

City Rail Link Update

Glossary

Aecom, Parsons Brinckerhoff & Beca	(APB&B)
Auckland Council	(AC)
Auckland Council Property Ltd	(ACPL)
Auckland Transport	(AT)
City Centre Future Access Study	(CCFAS)
City Rail Link	(CRL or Project)
Electric Multiple Unit	(EMU)
Long Term Plan	(LTP)
Notice(s) of Requirement	(NoR)
Sinclair Knight Mertz	(SKM)

Executive Summary

The purpose of this update is to summarise for the Board progress to date on the CRL project and identify key issues in the 2013 work programme.

Recommendations

It is recommended that the Board:

- i). Receive the report

Strategic Context

AC and AT have identified the CRL project as the top priority transport project in the next 10 years in various key city planning documents.

Background

In November 2011 the CRL project team (circa 6 team members) was established, co-locating with the other main rail development projects (EMU and Maintenance/Stabling Facility (Depot) construction). The team was mandated to:

- (a) Commence the planning process to protect the route for the CRL including acquiring the necessary properties;
- (b) Respond to the (then) Minister's July 2011 statements following central government review of the initial business case for route protection (APB&B Study November 2010); and
- (c) Generally progress the Project consistent with 2020/21 tunnel opening – including an ongoing design and optimisation programme.

On 8 March 2012 AC instructed AT to progress the work and related land acquisition and technical requirements of the CRL but not to progress construction beyond this until funding has been confirmed.

Accordingly, the project team has been advancing the project design sufficiently to confirm the property requirements for the preferred alignment of the new line, together with detailed

demand assessment and modelling work to demonstrate the validity of the CRL as the preferred rapid transit solution for Auckland in the intermediate term.

Planning Process

On 23 August 2012 AT lodged Notice(s) of Requirement (NoR) with AC for a prudent footprint. In late December 2012 AT withdrew designations for circa 45 properties based on various optimisation initiatives. AC publicly notified the NoR on 25 January 2012 for a 35 day submission period. Submission and hearings are scheduled through to quarter 3 of the 2013 calendar year.

At the time of writing this report no CRL property acquisitions have been concluded, albeit negotiations with five owners are progressing.

A summary of the land interests required is set out below.

Table 1: Summary Interests required for Project (January 2013)

Interest	NoR 1	NoR 2	NoR 4	NoR 5	NoR 6	Sub-total
Total Title	8	0	12	10	39	69
Partial Surface	1	0	0	0	6	7
Temporary Occupation	0	0	0	0	1	1
Subterranean	2	159	26	20	0	207
Total interests required						284
Potential lease interests affected						70+

Response to Minister

The City Centre Future Access Study (CCFAS), undertaken by SKM, and supporting report, effectively responding to the (then) Minister's July 2011 statements, were publicly released by the Mayor on 11 December 2012. To date, Minister Brownlee has not appeared to publicly support the CCFAS findings. Auckland based Ministry and NZTA officials who were involved with the CCFAS and supporting report development, appear more supportive of the findings, albeit with some concerns regarding Auckland Plan based growth targets.

Design and Optimisation Programme

The design and optimisation programme has largely supported "Background (a)" above through to December 2012. In addition, the team has progressed the following initiatives:

- (a) Ongoing cost reviews (of the APB&B initial estimates).
- (b) Early stages Product Definition and Value Engineering exercises to progress the overall design.
- (c) Site (Geotechnical) investigations - to inform the design processes and costs.

Programme

Attachment 1 summarises the overall and near term (3 year) programme. The programme has been developed based on a 2020/21 tunnel opening. While there may be some opportunity to reduce the estimated 5 - 5.5 year construction programme (through contractor innovation) the programme is generally considered to be tight.

Financials

Throughout 2012/13 the Project has consistently forecasted an overspend of circa \$4m - \$5m. This is largely attributable to the requirement to progress the site investigation work to increasingly inform the cost and risk profile for the Project.

At the time of writing of this report, AT is liaising with AC regarding the 2012/13 forecast updates.

Capital Cost

The estimated capital cost of the CRL in inflation adjusted project outturn dollars is \$2.86 billion. This cost is based on the estimate developed in the APB&B Study for route protection and includes the cost of additional rolling stock and investment on the wider rail network to allow the operation of the train plan.

