

Reference: 20200219

3 September 2020

s9(2)(a)

Dear s9(2)(a)

I'd like to request any advice, assessments, memos or reports the Treasury has provided on Auckland Light Rail since the beginning of 2019.

On 24 July 2020, we sought a 30 working day extension.

Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	25 January 2019	Joint Report: Evaluation of NZSF/CDPQ's Light Rail Proposal	Release in part
2.	18 February 2019	Aide Memoire: ITU Advice Auckland Light Rail NZSF Proposal	Release in part
3.	18 February 2019	Aide Memoire: Minister Jones meeting with Guardians of New Zealand Superannuation	Release in part

I have decided to release the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons
- certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions, and
- commercially sensitive information, under section 9(2)(b)(ii) – to protect the commercial position of the person who supplied the information, or who is the subject of the information.

We have redacted the direct dial phone numbers of officials under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's own website.

Information to be withheld

There are additional documents covered by your request that I have decided to withhold in full under the following sections of the Official Information Act, as applicable:

- certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions, and
- commercially sensitive information, section 9(2)(b)(ii) – to protect the commercial position of the person who supplied the information, or who is the subject of the information.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'D. Taylor', with a stylized flourish at the end.

David Taylor
Manager, National Infrastructure Unit

OIA 20200219

Information for release

1.	<u>Joint Report Evaluation of NZSF CDPQ's Light Rail Proposal [Returned from Finance (Hon Grant Robertson)]</u>	1
2.	<u>Aide Memoire ITU Advice Auckland Light Rail NZSF Proposal</u>	9
3.	<u>Aide Memoire Minister Jones Meeting with the Guardians of New Zealand Superannuation</u>	12

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 THE TREASURY
Kaitohutohu Kaupapa Rawa

 ORIGINAL
HON ROBERTSON

Joint Report: Evaluation of NZSF/CDPQ's Light Rail Proposal

Date:	25 January 2019	Report No:	T2019/42
		File Number:	SH-8-8-1

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	To note	None
Minister of Transport (Hon Phil Twyford)	To note	None

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Dieter Katz	Principal Advisor 1, National Infrastructure Unit	s9(2)(a)	N/A
David Taylor	Manager, National Infrastructure Unit	(mob)	N/A
Siobhan Routledge	Director – Strategy & Investment, Ministry of Transport	N/A	N/A
Bryn Gandy	Deputy Chief Executive, Strategy & Investment, Ministry of Transport	N/A	✓

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury/MoT.

Enclosure: YES (attached)

- 7 FEB 2019

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Joint Report: Evaluation of NZSF/CDPQ's Light Rail Proposal**Purpose of Report**

1. Following a meeting between Minister Twyford and the NZSF/CDPQ joint venture (JV), the Minister asked officials to fully assess their proposal for delivering light rail in Auckland. This report outlines for your information what we believe can be achieved by March, our proposed work programme and the risks we currently anticipate in negotiating with the JV on an exclusive basis.

Background

2. On 2 May 2018 Cabinet (DEV-18-MIN-0059), *inter alia*,

“**agreed** that the NZTA, in conjunction with the Ministry of Transport and the Treasury, jointly establish a process that can be used to assess all potential proposals, and report back to the Minister of Finance and Minister of Transport;

agreed that the NZTA, in conjunction with the Ministry of Transport and the Treasury, will jointly establish and report back to the Minister of Finance and Minister of Transport on a process to engage with a range of prospective partners and provide advice on potential procurement options, including how partnership opportunities can be considered”
3. On 10 December 2018 we provided a report with preliminary advice on the JV's unsolicited proposal to deliver Auckland light rail, prior to a meeting between Minister Twyford and the JV to be held on 12 December 2018. After the meeting, Minister Twyford asked officials to fully assess the proposal by March 2019. We understand that Minister Twyford discussed this with Cabinet in an oral item on 17 December 2018.

