching business case.
8. The entire programme could be progressed through the National Land Transport Fund (NLTF) but you are aware of the trade-offs with other investments that this would necessitate. You are also interested in exploring alternative funding options and the strategic business case could potentially incorporate work on governance, funding and financing infrastructure that is being progressed through the Urban Growth Agenda.
9. The report outlines the Better Business Case process to provide a sense of the considerations that would be advisable for the mass transit programme. If this approach went ahead it would be developed by working closely with key parties including the NZTA, the Treasury and Auckland Transport.
10. If you support the development of a strategic business case we would provide further advice including a timeline in February.

Purpose

11. This paper provides you with advice on the steps needed to build a case for a mass transit programme in Auckland along the lines of the proposals set out in the Delivery Plan.

Our understanding of your objectives

12. We understand your core investment objectives in Auckland are to increase access to labour markets and educational opportunities, reduce the transport system's carbon emissions, and increase housing supply and affordability in a way that builds liveable communities, while achieving value for money.
13. You see a mass transit system, including major new light rail elements, as transforming Auckland's urban development and access to jobs and housing. You support a programme approach over the longer-term, with some shorter-term deliverables.

The Auckland Rapid Transit Network Delivery Plan

14. The Delivery Plan provided by the NZTA at your request, sets out investments in the Auckland mass transit network, based on those in the Labour manifesto, as in Appendix 1. The programme includes bus connections and key light rail transit (LRT)
 - From Britomart to the Wynyard Quarter
 - From Britomart to Mt Roskill
 - From Mt Roskill to the Airport
 - From Britomart to Westgate
 - From Britomart to Albany.

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16. In the time available, the NZTA has provided an initial implementation pathway, and has had to make assumptions about fast-tracking of consenting, project funding and governance. It has also made assumptions about the potential design of the network. A strategic business case would provide you with the assurance that these issues have been well thought through and that the solutions as well as the approach to funding and governance will be durable through the programme's life.
17. For an investment of this scale a strategic business case for the programme should be completed. The business case could consider the strategic, economic, financial management and commercial cases for the programme. It would provide you with assurances that the benefits you and your Cabinet colleagues agree for the programme will be realised once it is delivered.
18. Auckland Transport's work that has informed the NZTA's plan is most progressed around the CBD to airport route. You could consider progressing the CBD to airport route through the NLTF and normal NZTA processes in parallel with developing a strategic business case for the rest of the programme.

Main elements of a Strategic Business Case

19. A strategic business case approach would follow the Better Business Case process and be developed by working closely with key parties such as the NZTA, the Treasury and Auckland Transport. The case would be developed in a series of stages that you could discuss with your colleagues, starting with a project plan setting out project governance, staging, deliverables and timing.

20. There are five key components of a business case – the strategic, economic, financial, management and commercial cases. Examples of the types of considerations that these elements would address are outlined below.

The strategic case

21. The strategic case articulates the Government's objectives, clarifies the case for change, including the nature of the problem, the expected benefits from making the investment and how the programme aligns with government policy.
22. The strategic case will outline the Government's vision for a transformed Auckland, including your vision for urban development. It also explicitly takes account of other key work areas underway in Auckland which impact on the desirability and feasibility of rapid mass transit in Auckland. For example, it would take account of your wider urban development work programme, KiwiBuild (and the likely location of new housing across Auckland), the role of the proposed Urban Development Authority, private sector housing developments, and the Auckland Transport Alignment Project.
23. A significant investment in public transport in Auckland is needed if we are to offer a realistic alternative to the car for trips to the central business district. There is clearly scope to improve on the performance of the existing system by extending the dedicated mass transit corridors across the city to support reliable and frequent high capacity services.
24. The strategic case will consider the effect on the Auckland transport system as a whole in terms of usage, travel times, mode choice and therefore congestion and emissions.