The review of these costs by central government (May 2011) found these to be robust and accurate cost estimates.

At the time of writing this report, the only changes that have been made to the reported CRL cost estimates relate to upward adjustments for inflation and refinements to property where the initial property cashflow estimates (August 2010) were updated by ACPL in May 2012.

Table 2 below summarises the updated LTP cash flow reflecting the revised property cost estimates.

Table 2: CRL Cashflow 2013 to 2022

Cashflow	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Totals
Gross construction cost	15	116	105	312	522	563	389	302			2,324
Gross land purchases	95	65	65	20							245
Estimated land sales								(39)	(95)	(49)	(183)
Net Land	95	65	65	20				(39)	(95)	(49)	62
Total Construction and Land Cost	110	181	170	332	522	563	389	263	(95)	(49)	2,386
Optimised EMUs								336			336
Other network optimisation								140			140
Annual Cost	110	181	170	332	522	563	389	739	(95)	(49)	2,862

Table 3 below shows how the nominal cost reported by APB&B of \$2.331 billion (shown in column 2) aligns with the fully inflated estimated cost of \$2.86 billion reported in the 2012 LTP (column 4). The key steps in this transition were:

- Firstly, the APB&B nominal cost was updated from 2010 dollars to 2012 dollars using the BERL local government cost index (column 3).
- Then, as per AC policy, nominal costs were inflated to their real value in the year that they are incurred. For example, as the trains are to be purchased in 2020 the 2012 nominal cost of \$259 million is inflated to \$336 million (column 4).

Table 3: CRL Capital Cost Comparison 2010 to 2012

1 CRL Cost Comparison showing changes over time (\$millions)	2 APB&B 2010 Expected Cost (2010 \$s)	3 APB&B 2012 Expected Cost (2012 \$s)	4 AC LTP 2012 inflated to year of spend
Expected Construction Cost	1,860	1,938	2,324
Additional Trains	240	259	336
Other network optimisation	100	108	140
Sub Total (excluding land)	2,201	2,305	2,800
Gross land purchase	230	231	245
Estimate land sales	100	136	183
Net Land (initial est)	130	95	62
Total	2,331	2,400	2,862

An independent cost review was undertaken in early 2012 to confirm the level of accuracy of the APB&B estimates. The review found that APB&B's expected cost estimates are robust and conservative.

Operating Cost

Operating costs reported in the LTP cover three broad categories: depreciation, service costs and interest. They are expected to commence from 2021. The current operating cost breakdown contained in the LTP is shown in Table 4 below.

Table 4: CRL Operating Cost from 2021

Expected Operating Cost	2021	2022
Depreciation (68 year asset life construction, 35yrs EMUs, 20yrs additional projects)	34.9	36.1
CRL service costs	35.7	36.8
Interest (Funded)	99.3	93.3
Total	169.9	166.2

The cost of interest is expected to fall over time as depreciation funding accumulates, until renewal expenditure is incurred.

Work is now underway to refine and optimise the CRL project. Until this work is completed it would be premature to attach too much certainty to the above operating cost estimates.

As various project optimisation initiatives are in early stages, or yet to commence, it is premature to consider any changes to the current \$2.86b budget figure.

Resource

The current CRL Project team composition is as follows:

Planning	4
Property	2
Administration	2
Design/Engineering	3
Project Management/Control	2
Transport Planning/Business Case/Funding	3
Communications	2
Total	18

The planning team resource will continue to have a heavy workload through calendar year 2013. The Project Team is being supported by the following additional key external resources, many of which have been involved in the Project over the last three years.

CCFAS	SKM
Transport Planning	PwC (Chris Money)
Economics	Ascari Partners (John Williamson)
Design/Engineering	Aurecon
Legal	Bell Gully (and Simpson Grierson)
Planning	Beca

A number of resources are (temporarily) seconded from within AT or from AC, ACPL.

In mid-2012, Mohini Nair joined the Project in the role of Project Manager Transport Planning) and Chris Meale moved into the Project Director role in December 2012.

