

**Auckland Light Rail Advisory Group
Meeting Agenda**

Chairperson	Peter Mersi, Ministry of Transport
Date/Time	Friday 15 November 2019 from 11.00am – 12.00pm
Location	Kauri Room, Auckland Policy Office, Level 6, 45 Queen St, Auckland. <i>(Richard is phoning in from Wellington.)</i>
Members	Mark Lambert (attending for Shane Ellison) – Auckland Transport Stephen Town – Auckland Council Greg Miller – KiwiRail Lewis Holden – State Services Commission Brad Ward – Ministry of Housing and Urban Development Vicky Robertson – Ministry for the Environment Andrew Hagan – Treasury Richard Leverington – NZTA
In attendance	Bryn Gandy – Ministry of Transport Karen Lyons – Ministry of Transport Amelia East – Ministry of Transport Siobhan Routledge – Ministry of Transport [REDACTED] – Audit NZ probity adviser Withheld to protect the privacy of natural persons
Apologies	Shane Ellison – Auckland Transport

Agenda

1. Any new Conflict of Interest to be declared
2. Draft minutes of 14 August 2019 meeting
3. Actions from 14 August meeting
4. Project update from the Chair

Attachments:

- a. Auckland Light Rail Advisory Group minutes of 14 August 2019 (item 2)
- b. Stakeholder Letter (item 3)
- c. Cover note: Project update (item 4)



To: Auckland Light Rail Advisory Group	MEMORANDUM
From: Amelia East, Project Director – Auckland Light Rail, Ministry of Transport	
Date: 15 November 2019	

Subject: Update on the CC2M Light Rail Project

1. This report provides an update on the CC2M Light Rail Project (the Project).
2. Following the agreed Terms of Reference for the Advisory Group, the report is focussed on providing an update on the Bid Process as it draws to a close. The report also provides information on the Evaluation Process and requested Agency involvement to support this process. It also covers the overall timelines to achieve a recommended option for Auckland Light Rail.
3. As the Evaluation Process is confidential we are not able to cover the full details in writing at this stage.
4. The reports covers the following key items
 - Timeframes
 - Phase One: The Bid Process
 - Phase Two: The Evaluation Process
 - Media and Communications

Timeframes

5. The Cabinet mandated process for the Project has two parts: a bid (commercial and evaluation) process and a public policy process. The Secretary of Transport will then report back to Cabinet in February 2020 with advice on the selection of a preferred delivery partner, considering both the bid process and the public policy process.
6. We have broken down the Project into three phases to help manage it. More detail on these phases is contained within the body of this Report.

Phase one

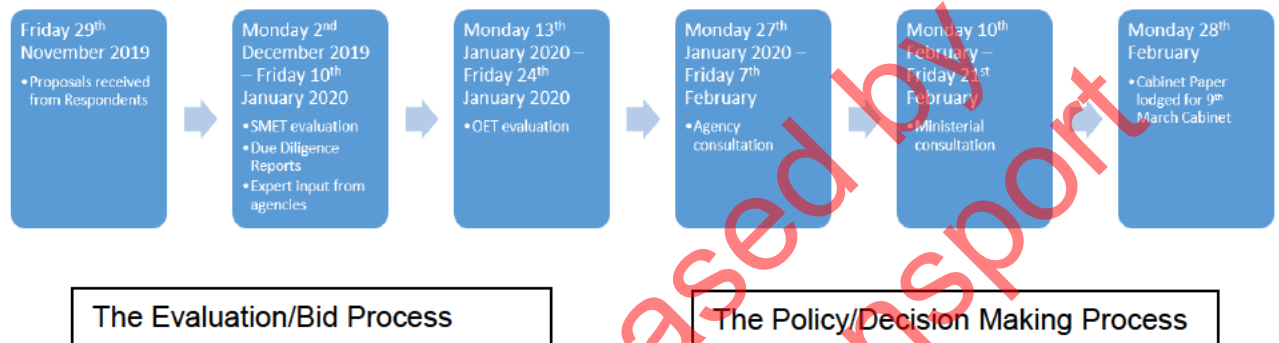
7. An interactive, four-month bid process with the NZTA and NZ Infra (the Respondents) to shape bids in light of a definitive set of Crown outcomes and specifications. We are facilitating engagement between the Respondents and a wide range of stakeholders, and leading cross-agency policy work arising from the likely shape of the bids.
8. The Respondents' bids are due on 29 November 2019. Publicly we have said the bids will be in by Christmas.

