

## Auckland Light Rail - Alternative Delivery Models

<b>Reason for this briefing</b>	The Government received an unsolicited proposal from the New Zealand Super Fund to deliver the Auckland Light Rail Project. The Ministry of Transport (the Ministry) and the Treasury have considered the merits of this proposal to support Ministers' consideration of the preferred delivery approach for Auckland Light Rail.
<b>Action required</b>	Read and consider your preferences in advance of your meeting with representatives from the New Zealand Superfund (NZSF) and Caisse de depot et placement du Quebec (CDPQ) on Wednesday 12 December 2018.  Discuss your preferred approach for progressing with the NZSF/CDPQ proposal with officials.
<b>Deadline</b>	Wednesday 12 December 2018.
<b>Reason for deadline</b>	You are meeting with NZSF/CDPQ representatives at 4:30pm on Wednesday 12 December 2018.

### Contact for telephone discussion (if required)

Name	Position	Telephone	First contact
Bryn Gandy	Deputy Chief Executive	Withheld to protect the privacy of natural persons	✓
Siobhan Routledge	Director Strategy and Investment		
Helen White	Manager, Investment		
David Taylor	Manager, National Infrastructure Unit		
[REDACTED]	[REDACTED]		
[REDACTED]	[REDACTED]		

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### MINISTER'S COMMENTS:

<b>Date:</b>	10 December 2018	<b>Briefing number:</b>	OC181190
<b>Attention:</b>	Hon Phil Twyford (Minister of Transport)  Hon Grant Robertson (Minister of Finance)	<b>Security level:</b>	Commercial-In-Confidence

### Minister of Transport's office actions

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> <i>Noted</i>        | <input type="checkbox"/> <i>Seen</i>                 | <input type="checkbox"/> <i>Approved</i>            |
| <input type="checkbox"/> <i>Needs change</i> | <input type="checkbox"/> <i>Referred to</i>          |   |
| <input type="checkbox"/> <i>Withdrawn</i>    | <input type="checkbox"/> <i>Not seen by Minister</i> | <input type="checkbox"/> <i>Overtaken by events</i> |

## **Purpose of report**

1. To provide initial advice on the unsolicited proposal received from NZSF/CDPQ to deliver Auckland Light Rail in order to support Ministers' consideration of their preferred delivery approach.
2. You are meeting with NZSF/CDPQ representatives on Wednesday 12 December 2018. NZSF/CDPQ wish to present its potential solution to support Auckland's long-term public transportation and urban development aspirations. Talking points to support your understanding of the NZSF/CDPQ proposal are attached as annex one.

## **The NZTA has a lead role to deliver rapid transit improvements**

3. The NZ Transport Agency (NZTA) Board has statutory independence to determine which activities receive funding from the National Land Transport Fund (NLTF). Its decisions must give effect to the direction set in the Government Policy Statement on land transport (GPS) – which specifies the Government's investment intentions (and should not specify individual projects).
4. The GPS 2018 empowers the NZTA to take a lead role in the delivery of rapid transit improvements (e.g. busways and light rail infrastructure) in Auckland and other major metropolitan areas.
5. Cabinet has agreed that the 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 rapid transit programme, for consideration by the Government.
6. In May 2018, you wrote to the NZTA Board to direct it (as you are permitted under the Crown Entity Act 2004 and Land Transport Management Act 2003) to:

“plan, fund, design, supervise, construct and maintain rapid transit networks and/or projects, including light rail.”

You asked the NZTA to work closely with the Ministry of Transport (Ministry) and the Treasury to determine potential procurement options, including how partnership opportunities can be considered.