Bernadette Power (ex Railcorp, Sydney, HR) joined as a rail recruitment specialist role to provide additional focus for key team recruitment. The team continues to be challenged by the availability of quality candidates with the requisite experience. Other key resources have been secured from the Asian / Australian market. As the Project progresses, the availability of necessary resources may be limited by progress of similar projects in those countries. AT will need to consider seconding core expertise for relevant periods (for up to 4 years), supplemented by shorter term arrangements.

The bringing together of all capital development projects into one team (i.e. former Infrastructure and Special Projects) will also assist with addressing priority resource requirements.

Retention of (intellectual property) held by key team members and supporting resource may be an issue if the Project is significantly delayed.

The commencement of the Reference design work in October 2013 will see the Project team increase significantly. Ideally a large proportion of these will be accommodated in an integrated project office which will put pressure on the existing project accommodation. There is an opportunity to use the adjacent space currently being occupied by the EMU project team, when it is relocated to the Wiri depot later in the year.

Community Engagement

Three open days have been arranged. See below re date/venue/times. As well as being for NOR/information purposes

- Thursday 21 February 1-6pm Beca Auditorium 21 Pitt St
- Saturday 2 March 11am-4pm Chinese Community Centre 1 New North Road
- Wednesday 6 March Auckland Town Hall, Queen St.

Key Issues

It is important to emphasise the Project is in the very early stages of design and evolution. A high standard of ongoing project management will be required for the successful delivery of the Project.

The following summarises the key issues for 2013.

Scale

The Project is large by NZ standards and will continue to have a high public profile given its location, cost and affected stakeholders. Underground railway projects are unique due to the risks associated with underground city centre construction and the breadth of specialist engineering disciplines required for railway operation.

Planning

As set out above AC notified the NoR on 25 January 2013. Submissions and hearings will follow the 35 day notification period concluding 19 March 2013. The commencement of this statutory planning process provides the process for those opposing the Project to communicate their concerns (via that process or arguably by other means). A high workload is anticipated for the Planning team).

Key Stakeholder Relationships

Due to the complicated arrangements for ownership, operation and maintenance of the existing Auckland rail network (and imminent changes with EMU introduction), collaboration/cooperation agreements will likely need to be amended to reflect the expanded system requirements, and then formalised with key stakeholders (e.g. KRG, Veolia).

Business Case

Preparations are underway to obtain additional specialist resources to progress the Business case in keeping with the project programme requirements. The Project team is aware that central government (MOT/NZTA) may require a lead role in the preparation of the detailed business case.

Funding

The AC LTP was adopted on 28 June 2012 on the basis that 50 per cent of the capital cost of the CRL (excluding additional projects) will be funded by central government and that 30 per cent of capital cost will be funded by alternative funding mechanisms.

The process of securing central government funding will require the completion of a Detailed Business Case which meets Treasury guidelines. The completion of the CCFAS and supporting report suggest that the Minister will likely respond regarding timing of preparation of the Detailed Business Case.

The AC Alternative Funding process is underway and the Consensus Building Group will deliver their recommendation of the preferred alternative funding mechanisms to AC in July 2013.

Consideration is also being given by the Project Team to the commercial opportunities created by the Project related to land take and property redevelopment opportunities and the potential funding sources these may generate.

Next Steps

In preparation for the Business Case activity which is the core deliverable to Q3 2013, a number of supporting activities will be progressed to allow their incorporation with the Business Case.

