

MINO-892 – Drury projects

20 September 2023

In August 2023, Waka Kotahi NZ Transport Agency provided a briefing on the New Zealand Upgrade Programme (NZUP) South Auckland Package Business Case [BRI-2857 refers]. You asked about the implications of \$331 million funding for delivery of the Drury projects not being approved now in September 2023 and how this will impact Waka Kotahi work on the projects and the community.

Waka Kotahi NZ Transport Agency's response:

Summary

1. There are risks with not getting a delivery funding decision this month, including not supporting optimal integration with KiwiRail and negotiations with developers, but on balance these should be manageable. A decision beyond December 2023, however, would significantly increase risks of programme delivery misalignment, additional costs and reduced benefits.

Context

2. The Drury projects – Waihoehoe Road and State Highway 22 upgrades – are part of an integrated overall investment in South Auckland to support housing development in line with the Government's decarbonisation objectives by ensuring growing communities are well linked to public transport networks, including commuter rail.
3. In June 2022, Joint Ministers approved \$54 million for pre-implementation of the Drury projects to progress pre-implementation and property purchase to support the significant interdependencies with KiwiRail projects and property developments in the area [BRI-2486 South Auckland Package – Drury Options refers].

Implications of not getting a delivery funding decision this month

4. The implications are:
 - Waka Kotahi will continue pre-implementation and property purchase as already approved.
 - KiwiRail will continue to progress design and procurement of the rail stations on the basis of public transport access associated with the Waihoehoe Road upgrade. A change to the public transport provision may require future redesign and associated cost implications for the station delivery.
 - Waka Kotahi is currently negotiating with developers on an integrated delivery approach to upgrading Waihoehoe Road with investment from both parties. Without a funding decision there is a risk that agreement will not be reached. To meet consent conditions before housing construction is allowed to begin (indicated by developers as being September 2024), the developer may deliver a less integrated solution with greater overall cost and disruption impact.

Implications of not getting a delivery funding decision before the end of 2023

4. The developer risk outlined above would continue to increase.
5. KiwiRail is due to start construction on the stations in early 2024. Without approval of delivery funding Waka Kotahi would be unable to match programme delivery with KiwiRail resulting in more cost, and reduced benefit.
6. The initial investment of \$54 million would have been spent by June 2024, requiring additional funding or a halt to the projects.
7. Subject to approval of funding, Waka Kotahi would procure for the physical works on both projects in late 2024. If delayed part of the 2024/25 construction season will be missed, and overall delivery would be delayed by another year, increasing costs, disruption impacts and reputational risk.

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