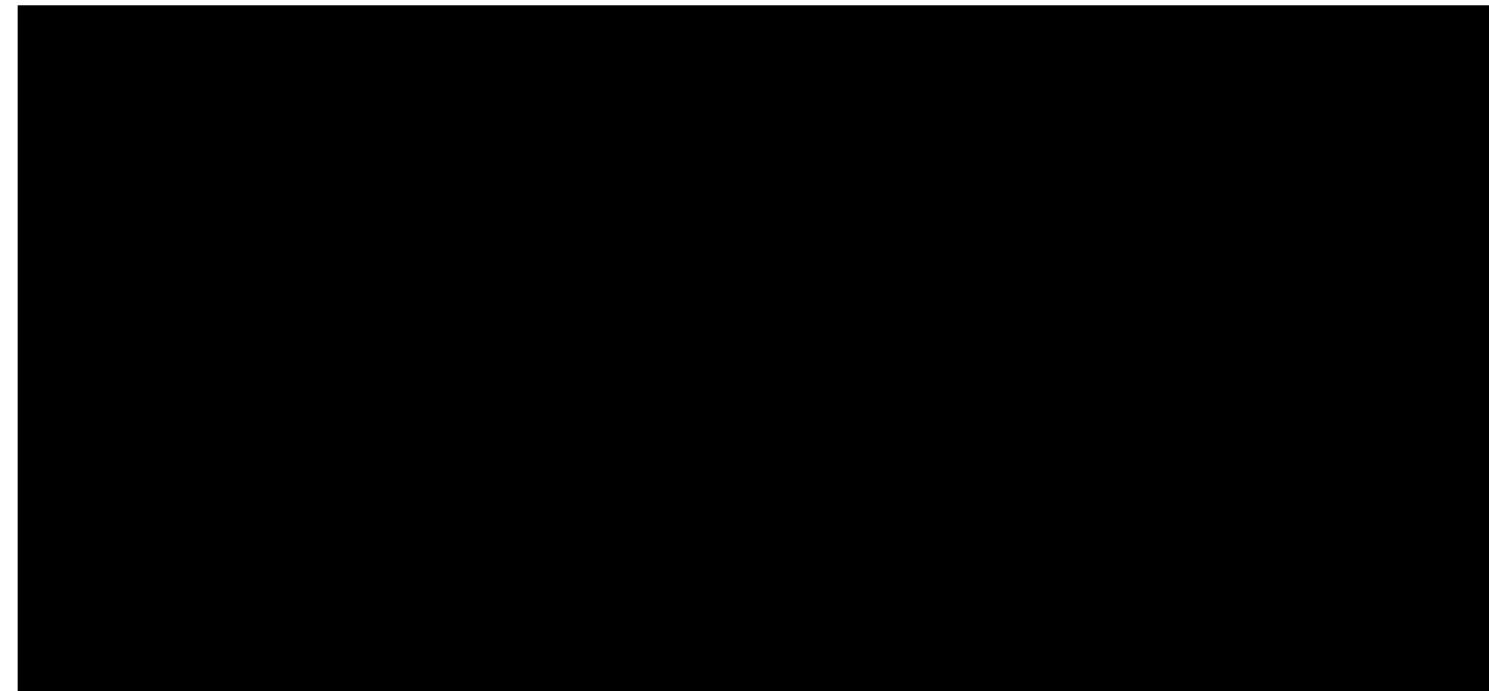
7. The NZTA is currently leading the procurement and delivery of the Auckland light rail programme. It is developing a business case of the City Centre to Māngere line, and conducted initial market engagement with interested suppliers and industry participants in August 2018. A second market sounding is expected in early 2019 to test the preferred procurement strategy with the market.
8. The NZTA is expected to follow a competitive process to identify which party to contract with to build and operate the light rail line. Any interested parties can engage in this process, including the New Zealand Superfund.

## **New Zealand Superfund has submitted an unsolicited proposal to government to deliver Auckland light rail**

9. The Government received an unsolicited proposal from the New Zealand Super Fund (NZSF) for the exclusive delivery of the Auckland Light Rail network, including both the City Centre to Māngere and North-western line.