Phase two

9. An evaluation is undertaken to evaluate the bids against the requirements. Policy implications of the bids (including the need for regulatory change, Land Transport

Management Amendment Act, and other changes) are considered as a specific due diligence workstream and will support the overall evaluation process.

10. At the end of January 2020, agencies and the Advisory Group will be consulted on the overarching policy considerations. This will be combined with the bid evaluation to inform the recommendation from the Secretary of Transport to Ministers at the end of February 2020.
11. A decision from Cabinet on the Preferred Delivery Partner is expected in March 2020.



Phase 1: Bid Process

12. The bid process to select a Preferred Delivery Partner was established by Cabinet decision in May 2019. The previous ALR Advisory Group meetings (July 2019, August 2019) covered the development of this bid process including consultation on the Outcomes Framework and an overview of the draft Response Requirements Document (the RRD).
13. The bid process means that the Respondents have a common set of outcomes to work from and enables an “apples vs apples” comparison when we receive their bids.
14. The Respondents are actively engaging with around 20 authorised stakeholder agencies to help inform their bids. We are kept informed of these meetings through the ALR Queries mailbox to ensure oversight and some stakeholders (such as Auckland Transport) provide detailed minutes from these meetings which are of great assistance to the Ministry’s Project team.
15. The Respondents have valued the access they have had to experts within your organisations and the Ministry also appreciates the support from your people. [REDACTED]

Withheld to maintain effective conduct through free and frank expression of opinion

16. Each Respondent will deliver a bid at the end of the month, which includes:
 - A preferred route and technical solution
 - Commercial terms
 - Funding and financing arrangements for the project
 - Approach to Iwi and Stakeholder engagement
 - How they will approach consenting and other issues.

17. The bid process means there are enforceable good faith requirements and we are obliged to keep Respondents' commercial and intellectual property confidential. [REDACTED]

Withheld to maintain effective conduct through free and frank expression of opinion

18. Each Respondent has engaged regularly with a designated lead team as part of the Interactive Engagement Process (IEP) Meetings. Round seven of the IEP meetings was held in the week commencing 4 November 2019. The IEP meetings are progressing well as a forum for the Respondents to seek feedback and clarification on their bids before the submission date.

19. These meetings are extremely confidential as they are a forum for the Respondents to disclose and discuss aspects of their bids. Some of what they test might not end up in their final bid and we have seen their thinking develop significantly over the past few months.

20. Therefore, attendance is limited to the Lead Team (Bryn Gandy, Amelia East, Fiona Mules and Sarah Sinclair), plus any other experts we might need based on the agenda (which is set by the Respondents). To date, this has included representatives from Auckland Council, Senate, NZTA (as Rail regulator) and the Auckland Policy Office and our advisors Mott MacDonald, KPMG and Minter Ellison Rudd Watts.

21. [REDACTED]

Withheld to maintain effective conduct through free and frank expression of opinion

22. [REDACTED]

Phase 1: Public Policy Process

23. The policy Workstream is a critical part of the project which ensures that Ministers are aware of any policy implications of proceeding with either NZTA or NZ Infra after the bids are evaluated. Ultimately, we want to be able to identify the pros and cons of each bid and whether there are any serious red flags that would mean we would advise against going ahead with either Respondent.

24. It is worth noting that much of this work will be about raising the issues so that Ministers are clear about the implications of each bid, but not necessarily solving them. Many of the issues will only be resolved once a preferred delivery partner is chosen and before a contract is signed.

25. Preliminary work has been undertaken to develop objectives and principles, and to identify key agency interests. An introductory policy workshop was held on 24 September 2019, and since then we have had several follow up bilaterals with agencies to particularly understand their interests. Agencies have all participated helpfully in this process, which has been valuable. Agencies have also indicated that

they are keen to better understand the specific policy changes that Respondents are seeking, as this will allow agencies to engage in a more detailed way.

26. This feedback has informed our approach to the evaluation process, which is detailed below.

27. The questions that the policy workstream will need to address include:

- What a partnership approach might look like with each Respondent, and how this meets the Government's objectives for long term operation of an important transport asset
- The Government's preferred approach to funding and financing large scale multi-generational projects
- The nature and duration of commercial or operational arrangements or legislative and regulatory changes that may be needed or sought by either bid
- The impact by either bid on the development of an integrated transport system that meets Auckland's needs over the longer term
- The nature and allocation of the risks and responsibilities presented and any consequential impacts for the Government.

28. The key focus over the last month has been on identifying possible legislative, regulatory and system impacts that may arise from the two scenarios for the delivery and financing of the Project.

