

City Development Committee

**Monday, 11 November 2002
Commencing at 9.30 am**

Item 16: Rail Project Governance

**SUPPLEMENT TO AN ORDINARY MEETING OF THE CITY DEVELOPMENT COMMITTEE
TO BE HELD IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN,
WAITAKERE CITY, ON MONDAY, 11 NOVEMBER 2002,
COMMENCING AT 9.30 AM.**

16 RAIL PROJECT GOVERNANCE

PURPOSE OF THE REPORT

This report asks the City Development Committee to consider the development of structures to further the rail project. Guidance is also sought on appropriate input to the rail Business Plan that is currently being developed.

BACKGROUND

Currently the responsibilities for the rail project are shared between the Auckland Regional Council and Auckland Regional Transport Network Limited. The Auckland Regional Council is responsible for appointing an operator, setting service levels and providing a subsidy. Auckland Regional Transport Network Limited is responsible for maintaining and improving the rail infrastructure and is seeking to charge an access fee to cover its operational costs.

A69-A131 Different views have developed as to how the rail project should be implemented, particularly with regard to governance of the project. The Infrastructure Auckland Electoral College sought a proposal for the transfer of accountabilities for the rail upgrade project to Auckland Regional Transport Network Limited, and implied reduction of the Auckland Regional Council's role. The Auckland Regional Council commissioned Sir Ron Carter and Bill Grieve to review the project's governance (report attached at pages A69 to A131).

Alongside this, Infrastructure Auckland has requested Auckland Regional Transport Network Limited and Auckland Regional Council to prepare a joint business plan to support Auckland Regional Transport Network Limited's application for funding Stage 1 of the rail infrastructure upgrade.

At its meeting on 30 October 2002, the Council resolved that the primary responsibility and accountability for the delivery of the rail project be vested in Auckland Regional Transport Network Limited subject to agreement with the Auckland Regional Council and Shareholders' Representative Group and taking into consideration the outcome of the Carter review of the rail project.

The Carter review concluded that while there were governance issues to be resolved it would place the implementation of the project in jeopardy if agencies put their effort into governance rather than implementation at this time. The review pointed out that a Memorandum of Understanding existed between the Auckland Regional Transport Network Limited and the Auckland Regional Council and that the parties should focus on using this as a basis for progress.

Key elements of the Carter review are:

- that it is critical that Auckland Regional Transport Network Limited and the Auckland Regional Council focus on implementation through to July 2003;
- that governance issues be addressed via the Business Plan process but that the existing governance arrangements remain in place until July 2003;
- that the existing Memorandum of Understanding provides a basis for working together;
- that a Project Director be appointed immediately;
- that the two parties focus on implementation and completion of the Business Plan.

A132-A136 At its meeting on 5 November 2002 the Shareholders' Representative Group of Auckland Regional Transport Network Limited considered issues raised in the Carter report. The view of that meeting was that, in light of the recommendations of the Sir Ron Carter report, it is unlikely that the Auckland Regional Council would agree to Auckland Regional Transport Network Limited having a lead role in the rail project. A proposal by senior staff (attached at pages A132 to A135) outlined a structure for working with the regional council more effectively through to July 2003. This proposal and a list of draft recommendations (attached at page A136) were referred to the shareholding Councils for their consideration.

STRATEGIC CONTEXT

The region's Councils have developed and agreed on the Auckland Regional Growth Strategy, Regional Land Transport Strategy and Passenger Transport Action Plan. Fundamental to these strategies is the development of an attractive, frequent, fast and convenient passenger transport system, around a core of dedicated rapid transit corridors.

These strategies require an upgrade of the rail network, increased service frequencies and improved rolling stock. The improved network is expected to appreciably improve access across the region. As such, this project is a fundamental component of the region's efforts to implement the Regional Land Transport Strategy and the Regional Growth Strategy.

ISSUES

Interim project management

A132-A135 A proposal has been made for the management of the rail project through to July 2003 attached at pages A132 to A135. The proposal involves representatives of the Auckland Regional Council, The Shareholders Representative Group and Auckland Regional Transport Network Limited working together as a high-level governance group. Senior officers and a Project Director would support these. The project director would be responsible for ensuring the parties resolve the key issues of:

- Access agreements;
- Interim rolling stock;
- Safety regime;
- Extension of the Tranz Rail operating agreement;
- Stage one infrastructure upgrade.

The proposal creates additional governance arrangements: The project director would report to a Steering Group, which would report to political representatives from the Auckland Regional Council, Auckland Regional Transport Network Limited and the Shareholders' Representative Group. The political representatives would be required to take to their respective organisations matters that require formal decision. There is equal balance on the political representatives group.

