

MINISTERIAL BRIEFING NOTE

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| Subject | NZ Upgrade Programme update |
| Date | 28 February 2020 |
| Briefing number | BRI-1911 |

| Contact(s) for telephone discussion (if required) | | | | |
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| Name | Position | Direct line | Cell phone | 1 st contact |
| Brett Gliddon | General Manager, Transport Services | s9(2)(a) | | ✓ |
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Action taken by Office of the Minister

- Noted
- Seen by Minister
- Agreed
- Feedback provided
- Forwarded to
- Needs change [please specify]
- Withdrawn
- Overtaken by events

28 February 2020

Minister of Transport

NZ UPGRADE PROGRAMME – TRANSPORT UPDATE

Purpose

1. This briefing provides you with an update on the NZ Upgrade Programme, as announced 29 January 2020.
2. This briefing updates you on the work for which Waka Kotahi NZ Transport Agency is accountable. It does not relate to work accountable to KiwiRail.

NZ Upgrade Programme Background

3. By letter dated 29 January 2020 (Letter of Appointment), the Minister of Transport appointed the Transport Agency as the Government's agent to deliver the NZ Upgrade Programme.
4. The programme is a \$6.8bn package which will support growth in six key regions, improve safety and provide travel choice across NZ.
5. The projects to be delivered by the Transport Agency are:
 - SH58 Safety Improvements (stage 2)
 - Northern Pathway
 - Tauranga Northern Link
 - SH1/SH29 Intersection Upgrade (Waikato)
 - SH1 Whangarei to Port Marsden
 - SH2 Te Puna to Omokoroa (including Omokoroa Intersection)
 - Penlink
 - Mill Road full proposal (stage 1, 2 & 3 and Drury South Interchange)
 - Melling
 - Otaki to North of Levin
 - Papakura to Drury (stage 1 – Northern section)
 - Canterbury package:
 - Brougham Street improvements
 - Rolleston access improvements
 - SH75 Halswell Road
 - West Melton improvements
 - SH1 Walnut Avenue intersection improvements
 - SH1 Tinwald corridor improvements
 - Queenstown package:
 - SH6A corridor improvements
 - SH6 Ladies Mile corridor improvements
 - SH6 Grant Road to Kawarau Falls Bridge
6. At this stage it is assumed that KiwiRail will be responsible for delivering the Auckland Rail Package Third line project (Wiri to Quay park) and the electrification of Papakura to Pukekohe. They will also be leading the rail upgrades north of Wellington.

7. The Government is still to make a decision on who will lead the Drury rail stations component of the package. A briefing is currently being prepared on this by Treasury.

Governance and Programme Management

8. The NZTA Board has endorsed the governance structure for the Upgrade Programme. Mark Ratcliffe has been appointed as an independent Chair and the Terms of Reference have been confirmed. The governance group will include members from the Treasury, the Ministry of Transport and KiwiRail.
9. The Programme Management Office (PMO) for the NZ Upgrade Programme has been established. The PMO is responsible for oversight and management of the programme and will track and monitor progress to report to the governance group. The PMO includes oversight of finance, communications, consenting, property, procurement, legal, policy, delivery and analytics.

Establishment Report and supporting strategic workstreams

10. The Establishment Report will be submitted to you and the Minister of Finance by 31 March 2020. An early draft of the report is expected to be considered next week. This will be the basis for reporting on the progress of the programme and its individual projects, and will identify significant milestones for you and the Minister of Finance to announce.
11. The Establishment Report will include a programme schedule, which will identify the phases of each project and provide opportunities for quick wins. The project delivery plans will include timelines, scope, cost and risk, as well as programme-wide outcomes.
12. The Establishment report will be informed and supported by a number of strategic workstreams:
 - *Iwi and Maori Engagement:* A strong focus on Maori engagement will be aligned to the wider Transport Agency's Te Ara Kotahi (our Maori Strategy).
 - *Communications and Engagement:* Underpinning this programme is the requirement for comprehensive stakeholder communications and engagement. This will be enabled through structured media protocols, consistent and regular stakeholder communication through appropriate and timely channels, and event planning. Key also is the management of ministerial correspondence, Official Information Act requests and media queries relating to the NZ Upgrade Programme to ensure they are accurate, consistent and aligned.
 - *Property and Consents:* Achievement of delivery timelines is dependent on the ability to secure properties and consents on a project by project basis. Early identification of programme-wide risks and mitigations with a whole of government approach necessary.
 - *Procurement:* To enable programme and project outcomes, programme specific procurement objectives and principles have been developed. These have informed the selection of procurement models and approaches with respect to each project and also aim to leverage the procurement process to incentivise secondary benefits.