29. [Redacted]

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

Phase 2: Evaluation Process (Bid and Policy)

30. In progressing the Project, the Ministry published the RRD that sets out minimum response requirements that the Ministry considers necessary to enable an evaluation of the two bids and which describes the process by which the Respondents will develop and submit updated bids, and how the Ministry will subsequently evaluate each bid.

31. [Redacted]

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

32. Once the bids are in, we need people to evaluate the bids. To achieve this, we are forming six Subject Matter Expert Teams (SMETs) each comprising around five people drawn from the agencies involved in the project. This includes one SMET dedicated to reviewing the policy implications.

33. All agencies represented on the Advisory Group have been contacted within the last week regarding the Evaluation phase and in most cases have been asked to contribute people for various roles. The role is either a SMET member (meaning they will score the bids) or a SMET Panel member (meaning they may be called upon for specific input due to their expertise).
34. The time commitment for the various roles will vary. SMET members should expect 2-3 weeks of an intense schedule of reading, marking, moderating and reviewing the final report over December 2019. SMET panel members will have far less call on their time – likely to be hours to a few days total.
35. Individuals working on the evaluation will be ring-fenced from further interaction with the Respondents' teams and will be required to sign up to engagement principles to prevent the disclosure of confidential information. There will be training exercises prior to the bids received and we will set out all the logistical issues. Any member who feels conflicted from their engagement to date with Respondents would be excluded from the evaluation teams.
36. The SMET evaluation results and the Due Diligence reports will be passed to an Overall Evaluation Team (OET) that delivers an overall finding against the RRD requirements.
37. The Ministry will then consult with agencies (including the Advisory Group) on the public policy considerations that have arisen from the Respondent's bids. During this phase, we are aiming to ensure agencies have access to information, while being constantly mindful of confidentiality. We will be sharing a view on information management with the policy working group over the next few weeks.
38. The Secretary of Transport will then test the OET's findings, along with relevant policy considerations with the Advisory Group, before deciding upon an overall recommendation and advice, to be presented to Cabinet.

Media and stakeholder engagement

39. The recent leak of NZTA's confidential information generated considerable media coverage of the Project.
40. This media focus was very challenging for the Respondents as they continued to work on their bids under time pressure. They were also very constrained in terms of the information and statements they could provide to media in response to the leak.

41. [REDACTED]

42. It is a timely reminder of the need to ensure confidentiality as we head into the Evaluation phase of the project.

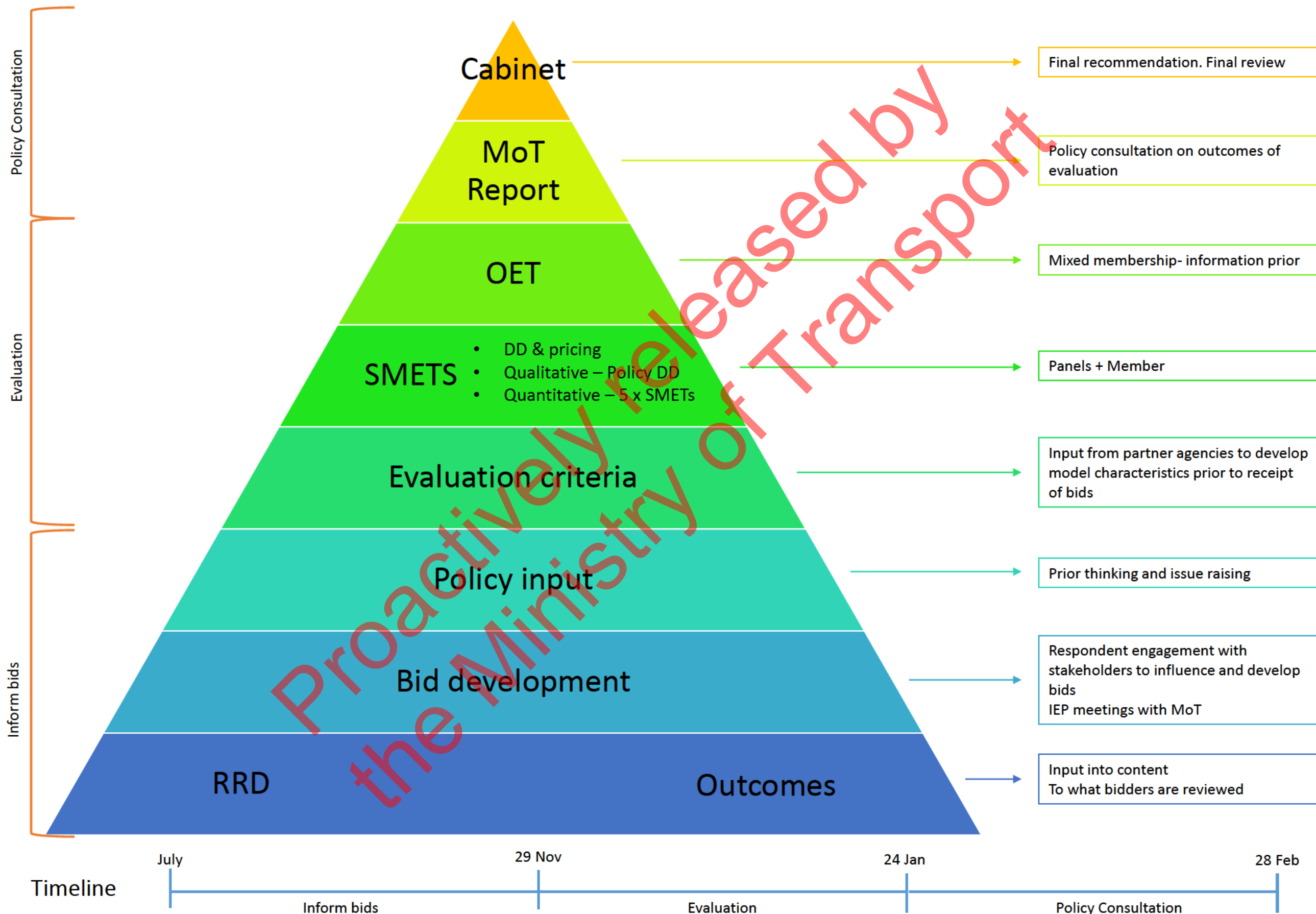
43. One of the themes which emerged in the recent media coverage was uncertainty about the Projects outcomes. The Minister addressed this in a speech at an AT hosted

