



5 November 2021

OC210891

Hon Michael Wood
Minister of Transport

Action required by:
Monday, 8 November 2021

DRAFT CABINET PAPER TO PROGRESS THE AUCKLAND LIGHT RAIL PROJECT

Purpose

To provide you with a copy of a draft Cabinet paper seeking agreement to progress the Auckland Light Rail project to the next phase.

Key points

- The draft Cabinet paper attached to this briefing seeks agreement on your preferred way forward for the Auckland Light Rail project.
- The paper seeks agreement to your preferred mode and route as well as specific recommendations relating to project governance and oversight, technical project development, and a policy work programme.
- Officials have been working with the Treasury and the Ministry of Housing and Urban Development in the preparation of this paper, in advance of formal consultation.
- The briefing highlights a number of specific matters for your consideration, including:
 - Funding for the next phase
 - The entity to take forward the next phase of the project
 - Departmental responsibilities for confirming arrangements for the next operating unit
 - Report back timeframes
 - Approach to public announcements
- Officials propose lodging the Cabinet paper for the Cabinet Economic Development Committee meeting scheduled for 24 November and have developed a timeline to meet that deadline.

Recommendations

Officials recommend you:

- 1 **confirm** your intention to submit the paper to the Cabinet Economic Development Committee on the 24th November Yes / No
- 2 **refer** the attached draft Cabinet paper to the Office of the Ministers of Finance and Housing for their feedback Yes / No
- 3 **provide** any feedback you have on the attached draft Cabinet paper, prior to a second draft for consultation being prepared by officials Yes / No

Gareth Fairweather
Acting Director, System Strategy & Investment
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Hon Michael Wood
Minister of Transport
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- Minister's office to complete:**
- Approved Declined
- Seen by Minister Not seen by Minister
- Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Bryn Gandy, Deputy Chief Executive System Strategy & Investment	██████████	
Gareth Fairweather, Acting Director System Strategy & Investment	██████████	✓
Chris Gulik, Auckland Strategic Adviser	██████████	

Withheld to protect the privacy of Natural Persons

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Attached is a draft Cabinet paper for your review and feedback

- 1 The attached draft of the Cabinet paper seeks agreement to a preferred way forward for the Auckland Light Rail (ALR) project. The paper provides an overview of the Indicative Business Case (IBC) findings and a pathway to take the work forward.
- 2 The paper seeks agreement to an integrated programme of work covering technical project development, policy development and implementation, and decision making. Agreement is also sought on governance arrangements that provide for appropriate Crown oversight, a partnership between the Crown, Auckland Council and mana whenua, and a competency-based board to guide the next operating unit.
- 3 The paper includes a table (as an appendix) that provides detail on each of the three shortlisted mode and route options. You will note that this expresses costs as a range covering P50-P95, and you may wish to confirm that you are happy with this.
- 4 The Ministry of Transport is also preparing two further appendices:
 - 4.1 a diagram that shows the structure of the key Crown decisions alongside the policy and project work programmes over the next two years; and
 - 4.2 further analysis and supporting material for the Climate Impact Assessment Analysis.
- 5 Officials will provide you with drafts of these documents in the coming days.

There are limitations and discrepancies in the Establishment Unit's outputs

- 6 Further review of the material that has been publicly released has revealed discrepancies in the Establishment Unit's analysis, including the details of travel time, capacity and patronage associated with alternative mode options. The figures used in the Cabinet paper are correct, and the Establishment Unit has been made aware of the discrepancies.
- 7 Officials previously advised [OC210840 refers] that the compressed timeframes to develop the IBC allowed for little opportunity for feedback from assurance reviews to be built into the Establishment Unit Board's decision-making on the final recommendations. A number of matters that have not been addressed will need to be progressed as a priority in the next phase of work.
- 8 Whilst there are limitations and discrepancies in the material that has been produced, the Ministry does not consider that these matters have a material impact on your decision to progress, or on your preferred route and mode.
- 9 These matters do, however, highlight the need for clear accountability and assurance mechanisms for the project going forward, as well as for additional analysis that will be needed early in the next phase.

- 10 The Treasury Gateway review is currently underway. Whilst the review is independent and intended for the benefit of the Project Director (in his capacity as the Senior Responsible Officer) you may wish to request that the findings of the review are made available to Ministers.

