

**TITLE**                      **UNSOLICITED PROPOSAL FOR THE NZ SUPER FUND'S EXCLUSIVE REVIEW OF THE AUCKLAND LIGHT RAIL PROJECT**

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**1 Context**

The Government has signalled its intention to accelerate core infrastructure investment and also demonstrated a willingness to receive and respond to proposals from interested parties.

The New Zealand Super Fund (NZSF) is responding to these indications and has identified the development of a light rail network for Auckland as being a project of sufficient scale and significance to be an attractive prospect for investment on a commercial basis.

**2 Proposal**

NZSF proposes entering into an exclusive Public-Public Investment (PPI) agreement with the Government to assess the viability of NZSF and partner/s delivering the Auckland Light Rail (ALR) project. The PPI framework is a well-developed and proven model used by Caisse de dépôt et placement du Québec (CDPQ), one of NZSF's Canadian peers.

NZSF is a known and trusted long-term investor, committed to direct investment in credible large-scale domestic opportunities and supporting NZ's sustainable economic development.

Additionally, the intended size (\$6 billion) and scope (2 lines, City to Airport and City to Waimauku, ~40 stations) of the ALR project is of sufficient scale to attract leading global co-investment partners. NZSF has leveraged its international network and has identified CDPQ as a preferred investment partner. CDPQ is a ~C\$300 billion Canadian public fund manager with extensive active direct infrastructure investment experience/capabilities, including light rail development.

**3 The Public-Public Investment Framework**

NZSF understands the Government is keen to:

- Advance infrastructure which is transformational and integrated;
- Develop and innovate around new procurement models;
- Import and retain leading global IP for the development of infrastructure; and □ Utilise and prioritise the use of its capital.

NZSF is keen to:

- Gain access to domestic infrastructure investment of scale, at a commercial and reasonable return; and
- Position itself as a key partner for international and domestic partners in NZ.

The PPI framework will address both the Government's and NZSF's needs by facilitating the investment of alternative public funds into significant infrastructure projects to provide efficient, innovative solutions that generate financial returns for New Zealanders.

Subject to the Government entering into a PPI Agreement with NZSF, NZSF and partner/s would review the potential ALR project in light of the Government's objectives and NZSF and partner/s' investment requirements and capabilities, and propose a solution (the Project Proposal) for the Government to approve. The Government would then decide whether to progress with the Project Proposal.<sup>1</sup>

If accepted, NZSF and partner/s would assume control of the project and responsibility for planning, financing, procurement, construction and operating phases – with full Government support.

NZSF is uniquely and ideally positioned to lead an infrastructure project of national significance and, if successful, the proposed PPI framework could be used as a blueprint for future infrastructure projects.

#### 4 NZSF and Co-Investment Partner/s

NZSF is a long term, growth-oriented investor and would partner with leading global coinvestors with aligned investment principles, long-term capital, and demonstrated light rail development experience/capabilities, for development of the ALR project. A number of NZSF's strategic public fund peers have indicated interest in contributing not only their capital, but their global direct infrastructure investing and development expertise.

NZSF's preferred partner, CDPQ, is currently using the PPI framework to deliver a light rail project in Montreal, Réseau électrique métropolitain (REM). REM is a new integrated, electric and fully automated light rail transit network with 67km of double tracks, 26 stations, and 4 branches connecting to downtown Montreal. Construction has commenced, 2 years following the Project Proposal by CDPQ.

#### 5 Indicative Project Scope and Route

NZSF's ALR project is expected to deliver two light rail lines in Auckland on an accelerated schedule;

- **Central Line:** City to Airport, via Dominion Road and Māngere, estimated cost \$3 billion, comprising up to 22 stations, and with potential for future extension to the North Shore; and

<sup>1</sup> If the Government decides not to move forward with the Project, it will reimburse the cost of studies and other

expenses incurred by NZSF and partner/s in return for the Project's studies. If the Project does not move forward following a decision by NZSF and partner/s, only the cost of studies would be reimbursed.

- **North-Western Line:** Waimauku to City, estimated cost \$3 billion, comprising up to 17 stations, and with potential for future extension to the North Shore.

## 6 Proposed Process and Timeframe

Over the next 3 months, NZSF wishes to:

- **Sign a PPI framework agreement with Government** that sets out the exclusive arrangement, respective roles and responsibilities, stages of the project development and execution, and the Government's key objectives for the ALR project;
- **Confirm co-investment partners** with global best practice infrastructure project expertise. NZSF would also establish a dedicated New Zealand-based team in conjunction with co-investors;
- **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, review and evaluation** to agree the best project design (e.g. route, service offering etc.) and then determine the optimal funding and financing solutions.

Once this initial phase is successfully completed, NZSF will progress to the due diligence phase, technical and financial solutions will be evaluated, and a fully developed Project Proposal presented to the Government within 12 months (of signing the PPI Agreement).

Please refer to the attached presentation for further detail on NZSF's unsolicited proposal.

Yours sincerely,



**Matt Whineray**  
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