
From: Ross Copland
Sent: Tuesday, 4 July 2023 4:46 pm
To: Nicole Rosie
Cc: Blake Lepper
Subject: Links and follow up

Hi Nicole,

Thanks for the opportunity to share some insights on Mega Projects with the joint governance group last week. As promised here are some relevant links I referred to that they might find interesting. Of particular note are the NSW Treasury Announcements Policy which guides Ministers on how and when to announce projects and what they can/should say at each stage (s 9(2)(g)(i) – although relevant to future announcements re both projects), and secondly the Denicol Paper which sets out a framework for systematically understanding how/why mega projects fail and how to set them up for success – it is a highly acclaimed piece of work which summarises >3000 papers on the subject so if you only read one paper, this is the one.

- **Denicol Paper:**
<https://discovery.ucl.ac.uk/id/eprint/10095843/1/What%20Are%20the%20Causes%20and%20Cures%20of%20Poor%20Megaproject%20Performance.pdf>
- **Grattan Institute:** This is their report on megaprojects in Australia: <https://grattan.edu.au/wp-content/uploads/2020/11/The-Rise-of-Megaprojects-Grattan-Report.pdf>
- **NSW Treasury announcements policy:** <https://arp.nsw.gov.au/c2020-22-timely-information-on-infrastructure-projects-and-transactions-with-the-non-government-sector/>
- **Vic Parliamentary Budget Office paper:** This is the review for the Suburban Rail Loop: <https://www.pbo.vic.gov.au/response/2820>

As you know the Infrastructure Commission made strong recommendations to Government about lifting the capability of Government as a sophisticated client of infrastructure (which Govt endorsed in its response to the Infrastructure Strategy). You can expect us to continue to champion this cause passionately and constructively while providing our input on these two business cases. We have previously highlighted big picture issues around the lack of a programme business case for mass transit in Auckland city, need for deep integration between the various existing modes on the network and those completing the business case, lack of fiscal/market capacity constraint on the options being considered, commitment to preferred options ahead of necessary work to exclude others, and the lack of funding discussion in the public discourse about the benefits (benefits presented publicly without costs or distribution of costs – ie who actually pays or what the trade-offs are – including opportunity costs, business interruption etc). We hope project Governors are taking these matters seriously and making choices/recommendations accordingly. Individually, these matters represent a significant risk to these projects progressing beyond business case stage. If we don't address them its unlikely we can say we have equipped decision makers with adequate information to make informed choices about how to resolve Aucklands medium-term transport needs.

