Date: Thursday 2 May 2019
Time: 9.30am
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

Tira Kāwana / Governing Body

OPEN MINUTE ITEM ATTACHMENTS

<table>
<thead>
<tr>
<th>ITEM</th>
<th>TABLE OF CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>City Rail Link Funding Commitment</td>
</tr>
<tr>
<td>A.</td>
<td>2 May 2019, Governing Body: Item 9 - City Rail Link Funding Commitment, Presentation</td>
</tr>
<tr>
<td></td>
<td>3</td>
</tr>
<tr>
<td>B.</td>
<td>2 May 2019, Governing Body: Item 9 - City Rail Link Funding Commitment, Maps</td>
</tr>
<tr>
<td></td>
<td>15</td>
</tr>
</tbody>
</table>

Note: The attachments contained within this document are for consideration and should not be construed as Council policy unless and until adopted. Should Councillors require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.
## City Rail Link Funding Commitment

**Governing Body**  
2 May 2019

### Presenters

<table>
<thead>
<tr>
<th>Sir Brian Roche – CRL Chair</th>
<th>City Rail Link Project Briefing</th>
<th>• City Rail Link Project Briefing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sean Sweeney – CRL CEO</td>
<td>Questions</td>
<td>• Questions</td>
</tr>
<tr>
<td>Barry Potter - Director Infrastructure and Environmental Services</td>
<td>Investment assessment</td>
<td>• Investment assessment</td>
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<tr>
<td>Ross Tucker - General Manager Financial Strategy and Planning</td>
<td>Council funding commitment</td>
<td>• Council funding commitment</td>
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<td>Questions</td>
<td>• Questions</td>
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CRL Project Status Update

- Current status - live contracts
- Early works contract
- Project cost reforecast
Project Status - Current live contracts and early works

Currently there are delays with the current C1, C2, C6 construction works but they do not affect the final project completion date.

The Link Alliance (Vinci Grands Projets, Downer, Soletanche Bachy, AECOM, Tonkin and Taylor and WSP Opus) have been advised that they are C3 preferred bidder.

C3 Early Works has started on a number of work fronts ($75 m cap) to finalise procurement and progress the project and minimise completion delay:

- Project documentation suite: PAA, Development Agreement,
- Insurance placement
- C5 and C7 pricing
- Mobilisation Planning; recruitment, relocation, onboarding, establishment, systems
- Procurement planning
- Design- completion of construction design
- Consenting/permits/property acquisition
- Utilities investigations/diversions
- Site investigations, surveys, settlement and groundwater monitoring regime
- Planning workshops
- Early physical works: Demolition, Site set up

Project Cost Reforecast

- Comprehensive cost review undertaken by the Project’s Cost Advisors - Sept-Oct 2018
- International Peer Review process (Turner and Townsend - CRLL Reviewer, Advisian - Sponsors Reviewer) Nov- Dec 2018. Brief was to advise the most likely P50 and P90 overall project cost
- Close out of issues raised by Peer Reviewers Jan-March 2019
- March 2019 finalisation workshops including Auckland Council, Ministry of Transport, NZ Treasury, Peer Review Firms and CRLL
- Incorporates updating costing based on the major C3 tender process
- Produced an outcome of which process and outcome were accepted across the board as:

  The most thorough, informed view of the likely CRL Project overall cost to complete able to be assessed at this point in time.
**Project Cost Reforecast**

<table>
<thead>
<tr>
<th>Item</th>
<th>Project Development Agreement (PDA)</th>
<th>March 2019 Year to Date</th>
<th>Increase</th>
</tr>
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<tbody>
<tr>
<td>Construction Costs</td>
<td>2,382</td>
<td>2,703</td>
<td>321</td>
</tr>
<tr>
<td>Direct Costs</td>
<td>404</td>
<td>635</td>
<td>232</td>
</tr>
<tr>
<td>Contingency (P50)</td>
<td>2,885</td>
<td>3,345</td>
<td>458</td>
</tr>
<tr>
<td>Escalation (P50)</td>
<td>10%</td>
<td>14%</td>
<td>415</td>
</tr>
<tr>
<td>Project Costs (P50)</td>
<td>3,602</td>
<td>4,194</td>
<td>789</td>
</tr>
<tr>
<td>Adjustment - 9 Car (note, ex, set max)</td>
<td>250</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>Adjustment - C3 bid</td>
<td>-29</td>
<td>-29</td>
<td></td>
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<tr>
<td>Adjusted Overall Project (P50)</td>
<td>4,419</td>
<td>1,014</td>
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**What has caused this??**

**Construction Market Conditions** (approx. $150 billion growth (approx. 300%) in pipeline in last 18 months)

This has led to:
- Revised/reduced construction risk appetite by international contractors
- More conservative views by international contractors about preliminaries
- Higher direct costs in some areas (e.g. tunnelling)

**Peer Reviews:**
- Contingency (benchmark against international best practice and previous experiences of what is needed)
- Escalation (much higher forecast construction escalation for next few years (6% vs 2%))

