

MINISTERIAL BRIEFING NOTE

Subject	NZ Upgrade Programme – Proactive Briefing
Date	13 November 2020
Briefing number	BRI-2055

Contact(s) for telephone discussion (if required)				
Name	Position	Direct line	Cell phone	1 st contact
Brett Gliddon	General Manager, Transport Services	s9(2)(a)		✓

Action taken by Office of the Minister

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- Withdrawn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

13 November 2020

Minister of Transport

NZ Upgrade Programme

Purpose

1. This briefing provides you with an overview of the Waka Kotahi NZ Transport Agency (Waka Kotahi) portion of the NZ Upgrade Programme (NZUP).

Background

2. NZUP is a \$6.8 billion investment over the next ten years in road, rail, public transport and walking and cycling infrastructure to get our cities moving, save lives and boost productivity.
3. As a part of this programme, Waka Kotahi has \$5.6 billion of funding to deliver 20 projects that will support a shift to greater transport choice.
4. Investment is in the growth areas of Northland, Auckland, Waikato/Bay of Plenty, Wellington, Canterbury and Queenstown.
5. NZUP will support ongoing economic growth throughout New Zealand. It provides a pipeline of work for the construction industry for the next decade – 800 to 1000 direct jobs as the first five projects get underway in the next 12 months. 7000 to 9000 indirect opportunities will be generated for the wider supply chain.
6. A map summarising the projects in the programme is provided in Appendix 1, and a status update on each project can be found in Appendix 2.
7. As part of NZUP, the Government allocated an additional \$300 million for regional investment opportunities. Thirteen state highway projects are being funded through this investment. These projects are being managed separately to the 20 projects mentioned in paragraph 3 and are therefore not covered in this briefing.

Activities over the last six months

8. An Establishment Report was endorsed by Ministers in September 2020 which sets out expectations for the programme and provides the base from which Waka Kotahi will report on the implementation of the programme.
9. The Government has delegated responsibility for decisions on the relevant part of the programme to the Waka Kotahi Board, within clearly defined parameters for scope, cost and delivery timeframes.
10. Waka Kotahi has established a programme management team, as well as a governance and delivery framework for delivery of the programme.
11. An NZUP oversight group has been established to provide ministers with assurance and independent advice on the projects being delivered by Waka Kotahi and KiwiRail.

12. Five projects are nearing construction, with \$2.4 billion in the market for construction and professional services procurement in 2020. They are:
 - a. Papakura to Drury South
 - b. Northern Pathway
 - c. Takitimu North Link (Tauranga Northern Link)
 - d. State Highway (SH) 58 Stage 2 Improvements
 - e. Penlink
13. Procurement processes are advancing for projects nearing construction, including requests for tender, shortlisting of suppliers, contract negotiations and procurement plan development. The first construction contracts are expected to be awarded before the end of the year.
14. Good progress has been made on developing the projects that are at business case phase, including design, preferred option development and community engagement. This will assist with the continuing work to better define the cost, scope, schedules and risks to deliver the outcomes of the 20 projects Waka Kotahi is delivering.
15. To ensure successful delivery of the programme, Waka Kotahi has implemented stronger governance and decision-making processes for NZUP projects and is advancing work to further define outcomes in collaboration with the Ministry of Transport, Treasury and KiwiRail. Waka Kotahi is also improving processes to speed up property purchase and implementing work to ensure genuine partnership with Māori.

Upcoming decisions

16. It has been agreed with the Ministry of Transport that the programme will be baselined by the end of March 2021 meaning that cost, scope to achieve outcomes, schedules and risks will be set out and agreed. This first programme baseline will form the basis of the NZUP implementation plan and will enable ministers to make strategic decisions on the programme scope and priorities.
17. Procurement decisions to award physical works contracts for SH58 and the first stage of Papakura to Drury South are expected before the end of 2020.

Risks and challenges

18. Many projects in the programme are still in early development. This means they require significant further work to confirm scope and improve the level of certainty with respect to their cost.
19. Cost pressures are being identified across a range of projects within the programme. Delivery of the current programme within the current funding allocation will be highly challenging.
20. We will continue to keep you informed of the latest information on cost through regular updates. The programme baselining in March 2021 will provide ministers with further information to inform decision making.
21. COVID-19 is continuing to have a range of implications, including impacts on council revenue for adjacent local projects, and landowner engagement constraints.
22. The scale of property purchase required for NZUP will increase to 200-300% of the typical Waka Kotahi property purchase programme in years 2 and 3 of NZUP and is a risk to timely delivery. In particular there are some risks regarding Māori owned land that will need to be carefully managed.