Withheld as the information is commercially confidential, and subject to an obligation of confidence where release would be likely to damage the public interest

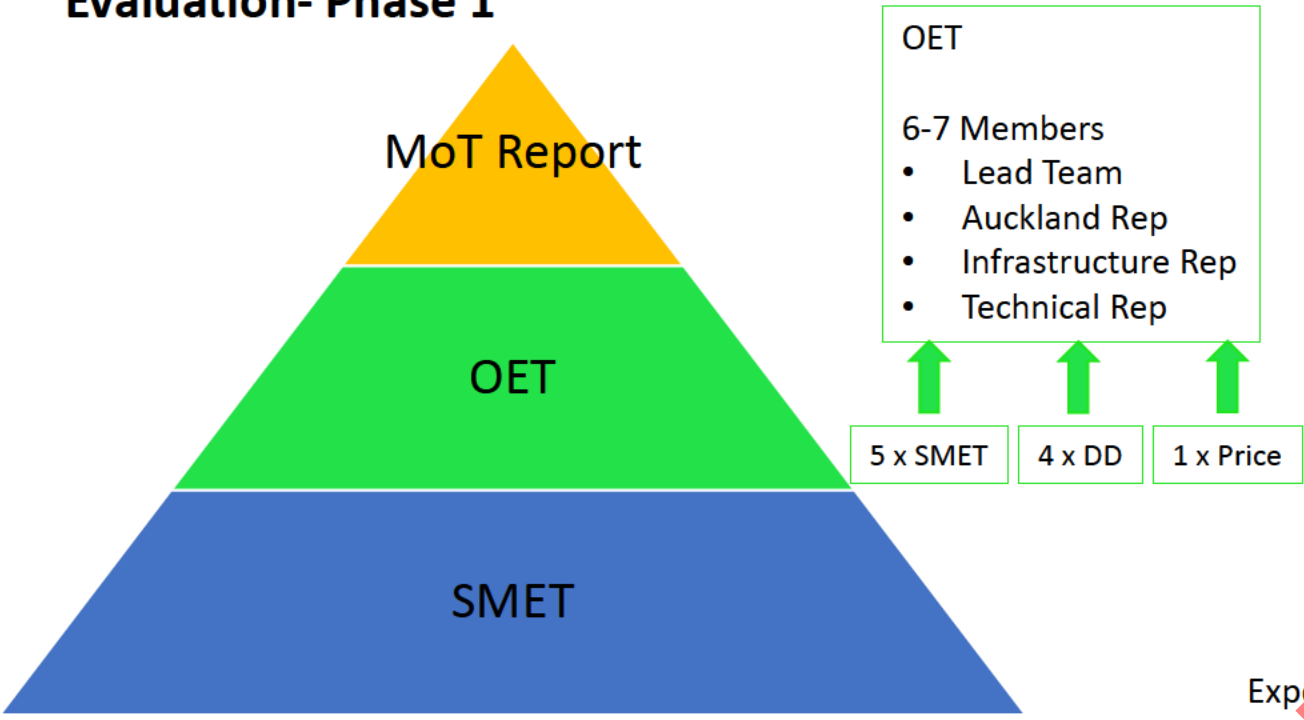
industry event on 30 October 2019, where he shared the Outcomes published in the RRD, and were developed in consultation with the Advisory Group.