NZTA's procurement process

4. In order to deliver on the Government's timelines, NZTA's plan was to secure the necessary RMA consents on the basis of a developed design building upon the work led by the NZTA on the Business Case with its partners Auckland Council, Auckland Transport and HLC which follows from the Auckland Transport Alignment Project. This consenting would run in parallel with further Market Engagement, the outcomes of which would inform the procurement process.
5. When calling for construction tenders, the NZTA will encourage innovative solutions that deliver desired outcomes within the bounds of the consents, and value for money. The process could consider alternative proposals, however, it would need to look at the consequential implications of any alternative proposal, given the likely need to obtain a new set of consents, including additional public consultation (potentially an 18 month process), as well as the costs and benefits of the alternative proposals and any different institutional arrangements that form part of the proposal. s9(2)(g)(i)

s9(2)(g)(i)
6. NZTA is still working to this plan, including the development of the business case, but it has decided to postpone further market engagement pending any decision that Ministers might take in March regarding the JV's proposal. This pause in market engagement, and the delay in legislation, mean that the Government's timeline will be very difficult to achieve.

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Analysis

s9(2)(b)(ii)



Proposed work programme

8. The purpose of our current work and the March Cabinet consideration is to decide whether a negotiation with the JV should be entered into, and to identify the options for government to progress light rail in Auckland.
9. Indicatively we see the three main options available to government as:
 - Status quo: The NZTA continues to lead the procurement process, engage with the market and identify a preferred supplier. The JV (alongside other parties) can compete in this process. Under this scenario, competition enables comparisons on delivery capability, price, and timeliness.

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- Amended status quo: The NZTA continues to lead the procurement process, but offers more latitude to suppliers to offer enhancements to the funding, design, delivery and operation of light rail. Under this scenario, competition amongst suppliers could lead to alternative ways of designing and delivering light rail. However, this process will introduce further timing delays.
 - Enter into negotiations with the JV on an exclusive basis. Deciding to enter into a negotiation would entail putting the NZTA procurement process on hold until the negotiations with the JV have been concluded, in case the negotiations fail and the NZTA process needs to be resumed.
10. Other options may also emerge.
11. We have developed a work programme that by March will provide you with further advice on the merits of the JV proposal, and will help you determine the choices available to you. The specific questions we will address are listed in the annex 1.
12. We want to be in a position to provide you with advice about what is genuinely different (and why) with the JV proposal, and the extent to which both the NZTA or other parties could offer similar or other benefits/solutions. It is important to understand how robust the JV proposal is so that the Government can navigate a fair consideration of its options. Given the largely conceptual nature of the JV scheme, any direct comparison between this and the more advanced NZTA proposal must be treated with caution and have regard to their very different stages of development.
13. Our work programme will:
- Test the JV's ability to deliver the Government's strategic goals (e.g. urban development).
 - s9(2)(b)(ii)
 - Assess wider impacts such as integration with the transport system, alignment to ATAP, etc.
 - Assess the performance and incentives of the partners.
 - s9(2)(g)(i)
 - Provide our best assessment of the feasibility of the proposed transport solution itself, though we anticipate that this analysis will be partial reflecting the conceptual nature of the design. A full feasibility assessment would require specialised technical expertise from engineering consultants.
14. Whilst our advice will be based on what we understand to be the JV's 'bottom lines', we will not be able to uncover the full nature of the deal that the JV wishes to enter into. The full extent of their bottom lines will only emerge during a negotiation.
15. We have pulled together a team to deliver this advice and are working closely with the NZTA. We will be meeting with the CDPQ and all levels of the Canadian government to better understand the Canadian experience and CDPQ's performance as partners.

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16. While more detail is yet to be developed, the JV has outlined a specific transport solution that is very different to that contained in the ATAP agreement and that the Auckland elected members and public are currently anticipating. We will therefore also meet with ATAP partners including AC and AT to work through implications and alignment with ATAP etc. We anticipate a strong level of interest in our appraisal of the JV proposal from Auckland stakeholders.
17. At the same time, we will continue to work with NZTA on the development of its business case, given the significant role this plays in both maintaining momentum and establishing an appropriate basis for comparison purposes.

Further reports

You will receive the following further reports in the coming months.

- Report on outcome of visit to Canada and engagement with Auckland Chief Executives – mid to late February.
- Report in March together with a draft Cabinet paper.