Your attention is drawn to specific matters which require your consideration



Withheld as information is under active consideration

The entity to take forward the next phase of the project

- 14 You have previously been provided with an assessment of three options for the form of entity to take forward the detailed planning phase of the ALR project.
- 15 These options include either a subsidiary or business unit of Waka Kotahi, or an evolution of the existing arrangements, that would see a project unit hosted by Waka Kotahi. The Ministry's preferred option is an evolution of the existing arrangements on the grounds that it:
- 15.1 provides a high level of ministerial influence in this critical phase of the project where significant strategic and policy decision-making are reserved to the Crown. This is achieved through the ability of the Crown to appoint directors to the project board and direct project outcomes
 - 15.2 provides for a direct line of accountability between the Crown and the project board, enabling partners to participate and influence the project on a level playing field
 - 15.3 is quick to set-up, maintaining momentum and continuity for the project.
- 16 A key finding from the reviews that the Treasury and the Ministry undertook of the IBC is the gap in analysis on urban opportunities and interventions. A strong direction is provided through the Cabinet paper for the next phase to progress as an integrated transport and housing programme.
- 17 The Ministry considers that the evolution of the existing arrangements best accommodates this integrated work programme, given that its set up would not require explicit ministerial direction to enable it to undertake urban development functions. Further policy work would be required to resolve the appropriateness of these urban development functions being given to Waka Kotahi.

Departmental responsibilities for confirming arrangements for the next operating unit

- 18 In relation to draft Recommendation 22 of the attached paper, the matter of which department would lead the work to finalise the governance arrangements and set up the next operating unit has been discussed during our engagement with Treasury and the Ministry of Housing and Urban Development (MHUD).
- 19 The Treasury has advised that its preference would be for the Ministry of Transport, Treasury and MHUD to jointly lead this work. Whilst our strong intent is that this is a highly collaborative exercise, Officials believe that a single department should be responsible for collating and finalising all inputs, and that this should be the Ministry of Transport.
- 20 Given the anticipated complexity of this process, which will involve managing the interests of multiple parties, Officials consider that it is most practical to have a single department holding responsibility. Giving this responsibility to the Ministry of Transport also reflects its transport system stewardship responsibilities, including in respect of Waka Kotahi and its future role in relation to ALR.

Report back timeframes

- 21 The Cabinet paper includes a commitment from you to report back no later than June 2022 to confirm the Crown's commitments to a Sponsors Agreement. This would be an enduring agreement between Crown, Council and mana whenua throughout the lifetime of the project.
- 22 Whilst the development of a Sponsors Agreement can begin now, officials believe that finalising this across all parties will be a complex process and will take time. Officials consider that June 2022 should be positioned as the backstop date for a report back, but with the clear expectation that this work begins now and is finalised as soon as possible.
- 23 Officials are happy to discuss this with you as the paper is finalised.

Public announcements

- 24 You have previously been provided with advice detailing the type, specificity and associated risks of various announcement options open to you [OC210794 refers].
- 25 You have since confirmed your intention to make firm decisions on mode and route, with subsequent public announcements reflecting these choices, and to release details of the IBC.
- 26 The details of the announcement may need to be reflected in the Cabinet paper, particularly the description of the preferred way forward and next steps.
- 27 Officials are requesting your direction as to the type and specificity of announcements that you would like to make, noting that this may change as result of conferring with Cabinet on these matters.

Climate Implications of Policy Assessment

- 28 Officials have been working closely with the Ministry for the Environment and the Establishment Unit to undertake the Climate Implications of Policy Assessment (CIPA). This is summarised in the paper and a full appendix will be provided prior to lodging of the paper.
- 29 While there is a high level of uncertainty at this stage, all three options are expected to result in a significant emissions reduction over the life of the project¹. Only Light Rail, however, would achieve a net decrease by 2050.
- 30 The cumulative change to greenhouse gas emissions between 2022 and 2050 for each of the three options is:
- 30.1 Option 1b Light Rail Dominion road: a net decrease of 139,900 to 59,900 tonnes of CO₂e.
- 30.2 Option 2a Light Metro Sandringham road: a net increase of 164,500 to 70,500 tonnes of CO₂e.
- 30.3 Option 3 Tunnelled Light Rail Sandringham road: a net increase of 70,600 to 30,200 tonnes of CO₂e.

Next steps

- 31 The Government has committed to announcing a decision on the future of the project before the end of the year. In line with your earlier commitments to report back to Cabinet by November, officials are currently working to the following indicative timeline:

Stage	Date
Feedback sought on draft paper from your Office and the Offices of the Minister of Finance and the Minister of Housing	Friday 5 to Monday 8 November
Ministerial caucus and inter-departmental Consultation	Tuesday 9 to Monday 15 November
Final version supplied to your Office	Tuesday 16 November / Wednesday 17 November
Lodgement for Economic Development Committee	Thursday 18 November
Cabinet Economic Development Committee (DEV) meeting	Wednesday 24 November

- 32 Officials are available to discuss the paper with you or your Office and we have started to prepare supporting material for you to present this as an item at DEV.

¹ through mode-shift, urban development, densification and a shift towards a compact urban form along the corridor.