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10. The proposal outlines NZSF's joint venture (JV) with Caisse de depot et placement du Quebec (CDPQ<sup>1</sup>) to be responsible for the planning, financing, procurement, construction and operating phases of parts of the network. [REDACTED]
11. Alongside its business case development, the NZTA is considering the merits of the NZSF/CDPQ proposal. The NZTA has considered the NZSF/CDPQ proposal with reference to MBIE's and international guidance on the consideration of unsolicited proposals. That assessment considers whether the proposal offers value-for-money and is sufficiently unique to warrant negotiation with a single supplier rather than proceeding with an open competitive process.
12. As the NZTA could be seen to have a conflict of interest in this assessment (given the potential for it to try to fit the NZSF/CDPQ proposal to its own operating principles) the Ministry and the Treasury have engaged with the NZTA and NZSF/CDPQ JV to understand the merits of the delivery models proposed. Our work is separate to NZTA's assessment of whether it should engage NZSF to the exclusion of other parties. Rather, our work considers whether there is merit in the Government considering NZSF/CDPQ's alternative approach for the planning, procurement and delivery of the project.
13. In addition to meeting with NZSF/CDPQ representatives, we have had follow up contact with these parties to clarify our understanding, and to ask additional questions. Supporting information was also provided by the NZSF/CDPQ JV. These meetings were focused on understanding the merits of each delivery approach in its own right – we did not seek to obtain comments from these parties on how they thought each delivery approach compared.
14. In addition, but separate to this process, the Chief Executive of the NZTA and the NZSF/CDPQ met on 27 November 2018 to discuss the market engagement process that NZTA are leading. The Treasury also attended this meeting.



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<sup>1</sup> A Canadian institutional asset manager. CDPQ Infra is a wholly owned subsidiary of CDPQ, and is leading the delivery and operations of light rail in Montreal. The Montreal light rail network is under construction.

## Annex one: Talking points for your meeting with NZSF/CDPQ representatives

28. NZSF/CDPQ wish to present, and seek your feedback on, its potential solution to support Auckland's long-term public transportation and urban development aspirations. We understand the following individuals will attend:

- Chief Executive Officer, Matt Whineray
- Guardians Chair, Catherine Savage
- Guardians Head of NZ Direct Investment, Will Goodwin
- Guardians Manager – NZ Direct Investment, Megan Glen
- Managing Director – CDPQ Infra, Jean-Marc Arbaud
- Senior Investment Director – CDPQ, Bénédicte Colin

29. The following talking points support you to gain a more fulsome understanding of the NZSF/CDPQ proposal. [REDACTED]

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### Talking points

1. What do you see, in really practical terms, as the specific benefits of New Zealand Super Fund/CDPQ joint venture?

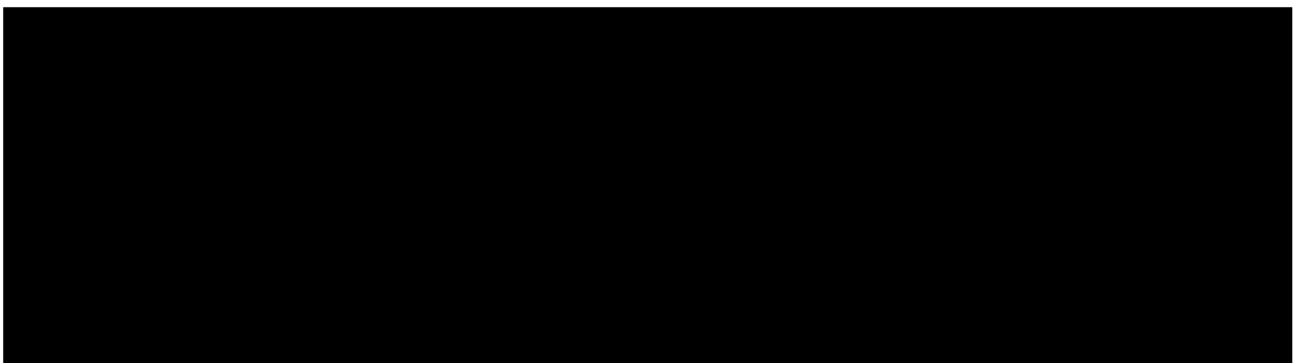
I'd be really interested in understanding what it is that you offer, through the JV and the PPI model, that other partners could not offer.

2. Given NZTA are mandated by the GPS to deliver the project and have statutory independence, how do you see your role vis-a-vis NZTA's role?

What do you see as the constraints of NZSF (either with or without CDPQ) participating in the NZTA's standard competitive process? What are the points of contention?

Are partnership opportunities available? How could they be best achieved?

3. Have you made any key assumptions that would be necessary to make your model work?



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