23. Consenting is still required to begin delivery of the majority of the projects. The extent of the work to gain consents and level of risks associated with securing approvals varies across the projects, however the risk could impact delivery timeframes and costs.

It is recommended that you:

1. **Note** the contents of this briefing



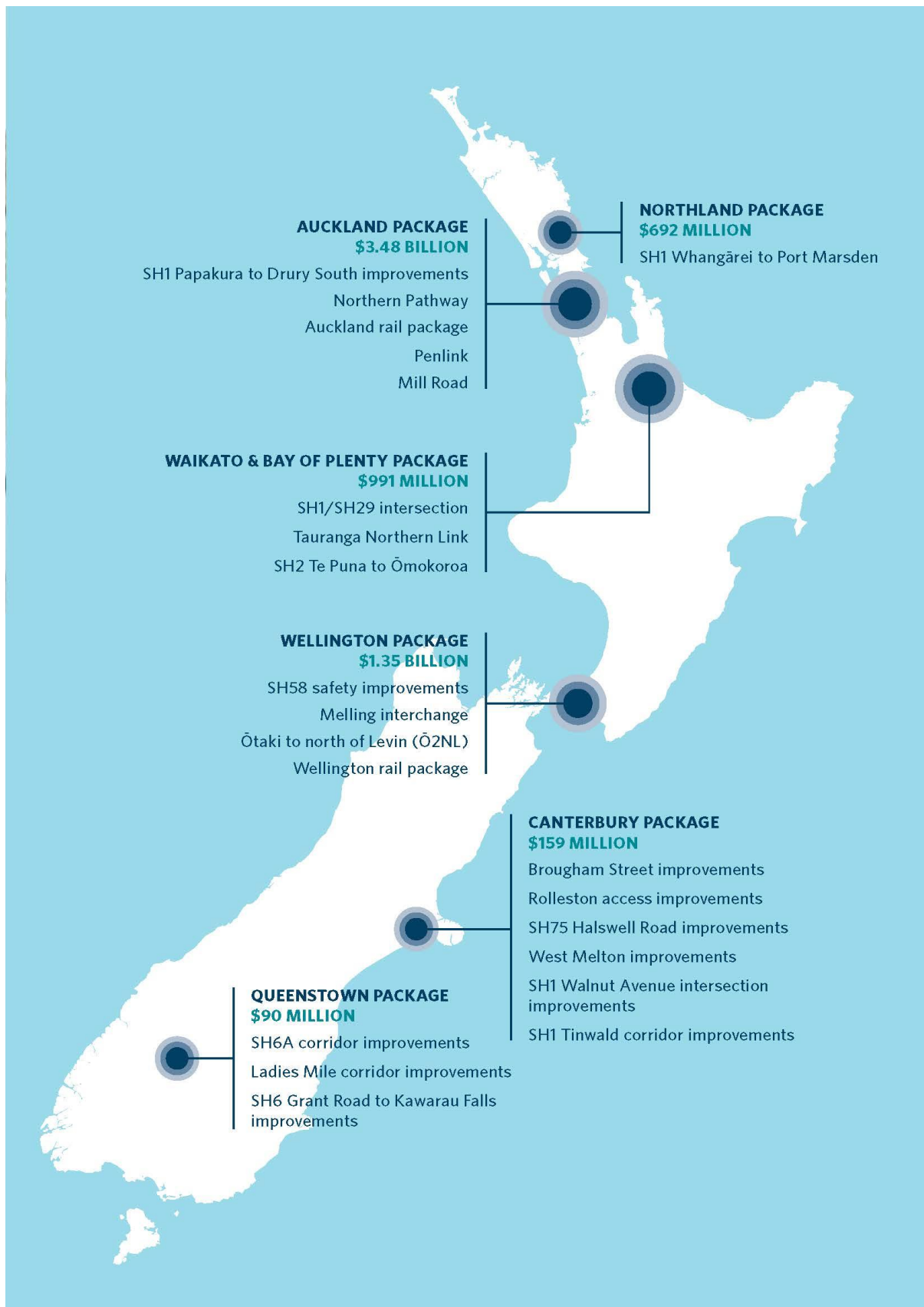
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Brett Gliddon

General Manager, Transport Services

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Hon Michael Wood, Minister of Transport