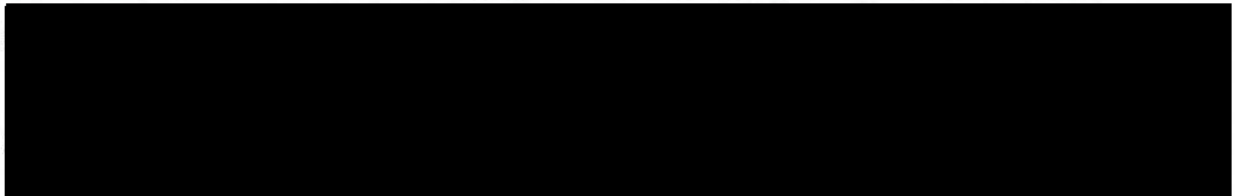
The economic case

25. The purpose of the economic case is to satisfy you that alternative options for improving the rapid mass transit network have been explored and value for money has been maximised. Clear evidence of the likely net benefits is needed.
26. The economic case would include an analysis of alternative options, including considering the areas of Auckland that are most likely to benefit from, and use, rapid mass transit. We know from the Auckland Transport Alignment Project that travel will continue to be widely distributed even assuming relatively high levels of intensification and public transport investment.
27. There is a risk that the mass transit network set out in the NZTA proposal would not provide for Aucklanders' distributed travel patterns. This would cause the mass transit network to be under-utilised, with the associated risk that this also crowds out other investments needed for a growing Auckland.
28. You have questioned whether the alternatives to traditional light rail are at too early a stage to be considered as viable options. There are a range of bus and rail based mass transit solutions in use internationally – offering a variety of high amenity, guided, low floor, wide door, high capacity features - with widely varying results. The business case process would evaluate the latest and most robust analysis on the viability of alternative approaches, looking at comparable international examples, and taking account of Auckland's growth patterns, geography and the needs of the population.
29. It is possible that high capacity bus options – with dedicated corridors, configured to allow fast loading and unloading, and delivering high amenity values - could deliver the same or better outcomes as light rail, at significantly less cost, and with greater flexibility in construction, routing and operation. Testing the range of options available to government will provide assurance that the best option has been selected.

30. The economic case would also consider welfare costs and benefits to society as a whole including the overall effect on network performance in terms of variables like emissions and fuel consumption, alongside change in travel time and number of users.

The financial case

31. The financial case assures you that the proposal is affordable, outlines funding options, and also allows you to consider options on financing including phasing of investment.
32. The financial case would advise you on the trade-offs between financing and funding. Financing reduces the cost for current taxpayers by transferring costs to future taxpayers, but in the absence of new funding, limits the capital funding available for new investment in the future. A growing city like Auckland is going to need further improvements to the transport network. It is therefore important that the government maintains an ability to fund capital improvements in the future.
33. Our recent report to you 'Expenditure Implications from reflecting your priorities in the Government Policy Statement on land transport 2018' (OC 05582 refers) outlines a range of funding scenarios for GPS 2018. Amongst these are estimates of the costs and funding of rapid mass transit in Auckland. This paper outlines two groups of mass transit costs:



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34. There are likely to be a series of choices available to government on the funding of rapid mass transit. These include:
- 34.1. Fully funding the programme via the NLTF
 - 34.2. Fares
 - 34.3. Property rates (including general rates, targeted rates/value uplift)
 - 34.4. Regional fuel tax
 - 34.5. Road pricing.

35. Each of these forms of funding have different advantages and disadvantages, and there may be some practical limits on how they can be used.



36. Increasing financing without increasing funding to cover financing costs would reduce the NLTF's ability to invest across government's priorities over the financing period.

- 37.



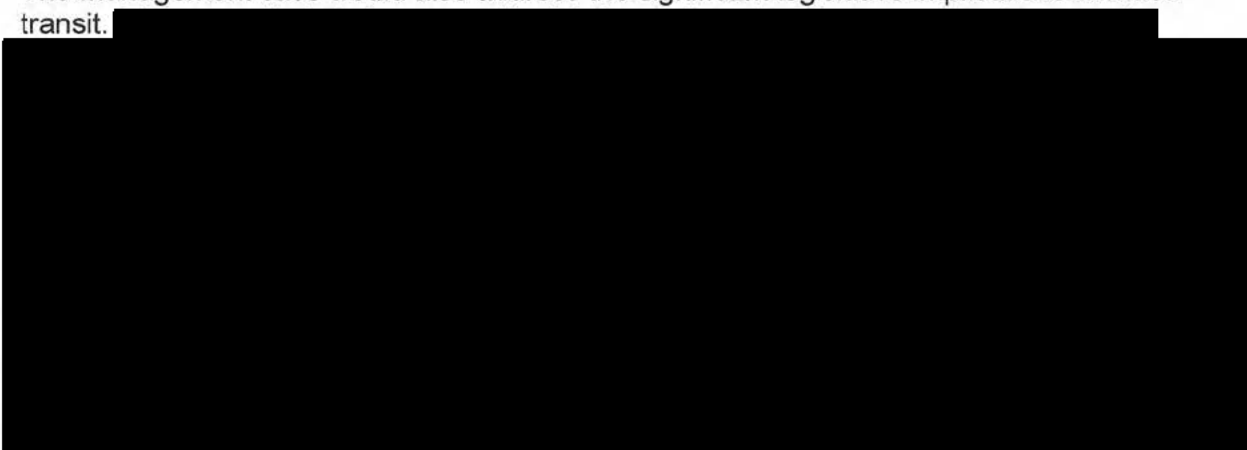
38. We also note that financing on this scale could have implications for the Crown debt position and national debt. You may want to discuss this with the Minister of Finance before settling on your preferred approach to the funding or financing options.

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The management case

- 39. The management case provides you with options on the governance of the programme, so that you can be confident that it can be can be successfully delivered.
- 40. The Ministry is of the view that there are a range of options that could be considered for governance of mass transit. Key choices that will need to be considered in arriving at an appropriate governance structure will include:
 - 40.1. Which entity or entities should be accountable for delivery of the programme, and the appropriate legal structure;
 - 40.2. The appropriate roles of all parties, including Auckland Transport, Auckland Council and the NZTA;
 - 40.3. The extent to which this entity will be able to borrow and raise finance;
 - 40.4. The extent to which this entity will be able to make decisions;
 - 40.5. The appropriate accountability arrangements and the wider relationship to government.
- 41. Our initial view is that a fit for purpose governance model may be preferable to one that combines transport and housing delivery. Maintaining a singular focus on efficient and effective delivery of mass transit in Auckland will promote greater accountability and ownership of the delivery. However, ensuring strong alignment with the government's KiwiBuild programme will also be necessary to ensure that planning and delivery are coordinated. It will be critical, for example, to determine the alignment of corridors between the mass transit network and the KiwiBuild programme.
- 42. A strategic business case provides an opportunity to arrive at a governance structure that achieves high levels of accountability, ensures that there is the right level of capability to deliver such a complex programme, and ensures that there is high quality alignment with related work programmes.
- 43. The management case would also address the significant legislative implications of mass transit.



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The commercial case

- 45. The commercial case assures you that the proposal is commercially viable. Decisions made on the financial and management cases potentially follow through into the commercial case.
- 46. Investment on the scale proposed is likely to require a mixture of public funding sources that dictate a certain degree of Government ownership and control.

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- [REDACTED]
47. Public Private Partnerships (PPP) may have some value in containing construction and operating costs, managing cost risks and encouraging innovation, but limited value in debt management across an investment programme as the Crown is likely to secure more competitive rates than any PPP partner.

Key linkages

48. The investments proposed have planning and investment implications for a range of work being undertaken within the transport sector, and across government. The most immediate transport linkage is to GPS 2018. The most significant cross-government linkage is to KiwiBuild, the Housing Commission and the Urban Growth Agenda. The approach to developing the business case will need to include relevant departments and address these connections as the case is developed. The leading linkages are described in Appendix 3.

Consultation

49. The primary agencies on the related cross-agency work, the Treasury, Ministry of Business, Innovation and Employment and Department of Internal Affairs, have been consulted and agree that further work is needed to provide a foundation for proposals on mass transit and a programme business case is needed that links in with relevant work across government.
50. Auckland Council and Auckland Transport will take a keen interest in any mass transit business case. Both agencies have undertaken considerable work on light rail over the last few years.
51. The Department of Prime Minister and Cabinet and the State Services Commission are also interested in keeping across the mass transit proposals.
52. We have consulted the NZTA on this paper.

Next steps

53. We propose that you ask the NZTA and the Ministry to develop a project business case, with the first deliverable being a project plan that sets out project governance and timing.
54. Given the scale, complexity and level of risk associated with the programme envisaged in the Delivery Plan, the Ministry recommends that you seek to discuss this paper, and your preferred approach with your urban development and infrastructure colleagues.

Recommendations

55. The Ministry recommends that you:
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|-----|--|--------|
| (a) | invite the New Zealand Transport Agency (NZTA) and Ministry to prepare a programme business case for investment in the Auckland mass transit system over the next 10 years. | Yes/No |
| (b) | invite the NZTA to provide advice on how to continue to progress any initial phases of the work funded under GPS 2018, while the programme business case is completed. | Yes/No |
| (c) | direct the Ministry to identify examples of international mass transit systems that may be worth visiting to learn more about key aspects of mass transit system design and performance of relevance to Auckland. | Yes/No |

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|-----|--|--------|
| (d) | seek provision of a project plan as a first deliverable by the end of February 2018, setting out governance, including links to relevant cross-government initiatives, key deliverables and timing. | Yes/No |
| (e) | discuss your intention to develop a programme business case for Auckland mass transit investment with infrastructure and urban Ministers and forward this report to them. | Yes/No |
| (f) | discuss your preferred approach with officials if it differs from the above. | Yes/No |

Glen-Marie Burns
Manager Urban Development & Environment

MINISTER'S SIGNATURE:

DATE:

Appendix 1: NZTA Proposed improvements to the Auckland Strategic Public Transport Network

Components of RTN delivered in 2020



Appendix 2: Proposed Auckland Mass Transit Network (ATAP)



Appendix 3: Key linkages between Auckland mass transit investment and government initiatives

Linkages to work in the transport sector

1. The proposals need to both inform and be informed by the GPS. The scale of expenditure envisaged has a material impact on the allocation of funding between activity classes in GPS 2018. GPS 2018 will also set out your investment goals for the activity classes and these should inform business case development.
2. The Auckland Transport Alignment Refresh should provide new information on the value for money delivered by an increased focus on mass transit. Analysis of this type is needed to inform the business case.
3. The approach taken to mass transit investment over the next 10 years also has implications for the Auckland Road Pricing work, especially the extent to which the proposal provides realistic alternatives to motorists paying more or mitigates the equity effects on lower income households of a move to road pricing.
4. You may also want to consider the use of some or all of the Auckland regional fuel tax to partly fund mass transit investment.
5. The Delivery Plan also includes rail development proposals that will need to be taken into account in metro-rail and rail-freight policy work.

Linkages to cross-government work

6. The most obvious linkage is to the KiwiBuild programme and Housing Commission as a single national urban development authority, but there are a number of other linkages of significance.
7. KiwiBuild is a \$2b programme to accelerate delivery of 100,000 affordable houses nationally over the next 10 years, including 50,000 houses in Auckland, in a way that builds liveable communities (led by MBIE). The proposal could
 - a. improve access to some of the KiwiBuild properties, but may also impose costs depending on the extent to which value uplift is applied.
 - b. support a joined up partnership approach where transport and housing objectives align, including working along-side the Housing Commission, to realise urban development opportunities, with urban development legislation framed to support and enable delivery of a transport project of this scale.
8. The proposals also have implications for the Urban Growth Agenda which will deliver medium to long-term changes to create the conditions for the market to respond to growth, bring down the high cost of urban land to improve housing affordability and support thriving communities. A key issue is the need for concurrent identification of growth areas and essential transport improvements, to support liveable communities and competitive land markets.
9. Work with Auckland Council on a development strategy in the Auckland Plan that gives effect to the government's housing and transport objectives is also underway (led by MBIE). This work is due to be finalised in late March 2018.
10. Work is also commencing on a refresh of the Shand Commission work on local government funding and financing (led by DIA). Aspects of the mass transit proposal with particular significance for local government are the funding arrangements, governance of the road corridors and the planning powers.