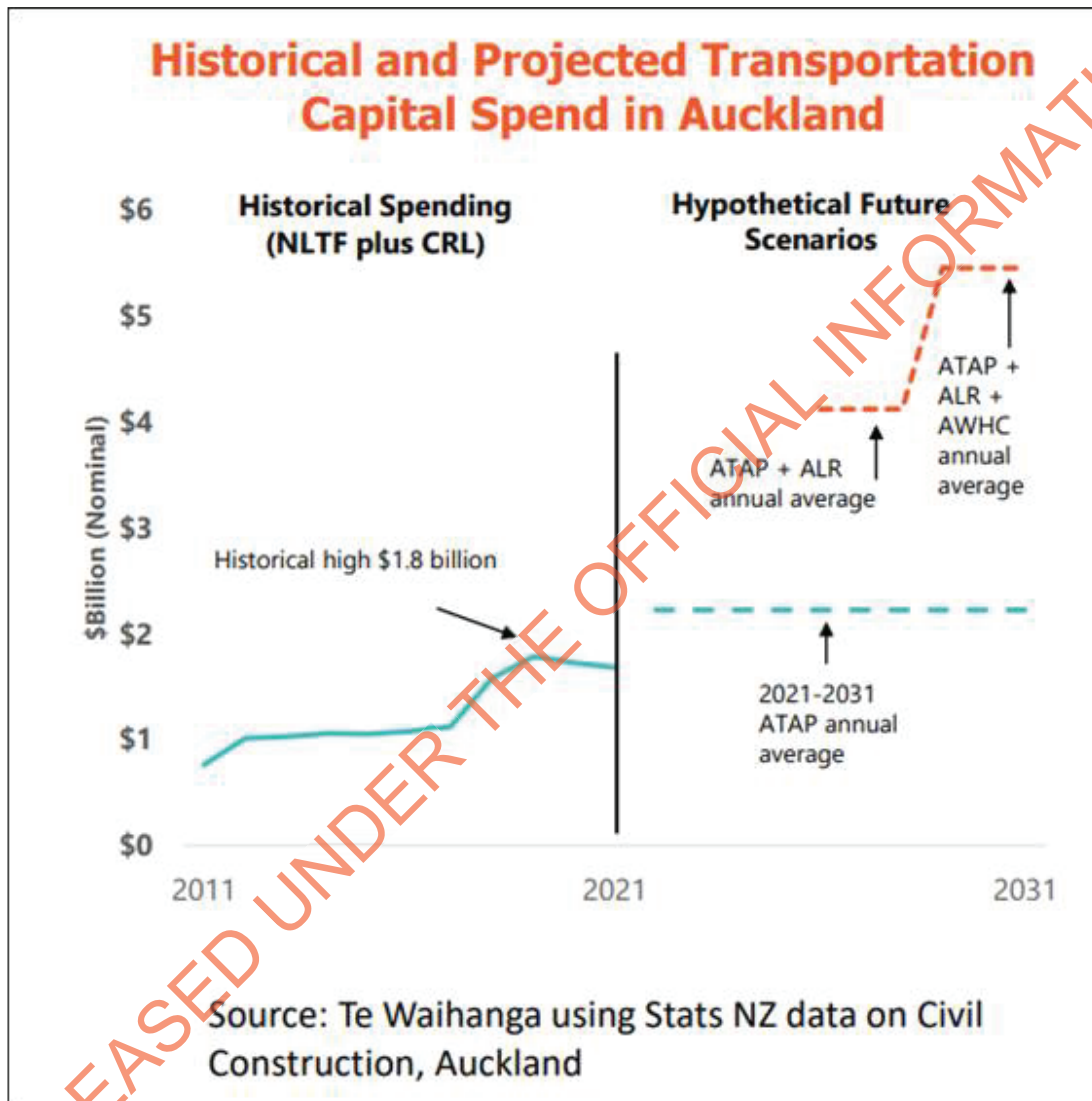
Final thoughts – the graph below (top) is one we presented at the Building Nations conference. It indicates that ATAP accounts for most of the current market capacity for new build in Auckland city. If we add ALR and AWHC to the mix we would need to expand market capacity many times over in order to deliver the projects – this is extremely unlikely to be a) possible b) affordable; so even if these are all amazing investments, we still need to choose which one we aren't doing and sequence/stage those we are doing in line with market capacity.

The next graph shows that on a 'jobs' basis labour markets are similarly constrained unless they expand at a rate significantly greater than the underlying growth trend for NZ and that to deliver ATAP will already take a step-change in labour market (jobs) growth, let alone adding ALR and AWHC. The input factors necessary to deliver a big expansion in

labour market capacity (e.g. housing) are not in surplus in Auckland City as we all know so designing an investment programme that materially exceeds the labour/construction market capacity (including credible growth potential) seems destined for failure.

Christchurch experience tells us that attempts to brute force market growth, even under extremely favourable external conditions (surplus global labour pool due to GFC in 2008/9) still resulted in projects committed to a decade ago lingering in various states of completion to this day – I’ve added a chart on this for good measure too highlighting that most investments were a few years late, some still underway.

Happy to connect again in future if the board/s of either project would find value in this.
Regards,
Ross



