

25 July 2018

Michael Stiassny
Chair, Auckland
NZ Transport Agency

By email

Dear Michael,

I have recently been appointed to the position of Chief Executive Officer of the Guardians of New Zealand Superannuation. I have been with the Guardians since 2008, most recently as Chief Investment Officer. Like our former Chief Executive Adrian Orr, I am very proud of what the Guardians has achieved so far.

All of us who work for the Guardians are committed to the long-term purpose of the Fund, which is to help smooth the cost of superannuation between today's taxpayers and future generations.

Looking forward, my priorities are to ensure the Guardians continues to operate in line with global best practice; maintain investment discipline; and extend the major focus we have had in recent years on organisational culture and people. I am also looking forward to engaging with stakeholders to build a greater understanding of our investment strategies and to learn from others.

The organisation is in strong shape, with a talented and motivated team that I am privileged to lead. Central to our success are the excellent relationships we have developed with our peers, external managers and suppliers, both in New Zealand and around the world.

I would like to meet with you to discuss mutual interests including Auckland Light Rail Proposal. My Executive Assistant will be in touch with your office to arrange a time, ideally within the next few days.

I look forward meeting you soon and to working with you in the future.

Yours sincerely



Matt Whineray
Chief Executive Officer

cc: Fergus Gammie, CEO

11 September 2018

Fergus Gammie
Chief Executive
NZTA
[by email]
Dear Fergus,

Information Request – Auckland Light Rail

As you know, the New Zealand Superannuation Fund and Caisse de dépôt et placement du Québec (CDPQ) have expressed interest in developing, operating and financing the proposed Auckland Light Rail (ALR) system. This interest has been signalled both in an unsolicited proposal and through our response to the New Zealand Transport Agency's (NZTA's) market engagement questions.

We propose to form a long-standing and transparent partnership with the Government and its agencies to develop, deliver and operate ALR. Our proposed Public Public Investment (PPI) model is highly suitable for the ALR context and delivers compelling benefits in many respects (value for money, risk allocation, acceptability by the community, funding certainty). This approach which we have explained in greater detail in our submission, will provide the Government with equity partners that bring considerable commercial and technical capability to help optimise the ALR design and drive forward the procurement in an open and efficient manner.

We anticipate that as part of either the next phase of the NZTA process, or the process that we have proposed, we will need to further clarify the urban development objectives of both the Government and Auckland Council / Auckland Transport in relation to Auckland Light Rail. To ensure we are able to provide the best solution for New Zealand, we are now seeking to rapidly progress:

- substantial due diligence in relation to the proposed system, routes, span of operation, integration to existing public transit networks as well as patronage modelling;
- an understanding of the current state of planning for both public and private urban redevelopment in the corridors;
- an understanding of the choices that were made in determining the currently proposed routes and the relative merits of alternative alignments as well as any known constraints in terms of the development of Light Rail in the proposed corridors;
- an initial understanding of the nature and scope of potential utility relocation in the proposed corridors; and
- the development of a preliminary revenue scenario.

In order to develop an initial business case by the end of the year, we will need to scope the available information quickly to identify what additional information we will require. We would then need to commence a full feasibility study soon after incorporating input from all partners in Government and Auckland Council.

At the moment we are working off the limited information that is available in the public domain. However, the significant work that Auckland Transport, HLC and NZTA, in close relationship with The Treasury, have done to date concerning Auckland Light Rail would prove extremely useful.

Hence, the purpose of this letter is twofold:

- a) to request access to / discuss the urban development objectives that the Government and Auckland Council / Auckland Transport are seeking to achieve through the development of Auckland Light Rail i.e. the specific details of these objectives and their weighting relative to public transportation objectives. Having clarity over the wider urban development outcomes (rather than those in ATAP) will enable us to propose a better project; and
- b) to request access to the work that The Treasury, NZTA and Auckland Transport have done in relation to Auckland Light Rail, and the transport and revenue models that you have developed or used to assess the performance of the proposed Light Rail system. We are also interested in work and analysis that has been done in relation to other rapid transit options for the City to Māngere / Airport corridor and the north-western City to Kumeu corridor.

We have made similar requests to Auckland Transport, The Treasury and HLC.

We appreciate that there is a substantial body of work investigating Auckland Light Rail and other rapid transit options that has been done over a number of years. We also appreciate that, given the stage of the procurement process, that this information may not necessarily be shared with us on an exclusive basis.