Communications

18. We have developed a set of messages that could be shared with the market, in response to any enquiries. See annex 2 to this report. These have been provided to the Minister of Transport's office. We anticipate that there will be many enquiries, addressed to both officials and the Minister of Transport.
19. Knowledge of this work is likely to lead other parties to approach officials and the Government with their own proposals. It would not be appropriate to undertake an alternative competitive procurement process on an ad hoc basis. We consider that all such approaches should be referred to NZTA to be dealt with under its procurement process.

Risks

20. The project is facing significant risks, the main ones being that the funding is not resolved, and that the Government's timeline of having the project shovel-ready by October 2020 will not be achieved. The postponement of market engagement (pending this MOT/Tsy assessment) and the NZTA Board request for further work on the independent review of the route (due to be reported to the Board in March) are both contributing factors to NZTA's timeline. Both funding and timeline risks apply equally to the NZTA-led process as to the JV's proposed process.

21. s9(2)(g)(i)
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-  s9(2)(g)(i)

22. These risks could be mitigated by considering the JV's proposal in parallel with consideration of proposals from other parties, i.e. in a competitive tendering process. We will clarify our advice in relation to these and other relevant risks in March.
23. In addition, we consider that it is likely that by March we may not be able to answer a number of the above questions with a sufficient degree of confidence. For example, it is possible that the JV's proposal is not sufficiently developed to be able to assess whether it is affordable, or whether its impacts are such that would allow for consents to be granted. Ministers or Cabinet may request officials to carry out further investigations, or the JV may need to be given more time to develop its proposal.

Recommended Action

24. We recommend that you **note** this report.


 David Taylor
 Manager, National Infrastructure Unit


 Bryn Gandy
 Deputy Chief Executive, Ministry of Transport


 Hon Grant Robertson
 Minister of Finance

Hon Phil Twyford
 Minister of Transport

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Annex 1: Proposed Work Programme

s9(2)(g)(i)



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COMMERCIAL-IN-CONFIDENCE**Annex 2: Communications messages****Ministry of Transport/Treasury statement on light rail in Auckland**

- The Government is committed to delivering a modern rapid transit network for Auckland, with light rail at its centre.
- Significant work has been undertaken by the NZTA to develop a business case for the City Centre to Māngere light rail project, the first of two light rail lines to be delivered between 2018-2028.
- Alongside this the New Zealand Super Fund (NZSF) and CDPQ Infra have presented an unsolicited alternative approach to fund, design, build and operate light rail in Auckland, based on a public-public investment model. This would represent a different model of infrastructure funding, delivery and operation in New Zealand.
- In light of this, the Government has asked the Ministry of Transport and Treasury to independently assess the potential for alternative funding, delivery and operating models for the City Centre to Māngere project. This will specifically consider the NZSF and CDPQ proposal, as well as the potential for other similar joint ventures.
- The Government appreciates that a number of parties have expressed an interest in being involved in delivering light rail in Auckland, and welcomes this interest.
- The priority is to provide certainty to the market as soon as possible, and the Government has requested the Ministry of Transport and Treasury provide their advice on alternative funding, delivery and operating models in March 2019.
- Until this advice has been considered, the NZTA will continue to refine the City Centre to Māngere business case and temporarily defer further market engagement.

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Reference: T2019/404 SH-17

Date: 18 February 2019

To: Minister for Infrastructure (Hon Shane Jones)

cc: Minister of Finance (Hon Grant Robertson)

Deadline: None
(if any)**Aide Memoire: ITU Advice Auckland Light Rail NZSF Proposal**

In April 2018, Treasury provided advice to the Minister of Finance regarding the proposed approach for Auckland's Light Rail in response to a Ministry of Transport's draft Cabinet Paper [T2018/1096 refers].

The advice noted that Ministers had received an unsolicited proposal from the New Zealand Super Fund (NZSF) to undertake the project under a finance, construct, maintain and operate agreement, not dissimilar to a PPP arrangement. The Treasury welcomed (as does the ITU) the consideration of alternative procurement and financing models, but advised against active consideration of a single proposal outside of a competitive procurement process and prior to completion of a detailed business case.

On 2 May 2018, Cabinet agreed that the NZTA in conjunction with the Ministry of Transport and the Treasury jointly establish a process that could be used to assess all potential proposals, and report back to the Minister of Finance and Minister of Transport.