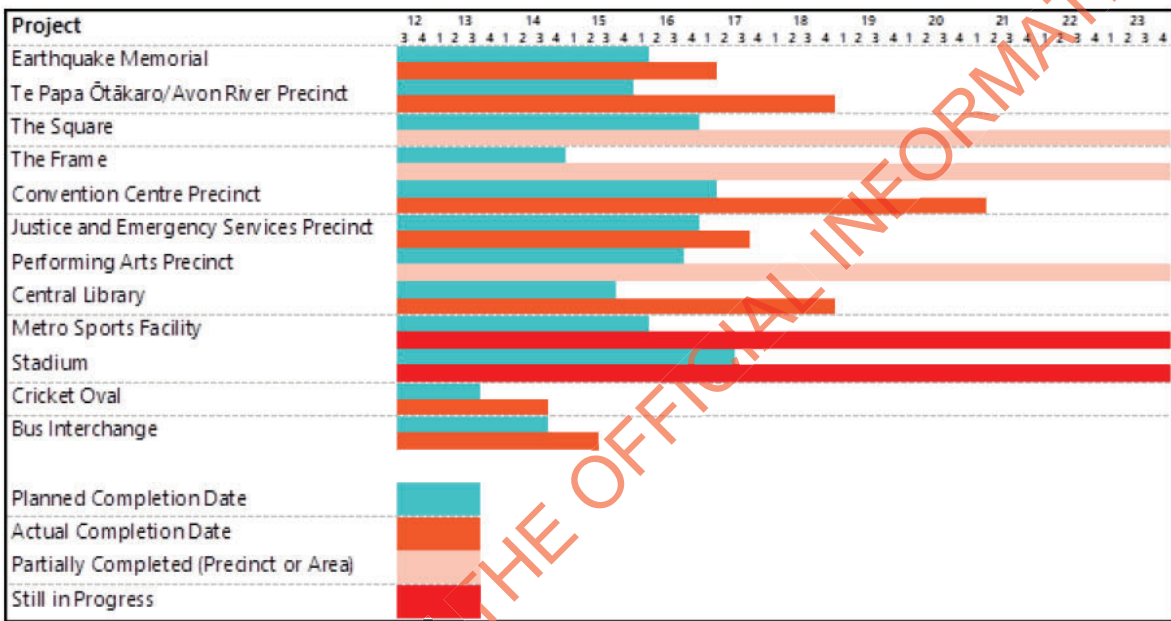
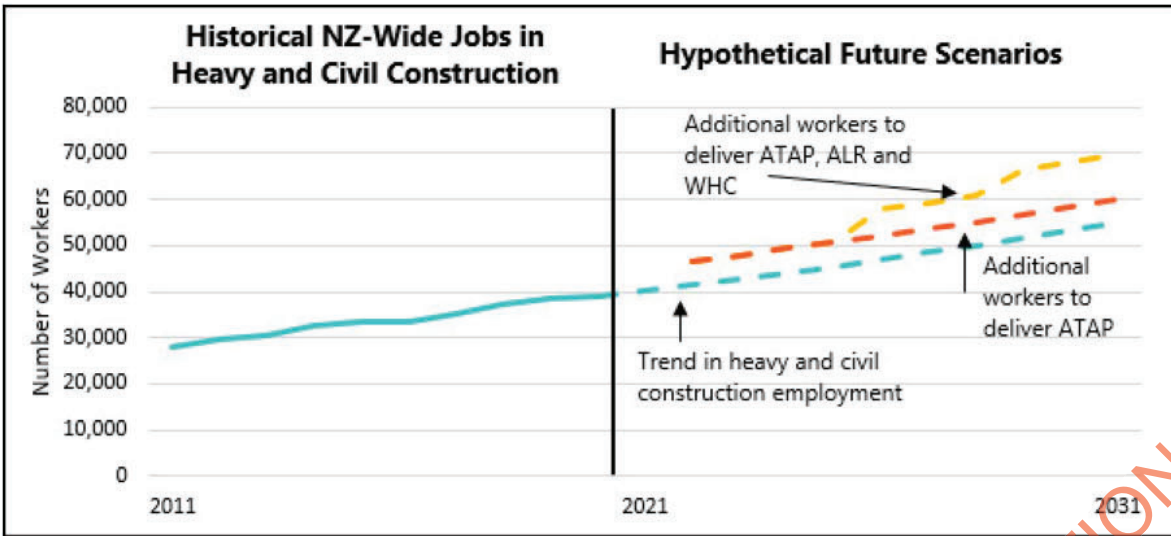


Figure 1: Christchurch Central Recovery Plan Forecast vs Actuals (Source: Te Waihangā research)

Regards,
Ross

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