



Cabinet

Minute of Decision

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The New Zealand Upgrade Programme: Update on Programme Options

Portfolios **Finance / Transport**

On 31 May 2021, Cabinet:

Background

- 1 **noted** that on 29 January 2020, the government announced \$12 billion of capital investment through the New Zealand Upgrade Programme (the Programme) to future proof the economy;
- 2 **noted** that the Programme reflects the government's balanced transport policy, with \$6.8 billion of Crown capital investment in road, rail, public transport, and walking and cycling infrastructure across New Zealand;
- 3 **noted** that on 21 July 2020, the Cabinet Priorities Committee noted that:
 - 3.1 the Minister of Finance and Minister of Transport (Joint Ministers) had delegated responsibility to approve the Establishment Reports (outlining objectives, scope, timeframe and budget);
 - 3.2 Joint Ministers have the authority to make further delegations for decision making to the respective agency Boards;
 - 3.3 an Oversight Group had been established to provide Programme level assurance and regular reporting to Joint Ministers on the delivery of the Programme;

[CPC-20-MIN-0006]

Additional Crown funding

- 4 **noted** that when the Programme was first announced, some of the more significant projects were still in the early stages, with detailed project information still being developed;
- 5 **agreed** to provide additional Crown funding of \$1.926 billion to take forward a revised package of Programme transport investments that balances the delivery of the majority of projects in line with their original scope and manages the fiscal cost for taxpayers;
- 6 **noted** that the additional Crown funding will be structured to provide Joint Ministers with levers to manage calls on Crown funding, support value for money, and incentivise Waka Kotahi New Zealand Transport Agency and KiwiRail to deliver in a cost efficient manner;

- 7 **agreed** that the additional Crown funding referred to in paragraph 5 above include:
- 7.1 \$240 million of additional contingency to manage residual risk in the Programme;
 - 7.2 \$1,686 million to provide sufficient funding for the agreed projects to progress at their new cost estimates;
- 8 **noted** that Joint Ministers will advise the Boards of Waka Kotahi and KiwiRail of the processes for allocating and managing contingency across projects and the Programme;
- 9 **agreed in principle, subject to** paragraph 15 below, that the following projects proceed to delivery, with funding allocations based on the following revised cost estimates:
- 9.1 SH58 (\$105 million at P50);
 - 9.2 SH1/29 (\$40 million at P50);
 - 9.3 Takitimu North Link Stage 1 (\$655 million at P50);
 - 9.4 Papakura to Drury South Stage 1 (\$655 million at P50);
 - 9.5 Canterbury Package (\$300 million at P95);
 - 9.6 Queenstown Package (\$115 million at P50);
 - 9.7 Wiri to Quay Park (\$318 million at P95);
 - 9.8 Papakura to Pukekohe electrification (\$375 million at P95);
 - 9.9 Wellington Railway Station safety (\$88 million at P95);
 - 9.10 Wairarapa Rail Upgrades (\$156 million at P95);
 - 9.11 Capital Connection Interim replacement rolling stock (\$26 million at P95);
- 10 **agreed in principle, subject to** paragraph 15 below, that the following higher-risk projects proceed to delivery, with funding allocations based on the following revised cost estimates:
- 10.1 Drury Rail Stations (three stations) (\$495 million at P95);
 - 10.2 Melling (\$420 million at P95);
 - 10.3 Penlink (\$830 million at P95);
 - 10.4 Northern Pathway (\$785 million at P95);
 - 10.5 Ōtaki to North of Levin (\$1,500 million at P95);
- 11 **authorised** Joint Ministers to further investigate the following rescoped projects with the following funding allocations:
- 11.1 Whangārei to Port Marsden (\$692 million);
 - 11.2 the South Auckland projects (Mill Road and SH1 Papakura to Drury South Stage 2) (\$874 million);

12 **authorised** Joint Ministers to make investment decisions on the rescoped projects referred to in paragraph 11 above, **subject to**:

12.1 more satisfactory information regarding scope, cost and schedule;

12.2 the completion of a satisfactory Detailed Business Case for proposals within each corridor;

12.3 consultation with the Minister of Housing in relation to the South Auckland projects;

13 **invited** Joint Ministers to report back to Cabinet on the outcomes of the decisions described in paragraph 12 above;

Financial implications

14 **agreed** to establish a tagged capital contingency of up to the amount below in Vote Transport to provide for the policy decisions in paragraphs 5 to 12 above (the tagged capital contingency):

	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25
New Zealand Upgrade Transport Projects – Tagged Capital Contingency	-	1,926	-	-	-

15 **authorised** the Minister of Finance and Minister of Transport (as Joint Ministers) to draw down the tagged capital contingency funding on a project-by-project basis, **subject to**:

15.1 establishing parameters for managing access to programme and project contingency, based on advice from officials and the New Zealand Upgrade Oversight Group;

15.2 Climate Implications of Policy Assessments (CIPAs) being completed for individual projects and the Programme as a whole;

16 **authorised** Joint Ministers to determine the processes and allocations for managing the tagged capital contingency in accordance with the parameters outlined above;

17 **agreed** that the tagged capital contingency be charged to the Multi-Year Capital Allowance;

18 **agreed** that the tagged capital contingency will expire on 30 June 2031;

19 **noted** that the CIPA requirements (Cabinet Office Circular CO (20) 3) would ordinarily require a CIPA to have been conducted for these proposals;

20 **noted** that officials are still completing CIPAs for individual projects, and the Programme as a whole;

21 **noted** that the authority of the Joint Ministers to draw down on the tagged capital contingency is not available until the CIPA work has been completed and considered by Joint Ministers and the Minister for Climate Change;

22 **noted** that, when emissions impacts are modelled for the Programme, Waka Kotahi and KiwiRail will share the analysis with the Ministry for the Environment’s CIPA team;

Route protection

- 23 **agreed** that route protection for Mill Road, Papakura to Drury South Stage 2, and Whangārei to Port Marsden not be funded from within the Programme;
- 24 **agreed** that route protection for Takitimu North Link Stage 2 be funded from within the Programme (\$57 million);

Communications and monitoring

- 25 **authorised** Joint Ministers, in consultation with the Prime Minister and other relevant Ministers, to approve any communications or announcements on the Programme so that affected communities can be appropriately informed;
- 26 **noted** that an initial decision has been undertaken by Cabinet that the Programme will be monitored by the Implementation Unit [CAB-21-MIN-0071], and that Cabinet will receive regular updates on the delivery of the Programme;
- 27 **noted** that there will continue to be appropriate monitoring and oversight arrangements for the Programme to protect the Crown's interests, as well as continuing to support the successful delivery of the Programme going forward;
- 28 **noted** that officials will report back to Joint Ministers on the appropriate level of oversight and monitoring arrangements for the Programme, including a robust drawdown process for the tagged capital contingency, and that a Cabinet decision on the Programme's oversight and monitoring will be required;
- 29 **invited** Joint Ministers to report back to Cabinet on any revisions to the oversight and monitoring arrangements, as well as implications for the proposed parameters for accessing the tagged capital contingency.

Michael Webster
Secretary of the Cabinet