We suggest that the best way to progress this request would be to meet with appropriate people from NZTA, HLC, Auckland Transport and The Treasury to understand what information, reports, analysis and models exist, what has been provided to other parties and what could be made available to us. From such a meeting we could refine the scope of this request and avoid the time and cost that may be associated with assembling information that is not directly relevant.

In terms of timing, please note that our partners CDPQ will next be in New Zealand in the weeks commencing 17 and 24 September.

We are very serious about the opportunity to invest in Auckland's future and look forward to partnering with you to make the Auckland Light Rail project a success. Thank you for your assistance with this important request.

Yours sincerely,



William Goodwin
Head of NZ Direct

CC: Offices of the Minister of Finance and Minister of Transport.

C3 - Restricted Confidential

20 September 2018

Fergus Gammie
Chief Executive
NZTA
[by email]

Dear Fergus,

Information Request – Auckland Light Rail

I refer to your letter to me dated 13 September 2018, in response to my letter of 11 September 2018.

We wish to express our disappointment with respect to NZTA's postponement of the meeting that had been scheduled with ourselves and CDPQ for 28 September. While this is indeed regrettable and creates a number of timing and logistical issues for us, we are aware that there are many moving parts involved in this process, on many and varied fronts, and that the interaction between them is complex.

In light of the postponement, however, we seek an update on our information request of 11 September. NZTA's initial response to this request was that our information requirements would be included for discussion at the 28 September meeting; such is no longer possible. Our concerns about the delay are based on time constraints, of a pressing nature, which we face if we are to work our way through the internal analysis, reporting and decision-making processes necessary for a potential investment of this scale.

There are several major decisions that will be necessary if a PPI model is to be applied to the Auckland LRT project. From our perspective, and that of CDPQ, this includes making internal approval decisions about whether this is an investment opportunity that works commercially and that we wish to actively pursue. For that to occur we will need to undertake the development of an investment case, along with associated due diligence into technical, financial, stakeholder and environmental, social and governance (ESG) matters. To progress this investment case and enable us to meet the Government's stated timeframes for the project and related processes, we need to commence efforts on the substantial body of work involved immediately. It was for this reason that we made our 11 September information request – to enable us to scope the available information and identify what additional information will be needed and what further analyses will need to be conducted.

Given the scale of the project, the potential size of the investment under consideration by ourselves and CDPQ, and the Government's timelines, we are concerned about the limited number of opportunities we have had to meet with NZTA and other key stakeholders (e.g. Auckland Transport and HLC) to discuss our proposal and gather further information. Since our unsolicited proposal was announced in May, NZTA has only agreed to meet with us on two occasions for a total of 2.5 hours. We have been unable to meet with Auckland Transport and HLC. We remain committed to meeting the Government's timelines, but if we are to meet these,

we will require significantly more engagement and urgency regarding information sharing from NZTA.

It is also important to note that we are concerned about the impact the pace of the NZTA procurement process will have on the level of engagement and information available to enable us to evaluate the project, and whether this will restrict our ability to present a full and value-enhancing PPI proposition to yourselves and the Government by the end of the year.

For this reason, we ask that our information request be treated with urgency and reiterate our offer to meet with you or your team to better understand the information that is available and possibly refine the scope of the request. We and CDPQ remain available to do this next week.

Thank you for your assistance with this important request.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'W. Goodwin', with a long horizontal line extending to the right.

William Goodwin
Head of NZ Direct

CC: Offices of the Minister of Finance and Minister of Transport

Released under the OIA

8 October 2018

Fergus Gammie
Chief Executive
NZTA

[by email]

Further Submission and Market Engagement Response Presentation – Auckland Light Rail

Dear Fergus,

Thank you for meeting with the New Zealand Superannuation Fund (NZSF) and Caisse de dépôt et placement du Québec (CDPQ) teams on 27 September 2018.

The meeting was an opportunity to reiterate the uniqueness of the model proposed by NZSF and CDPQ to develop, finance, build, and operate the Auckland Light Rail project in partnership with Government and Auckland Council. NZSF's and CDPQ's cooperation as fellow public entities with Government, Council and the community, value for money (including risk allocation), and efficiency were highlighted as significant features contributing to the uniqueness of our Public-Public Investment (PPI) proposal.

Attached for your records is a copy of the presentation we talked through.

In the next two months, we will continue working to refine our proposal and to pursue discussions with NZTA and other interested parties to the project, with the objective that the merits of our proposal and its feasibility are fully understood and assessed by NZTA and Government stakeholders.

To that end, we will meet with Richard Hancy next week to address access to information and arrange future meetings.

We also look forward to continuing to discuss the PPI model, and its potential application to significant New Zealand infrastructure projects, with relevant stakeholders. We appreciate your support in this regard.