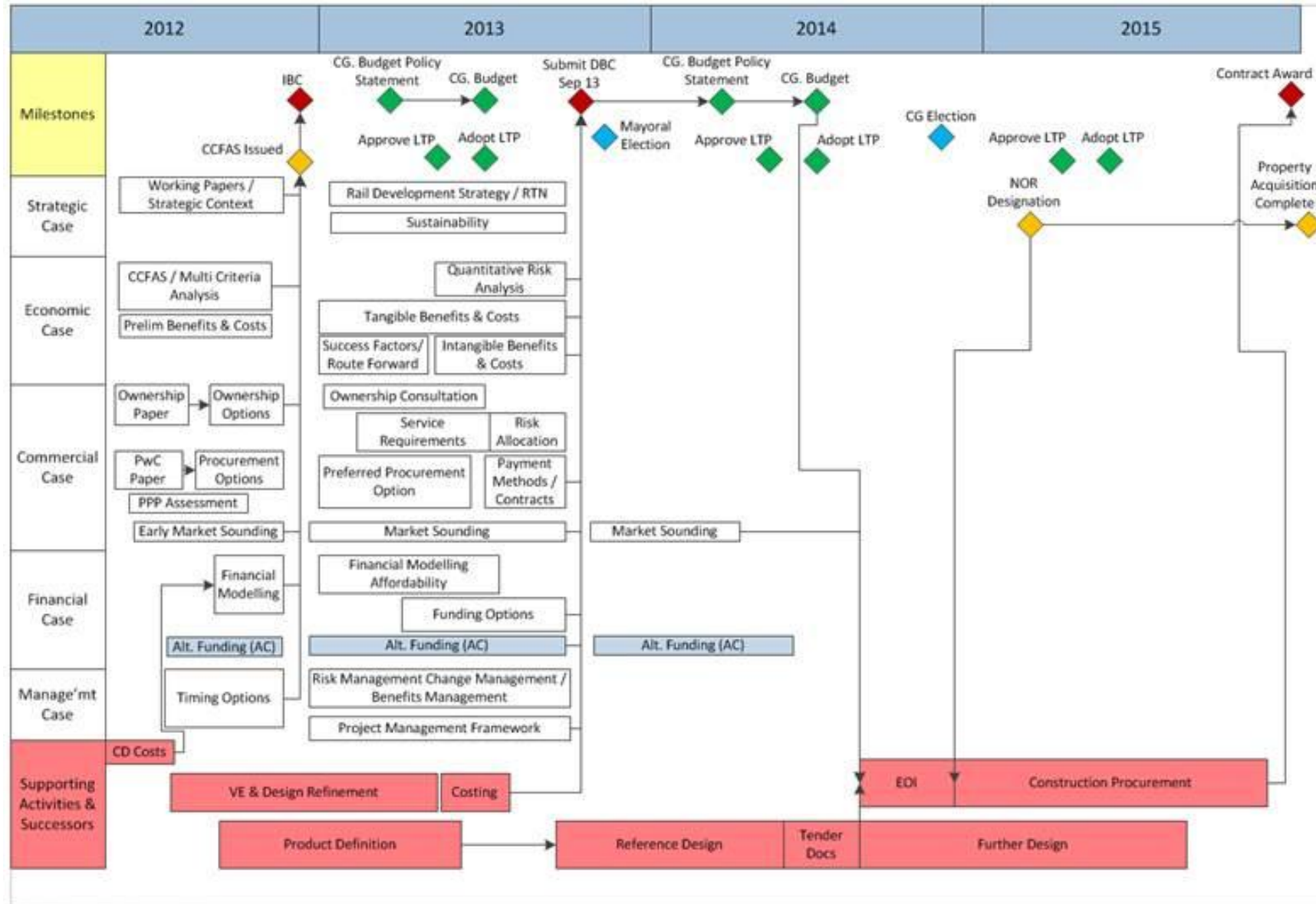
- Development of options for the Procurement and Delivery of CRL.
- Revisiting of KiwiRail / AT access agreements to provide for adequate capacity and operating flexibility for shared network access in the long term.
- Completion of the Rail Plan in conjunction with the Integrated Transport Plan.
- Development of Product Definition Report and Operations plan.
- Establishment of Product Definition working group.(KR, Veolia, PT Ops, AC)
- Summarise and present Value Management initiatives.
- Establish regular interface/ coordination with Auckland Council so that its wide ranging plans for the development of the city can be understood, and where appropriate allowed for in the development of the urban design framework around the station precincts.
- Advance discussions with strategic property owners to maximise the opportunity for mutually beneficial project development opportunities, along the route corridor and particularly in the CBD.

Attachments

Attachment 1 - Programme

Written by	Chris Meale Project Director CRL	
Recommended by	Claire Stewart General Manager Capital Development (Acting)	
Approved for Submission	David Warburton Chief Executive	

Programme



CRL Business Case Process Diagram