In December 2018, the Ministry of Transport provided initial advice to Minister Twyford on the unsolicited proposal received from a NZSF/Caisse de depot et placement du Quebec (CDPQ) Infra¹ Joint Venture. This advice proposed a number of options for consideration:

- continue the NZTA procurement process, in which NZSF/CDPQ could participate
- consider the NZSF as a potential equity partner for the NZTA only
- negotiate with NZSF/CDPQ on an exclusive basis.

Minister Twyford met with NZSF/CDPQ on 12 December 2018. After the meeting he asked officials to fully assess the proposal by March 2019. We understand that Minister Twyford discussed this with Cabinet in an oral item on 17 December 2018.

¹ A Canadian institutional asset manager Caisse de depot et placement du Quebec (CDPQ). CDPQ Infra is a wholly owned subsidiary of CDPQ.

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We are aware that officials visited Canada in January and met with Federal and Provincial Government agencies, with the CDPQ, and with other informed parties to gain an understanding both of what is proposed, and of the partnership performance of the CDPQ Infra. Officials were accompanied by Fiona Mules, a member of the National Infrastructure Advisory Board and the Expert Review Panel for the establishment of the New Zealand Infrastructure Commission – Te Waihanga.

We understand that the outcome of the further assessment and findings from the visit to Canada will be reported to Minister Twyford next week.

The NZSF/CDPQ JV Proposal

As a means of speeding up delivery, the NZTA is preparing detailed specifications for the Light Rail’s route, design, technology and alignment (based on the earlier ATAP work) in order obtain the necessary consents prior to procurement. This means that while NZTA will still seek innovative solutions via its procurement, these will be limited to the bounds of the consents and requirement for public consultation.



ITU role

Whilst agreed in October 2018 that the ITU would provide project advisory support for the Auckland Light Rail project, this has so far been limited to involvement in market engagement and the development of the business case as led by the NZTA.

The ITU was not involved in NZTA’s earlier consideration of the NZSF/CDPQ proposal and nor are we involved in any further assessment of the proposal. However, if the ITU was asked to provide advice on the proposal, we would want to consider and seek answers to the following questions:

1. 
2. 

3. Acknowledging that it must seek a commercial return for its investments, not unlike any other investor, how has NZSF assessed the risks of the Light Rail project,

² NZTA assessed the proposal against the Government’s Unsolicited Proposals Guidance, and also undertook a separate assessment of the features of the public-public investment (PPI) model.

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given that it has not invested in this type of infrastructure before? ^{s9(2)(b)(ii)}

^{s9(2)(b)(ii)}

^{s9(2)(b)(ii)}

- 4. Noting the work already completed by the NZTA, what is the impact of the NZSF proposal on already agreed design and delivery concepts as tested via ATAP and with the public?
- 5. How will the ATAP stakeholders respond to a very different solution and how long will it take for this to be considered?

6. ^{s9(2)(b)(ii)}

7. ^{s9(2)(j)}

- 8. Is the Government prepared to relinquish NZTA's role in managing the procurement and delivery of NZ's largest and highest risk project to a JV via project agreement?

9. ^{s9(2)(b)(ii)}

10. ^{s9(2)(g)(i)}

11. ^{s9(2)(b)(ii)}

Adam Wood, Senior Advisor, Infrastructure Transactions, + ^{s9(2)(k)}

Karen Mitchell, Interim Head of the Infrastructure Transactions Unit, Infrastructure Transactions, + ^{s9(2)(k)}

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Reference: T2019/388 CM-1-3-96-7

Date: 18 February 2019

To: Minister for Infrastructure (Hon Shane Jones)

cc: Minister of Finance (Hon Grant Robertson)

Deadline: 19 February 2019

Aide Memoire: Minister Jones Meeting with the Guardians of New Zealand Superannuation

On 19 February you are meeting with the Matt Whineray (Chief Executive), Will Goodwin (Head of Direct Investment) and Catherine Etheredge (Head of Communications) of the Guardians of New Zealand Superannuation (the Guardians).

Due to the short timeframe to provide a briefing, we have incorporated a previous briefing to an Associate Minister of Finance in September 2018 and have provided an update for recent considerations in the first section of this aide memoire.

Recent Considerations:

Auckland Light Rail

The Guardians has put forward an unsolicited proposal for the Auckland Light Rail project by using a Public-Public Investment (PPI) model. The Guardians may also discuss the suitability of this investment model for other Crown infrastructure projects. A previous aide memoire sent to you in August 2018 [T2018/2709 refers] provides additional background on the unsolicited proposal.

- In May 2018 Cabinet agreed that the New Zealand Transport Agency (NZTA) lead the preparation of a business case for the city-to-airport link and all subsequent projects within the Auckland Rapid Transit Network programme, for consideration by the government [DEV-18-MIN-0059 refers].
- Cabinet also noted the Guardians' unsolicited proposal and agreed that the NZTA, in conjunction with the Ministry of Transport and the Treasury jointly establish a process that can be used to assess all potential proposals, and report back to the Minister of Finance and Minister of Transport.
- Officials from the Ministry of Transport and the Treasury are currently supporting the Minister of Transport in the development of a Cabinet paper to respond to this second point.

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- s9(2)(f)(iv)



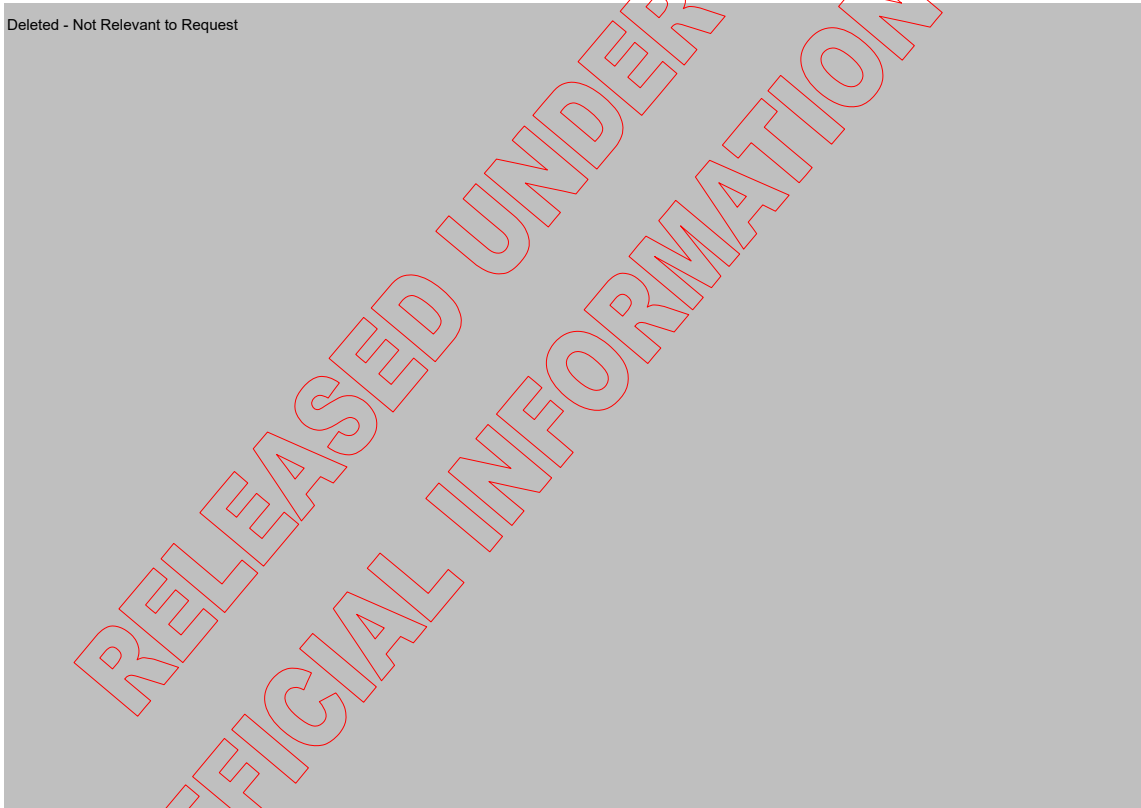
- s9(2)(b)(ii) and s9(2)(f)(iv)



- s9(2)(f)(iv)



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John Young, Principal Advisor, Financial Institutions, +64 [redacted] s9(2)(k)

Joseph Sant, Manager, Financial Institutions, +64 [redacted] s9(2)(k)

rest of document not relevant to request