Yours sincerely,



William Goodwin
Head of NZ Direct
NZ Super Fund



Jean-Marc Arbaud
General Manager
CDPQ Infra

CC: Offices of the Minister of Finance and Minister of Transport.

Document Number: 2569073

15 October 2018

Richard Hancy
Project Director – Light Rail Project Office
NZTA

[by email]

Dear Richard,

Official Information Requests – Auckland Light Rail (ALR)

I refer to our letters to NZTA CEO Fergus Gammie of 20 September 2018, and 13 September 2018.

Thank you for your time on 10 October 2018 and for sending through the publicly available documents.

Request – Part 1

As agreed, we have provided a specific list of further information (referenced in the publicly available documents) that we request you provide us:

- 1) Referenced in: **Airport to City Light Rail Transit Acceleration Strategy**
 - P8: Preliminary technical reports from the Mass Transit Project Technical Advisor, reports from the internal workshops in July-August 2017 with business unit leads and the constructability workshop with a wider group of international LRT specialists
 - P17-18: All reports and analysis that came out of the “Next Steps” section
- 2) Referenced in: **Briefing Note – Light Rail Transit for Auckland**
 - P8: Programme Business Case to address access issues to Airport and the Business case on the North West Corridor from the City to Westgate
 - P11: Work done on the business case for route protection with the Transport Agency, which was programmed to be completed by the first quarter 2019, including the transition study to understand the implications of the transition between modes
 - P23: City to Mt Roskill reference design and Mt Roskill to Airport route options report (all other reference designs and route options reports)
 - P24: Consenting Strategy and Consenting Implementation Plan
 - P25: NZTA’s response to AT’s interest in acquiring land for Stoddard Road Depot
 - P25: Stakeholder Engagement Strategy, Communications Strategy, Public Engagement Strategy

- P37
 - C7: Evaluation of 2 line and single line LRT network options
 - C4: Fanshawe IBC
 - C5: City Centre Networks
 - The ridership studies behind the advanced Bus Option Development
 - Airport to City Business Case
 - LRT and ABS Option Refinement
- 3) Referenced in: Cabinet Paper: Proposed Approach for Auckland's Rapid Transit Network Programme – April 2018
 - P7: Reports assessing legislative change options (including input from the Ministry of Transport, Land Information New Zealand (LINZ), the Ministry for the Environment, the Ministry for Business, Innovation and Employment (MBIE) and the NZTA)
- 4) Referenced in: Dominion Road LRT Proposed Rail Alignment and Stations [10 maps], Auckland Council Website
 - Drawings dated 6/5/16 – please provide ridership studies, design assumptions (and any other information) underpinning these (work done by MRCagney)

Request Part 2

We would also like access to any further non-public information that is held by Government agencies in connection with Auckland Light Rail. To this end, we request all documents, reports, analyses and material information, dated 2016 or later unless stated otherwise, falling within the 10 specific topics below:

- 1) Auckland ridership studies and forecasting models, both specific to ALR and more broadly across all transport modes (i.e. including those done by ATAP);
- 2) ALR route identification and reference designs;
- 3) ALR integration analysis i.e. with existing transport network;
- 4) ALR land acquisition plans and consent/planning reviews;
- 5) Urban development studies/plans along the ALR corridor e.g.
 - Information on the current state of planning for both public and private urban redevelopment of the corridor
 - Development objectives that the Government/AT are planning to achieve through the development of ALR
- 6) ALR business cases (including programme development information);
- 7) ALR revenue modelling;
- 8) Work and analysis in relation to other rapid transit options for proposed ALR corridors;
- 9) Previous/historical ALR scheme evaluations (2000-present), including the underlying engineering work; and
- 10) Information regarding the ALR previously provided to other parties e.g. transport lobby groups.

Please note that we are happy to refine our request further, and suggest that as a first step NZTA provides us with a list of all the information it and other Government agencies hold under the categories outlined above. We can then provide further guidance on the specific information we wish to receive.

General

To be clear, both these requests are being made under the Official Information Act 1982. We appreciate you working with us to refine their scope and are happy to discuss further refinements in the interests of receiving a timely and focused response.


In respect of both requests, please note that we do not require:

- drafts that have been superseded by a later document;
- duplicate documents; and
- administrative or trivial documents (such as emails acknowledging receipt);

As noted above, we understand that other Government agencies including the Ministry of Transport, Auckland Transport, The Treasury, HLC, Auckland Council and MBIE hold information that is captured by these requests. Thank you for your offer to liaise with these and other Government departments and agencies as appropriate in order to ensure that we are provided with a complete list of available information.