Date: 2020

Appendix 1 - New Zealand Upgrade Programme projects



Appendix 2: New Zealand Upgrade Programme project status

Project (crown funded)		Status
Northland	SH1 Whangarei to Port Marsden Highway	Single stage business case Progressing to plan towards construction start late 2023-early 2024. Public engagement was carried out between 2-23 October 2020 on the shortlisted options. The preferred option will be selected and communicated to landowners in late-November 2020, with public engagement following.
Auckland	SH1 Papakura to Drury South	Pre-implementation A request for tender has been issued to shortlisted contractors for construction of stage 1a, a contract is expected to be awarded by the end of the year. Funding for Stage 2 is still pending approval, Waka Kotahi has engaged with MoT and Treasury on a ministerial briefing.
	Northern Pathway Westhaven to Akoranga	Pre-implementation Cost risk was signalled to the Waka Kotahi Board as part of a procurement paper on the project. The interim project alliance has been developing options to develop a scope that can be delivered for the allocated funding.
	Penlink	Pre-implementation The project team has identified a high risk that the current scope will not deliver project outcomes without legislative changes to allow tolling for demand management purposes. A workstream to assess scope options is now underway and a draft report is expected soon for engagement with MoT and Treasury. Procurement for a Technical Advisor is underway, as well as work to develop procurement for an alliance to deliver the project.
	Mill Road Corridor	Single stage business case A detailed business case is currently underway through the Supporting Growth Alliance to identify the preferred option for the Central and Southern sections and complete the Resource Management Act designation process which will enable the preferred corridor to be used for the project at any point. The northern section has existing designations completed through Auckland Transport. An emerging risk is the cost estimate for the project may be higher than the funding allocated.
Waikato & Bay of Plenty	SH1/29 Intersection Improvements	Pre-implementation Currently working through strategies for consenting, communications and property. An emerging property risk may impact schedule, however completion of the detailed business case will mitigate this by allowing for earlier property negotiation.
	Takitimu North Link Stage 1 (Tauranga Northern Link)	Pre-implementation The project name, gifted by iwi and hapū, was changed from Tauranga Northern Link to acknowledge the cultural links and the landscape the project will run through. The Request for Tender for the design and construct contract, was released in September 2020. s9(2)(g)(i)
	Takitimu North Link Stage 2 (SH2 Omokoroa to Te Puna)	Pre-implementation The project name, gifted by iwi and hapū, was changed to acknowledge the cultural links and the landscape the project will run through. Several strategic and early property purchases are being reviewed.
Wellington	SH58 Safety Improvements - Stage 2	Pre-implementation Contract negotiations with a preferred contractor continue to progress on the first stage, with construction expected to begin in November 2020. The remaining more substantial and complex parts of the project (Stages 2b and 2c) have challenges with cost, consents and property requirements. Achieving the overall timeline for the delivery of Stage 2 is dependent on addressing these issues.

	SH2 Melling Efficiency and Safety Improvements	Pre-implementation Submission of the consent application documents was not met due to Greater Wellington Regional Council having an increase in land requirements for the river in order to achieve flood protection requirements. Issues associated with the river widening remain and all possible alternatives will need to be considered before reaching a final design decision. This has impacted on the project budget and scope.
	Otaki to North of Levin (O2NL)	Single stage business case In September 2020 engagement with landowners and the community was carried out on a technically preferred option as part of an 18-24-month process to finalise the preferred alignment. A new approach for considering advance property purchase requests is now in place.
Canterbury	Brougham St Corridor Improvements	Single stage business case The project team have identified a preferred option that includes additional "managed" lanes on Brougham St. Engagement with Christchurch City Council is being carried out before public engagement. Work continues to finalise the business case.
	Rolleston Transport Improvements	Programme business case The wider Rolleston Transport Improvements Programme Business Case is nearing completion and the NZUP project component of the programme business case is being initiated. Procurement Plan is in development.
	SH75 Halswell Rd Improvements	Single stage business case Business case funding has been approved and work is now underway, with options being consulted with stakeholders later this year. A professional services contract has been awarded.
	SH73 Weedons-Ross Road Intersection	Single stage business case A shortlist of options for the business case have been developed and engagement with stakeholders and Iwi on the options is underway. Other recent activity has included a topographical survey and traffic survey.
	Walnut Avenue Intersection Improvements	Pre-implementation The design submission is complete and the project can be constructed following a design review and resolution of property matters. Waka Kotahi is now working to complete all required land purchases.
	Tinwald Corridor Improvements	Single stage business case A contract for professional services is due to be awarded soon. Work is under on developing a shortlist of options for the business case.
Queenstown	SH6A Corridor Improvements	Single stage business case Queenstown Lakes District Council (QLDC) and Waka Kotahi are entering an alliance to deliver a number of cornerstone projects in Wakatipu, including the NZUP funded projects and the QLDC/Shovel Ready funded projects. All NZUP funded activities will be delivered in one integrated package as part of the existing SH6A and Town Centre business case. The business case is due to be approved by the end of the year.
	SH6 Ladies Mile Stage 2 NZUP	
	Grant Rd to Kawarau Falls Bridge Improvements (incl. Frankton Bus Hub)	

Key to status:

