

Auckland Light Rail – decisions on next stage

Reason for this briefing	 There are a number of issues that require decisions from you, namely: resourcing for the Ministry to continue delivery of the City Centre to Māngere (CC2M) Light Rail Project inclusion of cost-recovery for the Preferred Delivery Partner for the next stage via a Memorandum of Understanding (Respondent MoU) inclusion of the Northwest Line in the Respondent MoU to enable future negotiations with the Preferred Delivery Partner. 					
Action required	Consider the issues and options presented in this paper. Consider due to the cost-recovery commitments in the MoU and additional budget sought, that this should be sent to the Minister of Finance.					
Deadline	As soon as practicable.					
Reason for deadline	To enable the Ministry to continue progress on the delivery of the CC2M project.					

Contact for telephone discussion (if required)

Name	Position		Ô		Telephone	First contact
Bryn Gandy	DCE, Strategy a	ndInvestme	nt			
Amelia East	Project Director -	- Auckland L	ight Ra	ail		\checkmark

MINISTER'S COMMENTS

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Date: Briefing number: 6 December 2019 OC191156 Attention: Hon Phil Twyford Security level: In-Confidence Minister of Transport

Minister of Transport's office actions

□ Noted

Seen

□ Approved

Needs change

Referred to

U Withdrawn

Not seen by Minister

Overtaken by events

Purpose of report

1. The briefing seeks your decisions on a number of issues:

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- 1.1. **Decision 1** Resourcing for the Ministry to continue delivery of the City Centre to Māngere (CC2M) Light Rail Project.
- 1.2. **Decision 2** Memorandum of Understanding with the Respondents (Respondent MoU) on the approach to exclusive negotiation,

To maintain momentum and ensure the successful delivery of the CC2M project, it is critical to address these issues as soon as possible.

Decision 1 – resourcing for the Ministry to continue delivery of the CC2M project

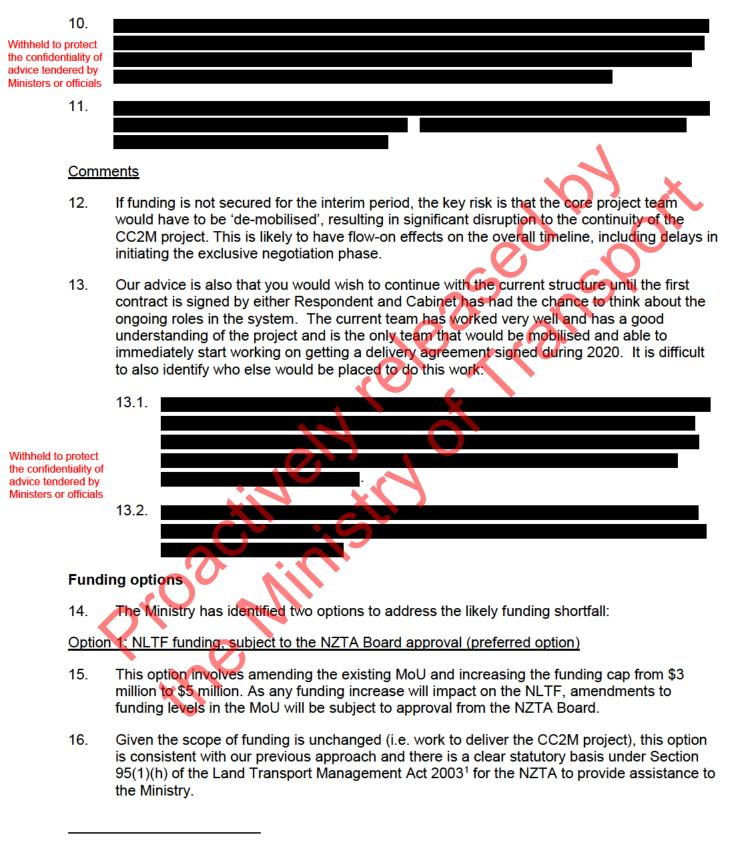
Background information

- 3. The Ministry is currently leading a process for selecting the Preferred Delivery Partner on the CC2M light rail project. This involves the Ministry engaging with the Respondents throughout the development of their proposals, assessing the proposals against criteria set out in the Response Requirements Document (RRD), and preparing advice for Ministers.
- 4. To support this work, you sent a letter to the Chair of the New Zealand Transport Agency (NZTA) Board on 14 June 2019, seeking assistance from the NZTA. The NZTA Board subsequently agreed to offer financial assistance to the Ministry, utilising funds from the National Land Transport Fund (NLTF).
- 5. Following that decision, the Ministry and NZTA entered into a Memorandum of Understanding (MoU) for the provision of financial assistance, subject to a cap of \$3 million (plus GST). The funding is to enable the Ministry to procure specialist technical, legal, commercial and operational professional services as required to manage the process for developing and evaluating proposals from NZ Infra and NZTA.
- 6. The MoU recognises the joint interest in ensuring the Government receives robust advice on the merits of different approaches to financing and delivering CC2M, and ensuring the Ministry is well-resourced to run a robust process that treats all parties fairly and reasonably.

The Ministry budget only covers up to selecting a Preferred Delivery Partner

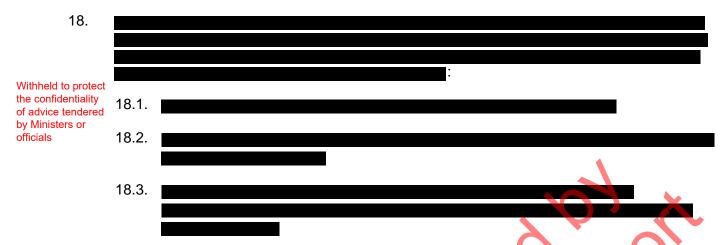
- 7. The current Ministry funding only covers up to providing advice on a Preferred Delivery Partner. The budget has been managed extremely carefully and we can confirm that we will be able to deliver our recommendation for a Preferred Delivery Partner in February 2020 within the \$3 million funding cap.
- As part of making a decision on its Preferred Delivery Partner, Cabinet will need to consider what funding sources will be required to deliver the CC2M project. Options for this will be set out in the Cabinet paper.
- 9. There is therefore a shortfall in funding between the end of February and the Cabinet decision. Should you wish to maintain the momentum of the CC2M project past February, the Ministry would require this funding to support:
 - 9.1. preparation work for the exclusive negotiation phase including drafting of the relevant contracts, which may include the Sponsor Agreement, Funding Agreement, and Project Agreement

- 9.2. work on developing the north-west line part of the project
- 9.3. continued negotiations, if required, with either Respondent



¹ Section 95(1)(h) provides for the NZTA to provide assistance to central or local government agency when requested to do so by the Minister, as long as its functions and duties are not compromised.

17. This is the Ministry's preferred option as it utilises existing MoU arrangements and would minimise the level of effort required to secure funding.



Option 2: Crown funding

- 19. This option involves seeking Cabinet approval for funding from Between-Budget Contingency (BBC) to support the Ministry in delivering the CC2M project. The BBC is a general operating contingency that provides for operating proposals that arise between Budget rounds.
- 20. Due to time constraints, the Ministry has not had the opportunity to engage with the Treasury on progressing this option, including establishing the level of available funding within the BBC for the 2019/20 financial year. Notwithstanding this, the Ministry does not recommend you to pursue this option for the following reasons:
 - 20.1. There is usually a high threshold for proposals to be funded from the BBC, and there is a risks that the CC2M may not meet this threshold given limited engagement with the Treasury to date.
 - 20.2. As noted before, funding from the BBC requires Cabinet approval and there is a limited number of Cabinet meetings left in the calendar year.
 - 20.3. Any funding approved through the BBC to support the CC2M project would mean less funding is available to support the Government's well-being initiatives for the 2019/20 financial year. The opportunity loss would also be greater if the \$2 million is not fully utilised.

Next steps

- 21. If you agree to pursue Option 1, a draft letter highlighting the key points in paragraph 16 is attached for your signature. Once approval is granted from the NZTA Board, the Ministry will work with the NZTA to amend the MoU and increase the funding cap. Should the NZTA Board decline an increase to the funding cap, the Ministry will explore avenues to seek funding through the BBC process.
- 22. If you wish to pursue Crown funding, we will work with your Office to engage with the Treasury and the Minister of Finance on the availability of BBC to support the CC2M project. Should the BBC not be available to support the CC2M project, we would most likely have to wait until the Cabinet decision on the Preferred Delivery Partner is made to secure funding for the next stages. This would mean it is unlikely that the exclusive negotiations could start before Q3 or Q4 2020.

Decision 2 – Memorandum of Understanding with the Respondents (Respondent MoU)

Background



31. The recommendations are that you:

<u>Decision 1 – resourcing for the Ministry to delivery of the City Centre to Māngere (CC2M)</u> <u>Light Rail Project</u>

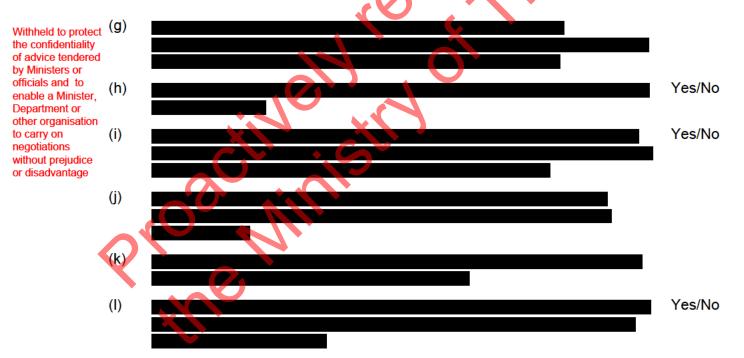
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- (a) note that the Ministry has a Memorandum of Understanding (MoU) with the New Zealand Transport Agency (NZTA), for funding assistance to deliver a recommendation on the Preferred Delivery Partner for the CC2M project, up to a cap of \$3 million
- (b) **note** that the Ministry will deliver this recommendation within the \$3 million funding cap
- (c) **note** that there is no funding to address any additional work before a permanent funding source can be determined by Cabinet
- (d) **note** that the Ministry has identified two options to address the interim funding shortfall:
 - a) Option 1 increase the funding cap from the National Land Transport Fund, subject to the NZTA Board approval (the Ministry's preferred option)

Yes/No

- b) Option 2 Crown funding
- (e) agree to pursue Option 1
- (f) **sign** the attached letter to the NZTA Board seeking NZTA assistance to Yes/No increase the funding cap

<u>Decision 2 – Memorandum of Understanding with the Respondents (Respondent</u> <u>MoU)</u>



Project Director – Auckland Light Rail

MINISTER'S SIGNATURE:

DATE:

Proactively of transport