We appreciate your cooperation and assistance in this matter. The information we have requested is critical to ensuring our Auckland Light Rail proposal is designed to achieve not just a sufficient commercial return for the NZ Super Fund, but the best possible project and outcomes for Auckland and New Zealand.

Yours sincerely,



Megan Glen
Manager, NZ Direct Investments
NZ Super Fund

CC: Offices of the Minister of Finance and Minister of Transport.

31 October 2018

Mr Michael Stiassny
Chair
NZ Transport Agency

[by email]

NZSF and CDPQ's Public-Public Investment Model for Auckland Light Rail

Dear Michael,

Thank you for your time this week in relation to New Zealand Superannuation Fund (NZSF) and Caisse de dépôt et placement du Québec (CDPQ) (collectively, the JV's) involvement in the Auckland Light Rail project (ALR).

Summary of benefits of the PPI proposal

As you are aware, NZSF and CDPQ are proposing to implement a Public-Public Investment (PPI) model to develop, finance, build, own and operate ALR in partnership with Government (both central and local). The uniqueness of our proposition can be attributed to the combination of NZSF and CDPQ bringing a unique package of benefits, with aligned, experienced, inter-generational committed capital and relevant, recent world-class expertise in delivering light rail. To explain:

- NZSF's capital is the only committed capital with both the scale to participate in ALR and the ability to ensure all New Zealanders have the opportunity to benefit financially from the project. Furthermore, our identity as an intergenerational, long-term investor in New Zealand and as part of the Crown underpins our commitment to working to earn support for ALR from the local community and the broader public through robust stakeholder consultation and communication;
- CDPQ's capital is the only aligned, public capital with scale, recent experience and global market credibility in delivering light rail; and
- a fully-funded project, supported by sovereign equity, drives:
 - the widest interest from global bidders;
 - financial flexibility through the absence of debt financing;
 - faster project delivery; and
 - greater risk tolerance.

Attached for your records is a copy of the presentation and market engagement submission we talked through with your management team in September 2018.

Desired approach to working with NZTA

Our PPI model is predicated on working in partnership with Government to deliver the best project outcomes for defined, agreed objectives. To develop the best solution, in April 2018 we proposed to:

- Sign a PPI framework agreement with Government that sets out respective roles and responsibilities, stages of the project development and execution, and the Government's key objectives for the ALR project;
- Establish a dedicated Auckland-based team drawing on both international and local expertise;
- Establish governance and cross-team structures to facilitate effective process governance and efficient collaboration. Key stakeholders need to be identified and incorporated into cross-functional teams with defined objectives, responsibilities and authorities, along with agreed communications strategy/protocols; and
- Start information gathering, reviewing and evaluating to agree the best project design (e.g. route, service offering etc.) and then determine the optimal funding and financing solutions.

The information we have requested

Our requests to work with NZTA and other key stakeholders over the last six months have been intended to start the information gathering process mentioned above so we can understand and agree the objectives of the ALR project and prepare to enter into a PPI framework agreement as a first step. The information requests to NZTA of 11 September, 20 September and 15 October (copies attached) were attempts to establish a dialogue with NZTA to understand what useful information exists and get access to the relevant models, analysis, data, reviews and scenario analysis. Having this information will allow the JV to apply its technical expertise and experience to begin formulating what an innovative, value-for-money solution might look like for ALR.

This request for information has not come with a request for exclusivity during this process. We discuss below the proposed approach during the second phase of NZTA's process – i.e. after a decision on the proposed procurement model has been made.

Protection of NZTA IP

It is worth noting that the JV is willing to enter into a confidentiality agreement with NZTA (or other relevant entities) to protect any commercially sensitive information and intellectual property. To be clear, NZSF and CDPQ will only be involved in ALR under the PPI model. Because we will not participate in ALR if it is delivered any other way (e.g. PPP), we would only ever use this information for our PPI model proposal – as a result I don't think the concerns regarding control of NZTA IP you raised in our discussion are an issue..

Proposed approach following the initial stage

Our proposed PPI framework agreement, as mentioned above, includes an initial project review phase when the JV works with NZTA and other relevant Government entities to progress due diligence, evaluate technical and financial solutions, and prepare a Project Proposal for presenting to the Government. This period of collaboration with NZTA has similarities with the "interim alliance agreement" which NZTA is familiar with, or the "joint procurement process" used in NSW, and is underpinned by the uniqueness and value-for-money of the PPI model (in

particular the risks that the JV would be able to take on – please refer to the attached presentation and market engagement submission).

While the JV does not require formal exclusivity during this phase, if the Government has determined that the PPI model is the optimal delivery model for ALR, it would be unnecessary to duplicate time, cost and resources by continuing to develop alternative business cases by both NZTA and the JV. This would represent a considerable saving to taxpayers.

Under NZTA's current timetable, we would expect to start the initial project review phase in the New Year. Should the Government decide to proceed with the Project Proposal, we would undertake a competitive procurement process and put key contracts to market for tender. In this regard, we believe that a fully funded solution, combined with strong expertise credentials, will be attractive to the market and foster competition.

Ensuring a fair comparison of the different proposals

In order for NZTA to make a fair comparison of our PPI model with other potential delivery models, such as a PPP, we need to be provided with this initial information and have the opportunity to engage in a substantive manner with NZTA by being given access to information and people. To date, we have had limited opportunities to engage with NZTA, having met twice for a total of ~3 hours since July. Critically, this includes a willingness to engage with us to ensure there is a full appreciation of our proposal for submission to the NZTA board and to Cabinet.

In an effort to progress our proposal in the absence of additional information and collaborative dialogue with NZTA, we have continued to work on refining our proposal for ALR that covers an optimised and innovative technical solution, alignment, station locations, urban development outcomes (including potentially along the North West corridor), integration with the airport and journey times. To that end, we intend to present our draft solutions for ALR to NZTA at the end of November.

We stand ready to engage on and commit to the project. We also look forward to continuing to discuss the PPI model, and its potential application to significant New Zealand infrastructure projects, with NZTA and relevant stakeholders. We appreciate your support in this regard.

Yours sincerely,



Matt Whineray
Chief Executive Officer
NZSF

CC: Offices of the Minister of Finance and Minister of Transport.

Attachments:

- Copies of information request letters to NZTA
- A Public-Public Investment Model for Auckland Light Rail – Further Submission and Market Engagement Response, 31 August 2018
- A Public-Public Investment Model for Auckland Light Rail – Further Submission and Market Engagement Response Presentation, September 2018

Released under the OIA

23 November 2018

Fergus Gammie
Chief Executive Officer
NZTA
By email: Fergus.Gammie@nzta.govt.nz

Dear Fergus,

INFORMATION REQUEST

Thank you for NZTA's letter dated 13 November 2018 regarding information requests we have been discussing with you since early September of this year. The letter was received on the last business day on which our revised request could have been responded to, extended the timeframe until 1 March 2019 and sought clarification from us.

After considering the NZTA's response, and on the basis of the points for consideration we outline below, we ask you to reconsider the decision to so markedly extend the timeframe.

We believe it is important to note that, in explaining the need for an extension, NZTA's response didn't refer to our request in our 15 October letter that the provision of a list of all the information covered by our request would be a sufficient first step.

In considering NZTA's response, we also note the following background, specifically:

- On 10 September we wrote to you, setting out a range of information requests in relation to Auckland light rail (ALR). Prior to formally making the request, the approach of using the Official Information Act to obtain information had been discussed with you and your colleagues. Among the reasons we gave for considering using the OIA process to obtain information relating to our ALR proposal was that it would ensure maximum transparency and openness thereby avoiding any difficulties related to the probity requirements associated with the market engagement process you are undertaking in relation to ALR.
- You responded to that letter on 13 September informing us of your preference to discuss our request at a meeting we were scheduled to have with you on 28 September.
- On 17 September, we were informed that the 28 September meeting had been postponed.
- In light of this, we again wrote to you on 20 September setting out the time constraints we faced in relation to the receipt of the requested information. We requested both that our requests be treated with urgency and that the postponed meeting be rescheduled with the minimum possible delay.
- On 27 September, the rescheduled meeting occurred and we again reiterated the importance of reviewing the requested information. It was at this meeting that we raised again submitting a request for information.

- Following a conversation with Richard Hancy about what information was available, Mr Hancy sent through a list of publically available documents and we arranged to have an in-person meeting to discuss what other information existed and could be provided.
- On 10 October, we met with Mr Hancy and discussed the nature and details of our request.
- On 15 October, following Mr Hancy's advice, we wrote clarifying our information requests. In this letter we reiterated the purpose for which the information was required (to emphasise the urgency involved) and offered to further discuss refinements in the interests of expediting a response. After that, we heard nothing more until receiving Mr Hancy's 13 November letter.

In the remainder of this letter we deal with each of the two aspects of NZTA's response.

Extension of Timeframe

In our view, it is unreasonable to request the extension of time proposed at this late stage. As the above chain of events clearly indicates, we have been open and transparent in relation to this request and have endeavoured to be as helpful and constructive as possible. We have discussed our requirements with you on numerous occasions and offered to make ourselves available for any further discussions you deemed necessary.

NZTA's response cites the need to liaise and consult with other agencies as a primary reason justifying the extension. As you are aware, originally we made related information requests to NZTA, Auckland Transport, The Treasury, HLC and MBIE. It was at your suggestion (at the meeting of 27 September) that we agreed to NZTA taking a coordinating and liaison role in relation to all of the requests. We accepted your proposal based on your explanation that it was a mechanism through which to ensure a complete and timely response.

We would welcome an opportunity to discuss the concerns we have in relation to your decision to extend. We will make ourselves available at the earliest opportunity to advance this.

Clarification of Request

We were open to working through your points of clarification much earlier in the process.

Having said that, in the remainder of this letter we seek to provide the clarifications you have requested. In the order in which the letter raises them:

- In the second bullet point referring to the 'Briefing Note – Light Rail Transit for Auckland' ("document two") our reference to "work done" refers to all reports, studies and analysis on which the business case for route protection is being based (if abandoned, any draft reports, studies and analysis). The document notes that the scoping of a business case is underway for completion by the first quarter of 2019. We are unaware if the case has been completed, but would have expected that a good deal of related "work" would have been undertaken if this deadline existed at the time the briefing note was created.
- In relation to the seventh bullet point under document two, all of the references refer to documents that are referenced on page 37 of that document.
- In relation to paragraph four relating to document two, the reference to "any other information" captures any work undertaken by MRCagney that is in addition to ridership studies or design assumptions.
- The next query relates to Part 2 of our request and invites us to make further refinements. We appreciate, of course, as currently framed our request could capture a wide range of material. It was for this reason that we asked for a list of documents, based on which we could then refine our requirements.

- Where our request refers to “material information” we were expressing our preference that the likes of general and internal correspondence and emails be excluded, with our focus instead being on final and draft reports, studies and analysis. Again, it is difficult to meaningfully refine materiality until we are provided with the requested list of relevant documents.
- The final point of clarification states that there has been no previous analysis of light rail schemes relating to Auckland. We are, however, aware that between 1989 and 1996 a large number of possible Auckland LRT schemes were evaluated. This work included substantial consideration of operating light rail in Queen Street and the exploration of many options for traversing Upper Queen Street and crossing the motorway corridor. During the 1990s work was also undertaken in relation to including light rail to the North Shore as part of the additional Waitemata harbour crossing investigations. In the early 2000’s we understand more work was done in relation to light rail alignments through Wynyard Quarter, including on bridge options and potential connections to future Waitemata harbour crossings.
- More recently, work had advanced to the programme business case phase (i.e. the strategic case had been completed) in relation to the Central Access Plan. This plan included an “integrated programme” which included LRT elements. Lastly, we understand that substantial work was undertaken by AT and NZTA in relation to Airport access that included the assessment of light rail alignment. AT has, in fact, been receiving substantial annual funding since the 2015 Long-term Plan to investigate light rail schemes. We would welcome an opportunity to have a discussion on what information is available in relation to this aspect of our request.

Reasonable Costs

We are concerned that the delay in providing us with the information we have requested is impacting our ability to progress developing innovative ALR solutions. While we note the response did not raise costs as an issue contributing to the decision to extend the timeframe for responding to our request, in order to facilitate speed and efficiency, we are prepared to discuss covering reasonable costs/disbursements incurred by NZTA in responding to our request.

We would welcome an early opportunity to meet with you to discuss our letter.

Yours sincerely



Matt Whineray
Chief Executive Officer
NZSF

CC: Richard Hancy, Project Director – Auckland Light Rail, NZTA
Juliet Philpott, Meredith Connell
Official.Correspondence@nzta.govt.nz
Treasury – NZSF Relationship Team
Offices of the Minister of Transport and Minister of Finance

6 December 2018

Shane Avers
Lead Advisor Alternative Procurement
NZ Transport Agency

By email: shane.avers@nzta.govt.nz

Dear Shane,

Auckland Light Rail – Response to NZTA’s Assessment of the Public Public Investment (PPI) Model

Thank you for sharing your “Assessment of the Public Public Investment (PPI) Model” dated 26 November 2018 (the “Assessment”), with us on 30 November 2018, and for the opportunity to provide our feedback on the Assessment to help ensure it accurately and factually represents the proposal from the New Zealand Superannuation Fund (“NZSF”) and CDPQ Infra (collectively “NZ Infra”) to be involved in the Auckland Light Rail (“ALR”) project.

We note in the first instance that:

1. there are multiple areas in the Assessment where facts about our proposal are not properly reflected or apparently not clearly understood;
2. fundamental underlying principles of our PPI Model are inaccurately represented; and
3. there are a number of errors of fact in the document.

It is a matter of regret to us that NZTA officials do not appear to have a clear understanding of our proposal and we will reflect on how we have communicated it to them. We note that NZTA has granted us only very limited interactions with officials, especially in the period since submitting our market engagement response on 31 August 2018. We also note that this is the first time we have received any specific feedback from the NZTA on our proposal or on our proposed PPI Model since we submitted our original proposal in April 2018; and that NZTA has requested our comments in response within a week of receiving the Assessment.

In summary, in its current form we do not believe the Assessment accurately represents a comparison of the PPI Model to the NZTA’s views of its internal capabilities, and hence does not represent a valid comparison for consideration by the NZTA Board.

We therefore request that our response forms part of the Assessment pack that is presented to the NZTA Board, as an Appendix. In this letter, we have listed and corrected the material inaccuracies (Part 1) and highlighted key principles of our PPI Model that were ignored (Part 2) in the Assessment.

We also stand ready to further explain the numerous areas where the NZTA has noted it is “interested to understand” more. We look forward to receiving your questions and are available to meet with you about these areas.

C3 - Restricted Confidential

We remain of the view that open and transparent engagement on ALR will best serve all parties and we remain committed to participating in the project. We also look forward to continuing to discuss the PPI model, and its potential application to significant New Zealand infrastructure projects, with NZTA and relevant stakeholders.

Yours sincerely,



Matt Whineray
Chief Executive Officer
NZSF

CC:

Richard Hancy (NZTA)
Fergus Gammie (NZTA)
Michael Stiasny (NZTA)
Catherine Savage (NZSF)
Jean-Marc Arbaud (CDPQ Infra)

Released under the OIA

Appendix Part 1: Correcting material inaccuracies and errors of interpretation

Reference	NZTA position	NZ Infra Response
Page 3, 2 nd paragraph	NZTA has met with NZSF and CDPQ on numerous occasions to clarify aspects of the Proposal	NZSF and CDPQ have met with NZTA on two occasions, 1 August 2018 and 27 September 2018
Page 4, attribute 1	Based on the evidence provided it is not clear that the claimed transparency of the PPI model would be greater than under other procurement models, particularly given the absence of competitive tension	The returns and return models for the project would be publicly available and independently audited (as was the case in the REM project in Montreal).
Page 5, attribute 3	Competitive process is absent at the fundamental level in the PPI model, which is a sole-source arrangement	Construction and operational contracts are competitively sourced from domestic and international participants. The REM project in Montreal attracted bids from five large international consortium.
Page 5, attribute 4	The JV does not have specific powers or unique capabilities that would allow it to achieve speed of delivery that would otherwise not be available to the government. Fast-tracked processes would require such powers to be granted by government, regardless of the model.	NZ Infra has experience in delivering light rail projects in an accelerated timeframe, the NZTA does not. Fast-tracked processes do not require powers granted by Government. They can be fast-tracked with experience.
Page 5, attribute 6	It is not clear what attributes the JV possesses that would enable it to take project risks that the competitive market has clearly and unequivocally stated it is not willing to accept...it is difficult to see how this could be commercially achieved in a value for money context or in a way that was anything other than a replication of retention by the NZTA	NZ Infra has clearly and unequivocally stated it is willing to accept project risks. It is able to do so because of the unique length of its investment horizon and the growth/risk appetite of NZSF and CDPQ. This is one of the fundamental differences between our PPI Model and others.
Page 6 and page 20, attribute 10	There are domestic capital sources (outside NZSF) which could participate in the project, including large government funds The JV is understood to be 50/50 between NZSF and a foreign investor, CDPQ. This is directly at odds with any reported attribute that the PPI capital "is made in NZ".	NZSF would be by far the largest source of domestic capital for this project and the only one with the appropriate investment risk appetite to participate substantially in the project via equity. The JV does not assert that the PPI model is "made in NZ"; rather it

	<p>CDPQ' direct global experience is limited to the REM</p>	<p>leverages the Montreal experience to bring it to NZ, and deploy NZ Crown domestic capital so that all New Zealanders can benefit from the asset's financial returns.</p> <p>CDPQ is also a direct investor in the In-Transit transport network in Vancouver and has had direct involvement from its inception. Key project participants have worked on twelve different light rail projects internationally.</p>
<p>Page 6, attribute 14</p>	<p>NZTA's previous PPP experience has demonstrated the intense level of interest and competition that these processes can generate</p>	<p>New Zealand has had 8 PPP projects in total, a number of which have had a single bidder; none of the 8 PPPs compares with the scale of the ALR project nor had public transport infrastructure in its scope.</p>
<p>Page 7, attribute 21</p>	<p>The specific criticism of PPP as requiring subsidies is misleading given the undoubted need for a shadow fare (ie, subsidy) under the PPI model for light rail</p>	<p>The PPI model for light rail does not have a subsidy. The shadow fare is only paid if passengers pay a fare. If the system is available and there are no passengers, there is no shadow fare paid. This is fundamentally different to an availability-based PPP.</p>
<p>Page 8, conclusion</p>	<p>The potential conflict of interest as the PPI model appears to have the NZTA as an equity investor</p>	<p>The PPI model envisages the Government (as distinct from NZTA) being an equity partner, taking on limited defined risks which differ from the NZ Infra equity partner, therefore attracting a different return. It is up to the Government to decide the quantum and form of its contribution as well as the "channel" (could be NZTA or direct contribution with MOT and Treasury acting as representatives).</p> <p>The bigger conflict of interest is NZTA being both a participant and an evaluator in this assessment process.</p>

Appendix Part 2: Key principles not reflected in the Assessment

- The Assessment is fundamentally flawed as it compares our PPI Model against the NZTA's "business as usual practices and capabilities and the arrangements and activities outlined above that are in place now for Auckland light rail" and so:
 - Places the NZTA at an advantage of having activities underway that NZ Infra has been blocked from learning about and undertaking; and
 - Assumes the NZTA can fully fund the ALR Project and therefore does not need to compromise or negotiate on its comparative attributes as a sole source provider.
- There is no mention of how the PPI Model is based on agreeing objectives for the project with Government and ensuring that all parties are aligned to deliver those objectives as long-term, committed, experienced equity providers.
- There is no explanation as to how long-term, committed, experienced, equity capital allows NZ Infra to provide:
 - greater risk tolerance;
 - financial flexibility through the absence of debt financing; and
 - faster project delivery.
- Our submission of 31 August 2018, as part of the NZTA's market engagement process, was not intended to be a comprehensive proposal with detailed evidence but rather a supporting document to trigger further discussions, which did not happen (as is evidenced by the lack of understanding of the model)
- The NZTA does not differentiate between potential capital providers – each provider will have specific conditions of participation that are not reflected in NZTA's Assessment.

30 November 2018

Minister of Transport and Housing
Parliament Buildings
Wellington
By email: phil.twyford@parliament.govt.nz

Dear Minister,

AUCKLAND LIGHT RAIL – MEETING REQUEST

The Guardians of New Zealand Superannuation and our Canadian partners, CDPQ Infra, have made significant progress in developing a fit-for-purpose Auckland Light Rail project since we submitted our unsolicited proposal in April 2018. We remain highly interested in entering into a partnership with Government to design, build, own and operate the Auckland Light Rail system.

To support the Government's objective of having the project contracted and ready to start construction in mid-2020, by January 2019 we would like to be in a position to move forward with a detailed review of the project, in partnership with Government.

In order to meet this timetable we, along with CDPQ Infra, wish to meet with you in the week commencing 10 December. The purpose of the meeting is to present, and seek your feedback on, our current view of a potential technical solution to support Auckland's long-term public transportation and urban development aspirations and deliver an enduring world-class, large-scale infrastructure project in New Zealand.

I met with Fergus Gammie (NZTA) and Jon Grayson (Treasury) earlier this week to discuss our Public-Public Investment Model and next steps on Auckland Light Rail. Both NZTA and Treasury are supportive of ourselves and CDPQ Infra meeting with you at this point. As discussed with them, our expectation is that Jon Grayson, Peter Mersi (Ministry of Transport) and Fergus Gammie would also attend. At your discretion, we would welcome the presence of other key Ministers, such as the Minister of Finance, at the meeting.

My EA Cushla Gray (copied in) will follow up with your office to arrange a time. Attending the meeting would be:

- Myself
- 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

#2584436

CDPQ Infra will arrange their travel to New Zealand to suit your availability. We look forward to the discussion and to hearing any feedback that you may have.

Yours sincerely



Matt Whineray

Chief Executive Officer

CC Jean-Marc Arbaud; Fergus Gammie; Jon Grayson; Peter Mersi; Keiran Kennedy; Joseph Sant; Catherine Savage.

Released under the OIA