**Deliberate increased scope** – allow for 9 car trains at Aotea, Karangahape Rd and Mt Eden

- Original Design costs under estimated
- Procurement costs under estimated
- Property acquisition costs under estimated
- CRLL corporate operational costs not included in original budgets
Investment assessment
Barry Potter
Due process

When considering updated cost projection and additional funding commitment required we have considered:

<table>
<thead>
<tr>
<th>Question</th>
<th>Action</th>
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<tbody>
<tr>
<td>Is the updated cost projection reasonable?</td>
<td>Peer review</td>
</tr>
<tr>
<td>Are there ways we can reduce the cost?</td>
<td>Investigation of scope options</td>
</tr>
<tr>
<td>Is the project still good value for money?</td>
<td>Updated cost-benefit analysis</td>
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Is the updated cost projection reasonable?

- CRLL board commissioned a comprehensive independent cost review
- Sponsors commissioned Advisian to peer review the forecast final cost
- Cost forecast benchmarked against C3 bids and other similar projects
- Forecast and actual known costs align
- Alliance procurement processes mean that costs continue to be interrogated throughout the project life
Are there ways we can reduce the cost?

- The scope of CRL of project has been reviewed and refined 3x
- Alliance contracting incentivises for cost savings
- Sponsors asked CRL to put forward scope reduction options for assessment on costs, benefits and operations
  - Options included one tunnel, removing a station, removing connections
  - All scenarios had significant impacts on patronage, operations and resilience and reductions in project benefits
- Options assessed by key delivery partners, Auckland Transport and KiwiRail Group, and they both support delivery of the current project scope.

Is the project still good value for money?

- Updated benefit assessment of project commissioned
- Assessment confirmed that CRL delivers $6.6 billion worth of benefits (conservative)
  - If project costs are less than $6.6 billion the project delivers net positive benefits
- Sponsors asked Advisian to review the assessment
- This work confirms that at a cost of $4.4 billion CRL remains a strong project for sponsors to invest in
Council funding commitment
Ross Tucker

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Council share</th>
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<tr>
<td>Existing</td>
<td>$3.4 billion</td>
<td>$1.7 billion</td>
</tr>
<tr>
<td>Updated</td>
<td>$4.4 billion</td>
<td>$2.2 billion</td>
</tr>
<tr>
<td>Change</td>
<td>$1 billion</td>
<td>$500 million</td>
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Can we provide funding commitment?

- We can accommodate the $500 million additional funding commitment within debt policy limits with a combination of initiatives:

<table>
<thead>
<tr>
<th>Initiative</th>
<th>$ million</th>
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<tbody>
<tr>
<td>Interest cost savings due to lower market interest rates</td>
<td>120</td>
</tr>
<tr>
<td>A reduction in cash holdings from improved cash management</td>
<td>100</td>
</tr>
<tr>
<td>Re-assessment of the valuation of operating commitments</td>
<td>130</td>
</tr>
<tr>
<td>Progression of the off-street parking strategy</td>
<td>50</td>
</tr>
<tr>
<td>Flexibility around the timing of the council’s CRL contributions</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>500</strong></td>
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Treasury initiatives

- **Interest cost savings**
  - Taking advantage of recent market changes

- **Reduced cash holdings**
  - New revolving credit facility reduces need to hold cash

- **Operating commitments re-assessment**
  - Better understanding of financial commitments that tie up debt headroom
Off-street parking asset strategy

- Working to progress a strategy to assess future off-street parking requirements for Auckland, including additional investment in park and ride facilities
- Future parking requirements are likely to be different from today
  - Investigations principally focussed on the four central city parking buildings
  - A range of options exist for each including the status quo, outright sale, partnership with a developer, or a long-term concession arrangement
- Our objective is to release $100m of capital to reinvest
  - $50m in CRL
  - $50m in park and ride facilities

Timing of CRL contributions

- Phasing of council’s contribution is important to affordability of our commitment
- Existing budgets assume quarterly contributions from Auckland Council and central government are equal
- Flexibility around contribution shares would allow the council and the Crown to work together to ensure council remains within its debt policy limits
CRL Contract overview

[Map of CRL contracts and locations, including Britomart East, Aotea, Karangahape, and Mt Eden. Colors and symbols represent different contracts.]

- Contract 1*: Downtown Shopping Centre® (DSC)
- Contract 2*: Contract 6*: Mt Eden Stormwater Main Relocation
- Contract 3: Stations and Tunnels
- Contract 5: Western Line

*Contract Already Let

Wider Network Improvements (not shown)
CB - Strand & Otahuhu
C7 - Newmarket & Henderson
Alliance contracts

One “grand” Alliance; C3 + C7 + C5

- Contract 3 - Stations and Tunnels
- Contract 5 - Western Line
- Contract 7 - Systems IT&C
- Wider Network Improvements (not shown)
- C7 - Newmarket & Henderson

*Contract Already Let