It is estimated that it would take at least four weeks before a project director could be in place. It is assumed that the Auckland Regional Council and Auckland Regional Transport Network Limited would jointly appoint the project director, agree a brief and governance arrangements. The costs relating to the proposal would need to be met by the Auckland Regional Council and the Councils that own Auckland Regional Transport Network Limited.

The attached proposal for interim project management does not specify the length of time this arrangement would be in place, however, the Carter report recommended that it last until July 2003.

Joint Business Plan

There is a need to complete a business plan in order for the project to be funded. The attached proposal anticipates a joint approach to this between the Auckland Regional Council, Auckland Regional Transport Network Limited and Infrastructure Auckland.

The project director would be given responsibility for ensuring the parties work together in developing a business plan and resolving the key issues that underline it including:

- Service standards and costs;
- Subsidy and funding arrangements;
- Operator decisions;
- Long term rolling stock decisions;
- Project governance.

The project director would report to a Steering Group, which would report to political representatives from the Auckland Regional Council, Auckland Regional Transport Network Limited and the Shareholders' Representative Group.

The proposal to include Infrastructure Auckland in the process to develop the business plan is intended to ensure that Infrastructure Auckland's requirements of that business plan are met. There may be a confusion of Infrastructure Auckland's role in both developing the business plan and evaluating the business plan. This would need to be addressed with Infrastructure Auckland when the business plan development structure is established. It would be simpler if there is one rather than two steering groups.

The Council has an opportunity to set out its expectations concerning the business plan in a letter to the Auckland Regional Council and Auckland Regional Transport Network Limited. This will allow Council to make its expectations from the rail project clear. In the current climate it is not clear what quality of outcome the project is now likely to deliver. It is suggested that Council identify the following in a letter to the Chairs of the Auckland Regional Council and Auckland Regional Transport Network Limited:

- that Council expects a high quality rail service to be in place by 2006;
- that Council expects new rolling stock to be in place by 2006 and will not accept the project deteriorating such that we are left with museum quality rolling stock.

Auckland Regional Council observer status on the Shareholders' Representative Group

It is proposed that two elected members of the Auckland Regional Council be invited to have observer status on the Auckland Regional Transport Network Limited Shareholders' Representative Group. This would be the same arrangement that exists in relation to North Shore City Council. This arrangement is intended to encourage a free exchange of information and allow the Auckland Regional Council to have input into the Shareholders' Representative Group decision-making discussions.

This issue was previously considered and rejected by the Shareholders' Representative Group on the basis that Shareholders needed to have full and frank discussion of issues with the board. Issues of confidentiality or conflict of interest might arise in discussions affecting the Auckland Regional Council if two of its Councillors are present.

National Transport Management

Further to these matters, central government is understood to be releasing its Land Transport Management Bill in December. In light of this Local Government New Zealand has called a meeting in Wellington on the 5 December 2002 to review and discuss this new legislation. The new legislation is relevant to funding and governance of transport in the region.

Approval is sought for Cr Stone's travel and associated expenses to attend the Forum. There is budgetary provision for this expenditure.

RESOURCES

Unbudgeted costs of about \$1million are estimated to arise under the proposal for the appointment of a project director. Auckland Regional Transport Network Limited has indicated it would seek to recover its share of these costs from shareholders. Waitakere City Council's share of these costs is estimated at \$69,000.

CONCLUSION

It is suggested that it is necessary for the proposed interim governance structure to be put in place and that the business plan be finalised. It is suggested that the Committee write to the Chairs of the Auckland Regional Council and Auckland Regional Transport Network Limited identifying the key commitments Council expects to see agreed and funded via the Business Plan.

RECOMMENDATIONS

1. That the information be received.
2. That the recommendations A through D set out at page A136 in the agenda report be approved, subject to funding being clarified, with the following amendments:
 - Recommendation A (i) provides for the structure to be in place until 1 July 2003; and
 - Recommendation A (iii) is deleted.
3. That the Chairperson of the City Development Committee send a letter to the Chair of the Auckland Regional Council and Auckland Regional Transport Network Limited identifying the key commitments Council expects to be agreed and funded via the Business Plan, as identified in this report and subject to the Committee's consideration.
4. That the City Development Committee approves Cr Stone's attendance at the Local Government New Zealand Transport Forum in Wellington on Thursday, 5 December 2002.

Report prepared by Kevin Wright, Senior Project Manager, Transport Projects.