Proactively released by
the Ministry of Transport

Auckland Light Rail- Decision making process

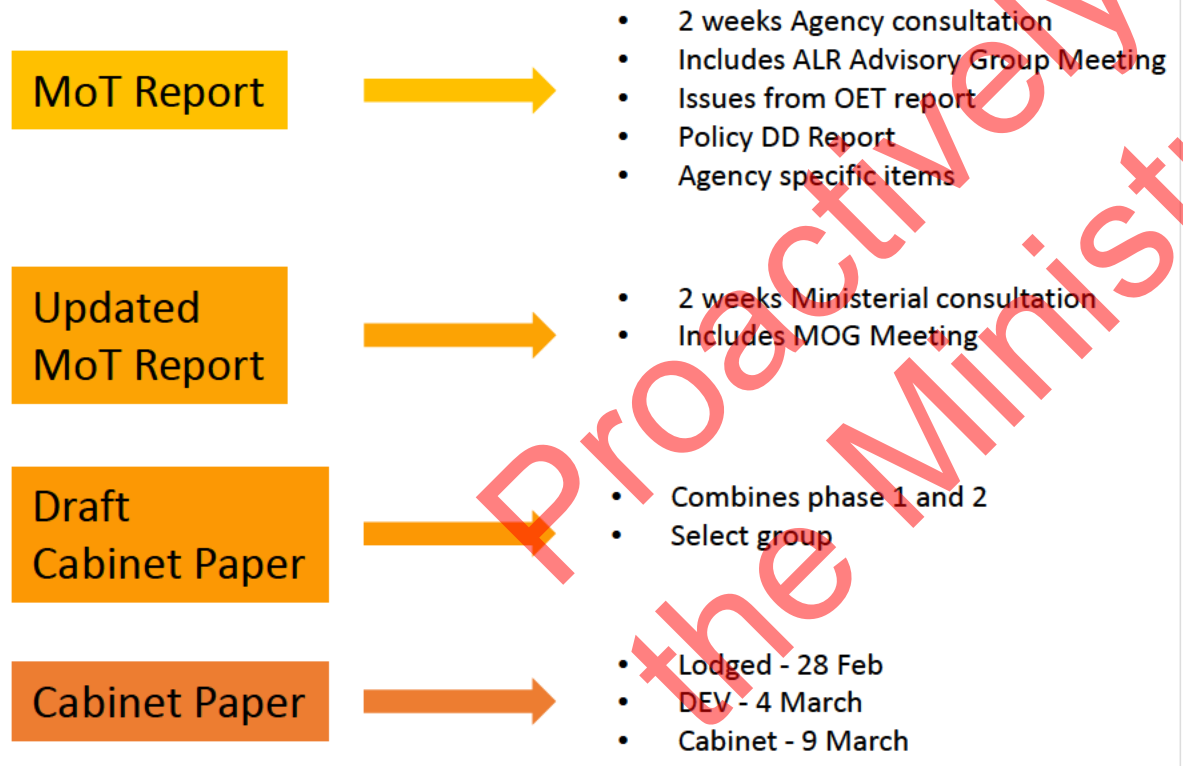


Evaluation- Phase 1



SMET			
Subject	Primary	Support	Output
Quantitative • Commercial • Technical • Service Delivery • Stakeholder • Outcomes	SMET markers	SMET Panel Advisors	5x SMET report
Qualitative Policy	MoT Policy Team	Policy Panel	1 x Policy DD report
Financial Pricing	Commercial Advisors	n/a	1x Pricing report
Expert Assessments DD Reports	• Legal • Financial • Probity	SMET markers	3 x DD reports

Policy- Phase 2



Next Stage

MOU

- Negotiate Solution
- Consult with stakeholders
- Binds bidder, not crown