Industry Engagement

13. The Transport Agency recognises the need for strong industry engagement with respect to the NZ Upgrade Programme. As initial briefing has been held with industry on 5 February 2020, with further formal consultation planned through March.
14. The purpose of the formal market engagement is to:
 - Obtain registrations of interest for construction ready projects;
 - Validate the procurement strategy, models and approaches;
 - Identify early potential opportunities, risks and solutions associated with the delivery of projects;

- Stimulate market interest, and competition, between potential suppliers;
 - Signal the intent to value and pursue secondary benefits with respect to health and safety, efficiency and social outcomes.
 - Address any market considerations ahead of the commencement of procurement processes.
15. An on-going programme of industry engagement, consisting of industry liaison meetings, collaboration workshops, regional industry briefings, external communications, and project specific procurement briefings will continue to support this programme to maintain strong relationships with industry.

Outcomes

16. This package provides NZTA with a unique opportunity to innovate and to drive a step change in how major infrastructure projects are delivered in New Zealand. Engagement with industry has covered the three key areas where the Transport Agency intends to focus:

Health and Safety

- Last year the Transport Agency started on a process of becoming a leader in Health and Safety outcomes. Through this programme we can drive this at pace in areas such as procurement, traffic management and critical risk assessment and management.

Delivery Efficiency

- This is all about how we design and build our projects – including smarter scheduling, better consent conditions, and exploring options for introducing 24/7 working.

Social Outcomes

- The Government has shown a desire for public sector to consider how it can help deliver wider public benefits, viewing infrastructure as not only an enabler of economic growth, but as a catalyst for delivering social, economic, and environmental benefits. This has been motivated by initiatives such as the Construction Sector Accord, Living Standards Framework, and new Government Procurement Rules. Each of the NZ Upgrade Programme projects has the potential to help deliver a set of wider public outcomes — including improved skills in the local construction industry, diversity in the workforce (particularly Maori and Pacifica), reduced waste-to-landfill and leaving a positive social legacy for the community.

Mill Road and Penlink

17. In order to deliver the Mill Road and Penlink projects through NZ Upgrade Programme investment, it has been confirmed that they will need to be designated as state highways. Until now, both projects were being developed by Auckland Transport as they have local road status. Discussions have taken place with Auckland Transport to confirm that both Mill Road and Penlink will be delivered by the Transport Agency as state highway projects and they understand the rationale for this.
18. The next step will be for state highway status to be legally declared, and any designations and consents transferred into the Transport Agency's (the Crown's name) where held. In addition, any properties along these proposed routes acquired by Auckland Transport to date will need to have the titles transferred.

Funding

19. The Transport Agency is working with the Ministry of Transport and the Treasury to access the funding that will enable the Transport Agency to successfully deliver the Upgrade Programme, including suggesting
- (a) procedures to streamline the drawdown process
 - (b) drawdowns based on monthly forecasts rather than in arrears given the scale of expenditure, and

(c) that a multi-year (rather than annual) appropriation is adopted.

These proposals are designed to avoid access to funding slowing down progress.

- 20. Until funding is drawn down, the Transport Agency is ring-fencing programme costs as they are incurred, to be repaid from the programme funding in due course and to ensure that we can continue at pace.

It is recommended that you:

- 1. Note the contents of this briefing.
- 2. **Forward** this briefing to Minister of Finance

Yes / No



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Brett Gliddon

General Manager, Transport Services

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Hon Phil Twyford, Minister of Transport

Date: 2020