

MIN-3576 Detailed Breakdown of NZUP Cost Increases

26 May 2021

Minister Woods office has sought further advice about the cost increases for each of the NZ Upgrade Programme Projects, broken down by:

- Change in scope
 - Cost escalation due to timing
 - Increased property acquisition costs
 - Contingency
 - Changes in assumptions around ground conditions (if separable from scope change, if not a description of how that has affected projects)
 - Changing standards and specifications (if separable from scope change, if not a description of how that has affected projects).
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Background

1. Information on the key baselining findings were reported to Ministers on 15 April 2021 [BRI-2158 refers]. This briefing summarised that the Waka Kotahi elements of the NZ Upgrade Programme have increased from \$5.6 billion (as identified in the Establishment Report) to an estimated \$10 billion (P50) to \$12 billion (P95).
2. The information provided in this paper refers to further decisions made by Joint Ministers in response to Briefing OC210362 / T2021/1216 NZUP – *Advice on the remaining programme options*.
3. Appendix A contains details at a project level, broken down into the categories requested. The cost change totals reflect the difference between the funding allocation and current baseline P50 estimates.
4. The primary factors contributing to the cost increases are:
 - **Non-property cost escalation (\$692 million):** over the original 10-year lifespan of the project the design and construction costs will increase. Cost escalation was not included in the initial budget allocations.
 - **Property increase (\$676 million):** due to market conditions and an increased number of properties now required.
 - **Contingency (\$674 million):** this has increased due to the level of uncertainty across the programme.
 - **Other (\$2,362 million):** the change in cost was different and complex for each project. This column includes scope changes, changes in assumptions and changes due to updated standards and specifications

Appendix A:

Project	Ministers' decision 13 May 2021	Establishment Report funding allocation	Cost change estimates (P50)				NZUP Baseline Report P50 estimate	Cost change comments
			Other	Property	Contingency	Escalation (Non -property)		
Northland								
Whangārei to Port Marsden	Seek Cabinet approval to rescope for rail and safety	\$692m	\$217m	\$114m	\$82m	\$95m	\$1,200m	<ul style="list-style-type: none"> Increase in property numbers by 66%. Specification and standards - climate change resilience and route refinement.
Auckland								
Penlink	Approved in Principle	\$411m	\$221m	-\$3m	\$77m	\$34m	\$740m	<ul style="list-style-type: none"> Specifications and standards Inclusion of full-length cycle way with significant ground retainment requirements
Mill Road	Seek Cabinet approval to rescope South Auckland package	\$1,354m	\$607m	\$389m	\$283m	\$267m	\$2,900m	<ul style="list-style-type: none"> Ground conditions less favourable than anticipated Transfer of Mill Rd intersection to P2DS. Multiple local road integration Increase in property numbers and values
Papakura to Drury South Stage 1	Approved in Principle	\$423m ¹	\$309m	\$32m	\$9m	\$33m	\$655m	<ul style="list-style-type: none"> Ground conditions less favourable than anticipated Climate change resilience Specifications and standards – bridges, retaining walls and noise walls
Papakura to Drury South Stage 2	Seek Cabinet approval to rescope South Auckland package		\$217m	\$91m	\$24m	\$27m	\$510m	<ul style="list-style-type: none"> Ground conditions less favourable than anticipated Transfer of Mill Rd intersection Replacement of KiwiRail bridges and Drury interchange Climate change resilience
Northern Pathway	Seek Cabinet approval to proceed	\$360m	\$347m	-\$3m	\$34m	\$22m	\$760m	<ul style="list-style-type: none"> Scope change – new piers in harbour Geotechnical concerns
Waikato and Bay of Plenty								
SH1/29 Interchange ²	Approved in Principle	\$58m	-\$21m			\$3m	\$40m	<ul style="list-style-type: none"> Improvement in risk confidence
Takitimu North Link Stage 1	Approved in Principle	\$478m	\$126m	-\$10m	\$28m	\$33m	\$655m	<ul style="list-style-type: none"> Standards and Specifications – pavement surface, local road sealing, bridge structure Ground conditions less favourable than anticipated.

Project	Ministers' decision 13 May 2021	Establishment Report funding allocation	Cost change estimates (P50)				NZUP Baseline Report P50 estimate	Cost change comments
			Other	Property	Contingency	Escalation (Non -property)		
Takitimu North Link Stage 2	Fund through NLTF	\$455m	\$24m	\$12m	\$16m	\$38m	\$545m	<ul style="list-style-type: none"> Standards and specifications – pavement surface and local road sealing Inclusion of shared cycle way
Wellington								
SH58 Safety Improvements (Stage 2)	Approved in Principle	\$59m	\$13m	\$5m	\$22m	\$6m	\$105m	<ul style="list-style-type: none"> Standards and specifications – pavement capacity increase, noise mitigation.
Melling Interchange	Approved in Principle	\$258m	\$71m	-\$3m	\$26m	\$23m	\$375m	<ul style="list-style-type: none"> Scope changes – increased flood protection, local road tie-ins
Ōtaki to north of Levin	Seek Cabinet approval to proceed	\$817m	\$179m	\$49m	\$73m	\$82m	\$1,200m	<ul style="list-style-type: none"> Property value increase Standards and specifications – increased earthworks (significant hill cut), pavement requirements Ground conditions less favourable than anticipated.
South Island								
Canterbury Package ³	Approved in Principle	\$159m	\$35m	\$2m		\$22m	\$218m	<ul style="list-style-type: none"> Property value increase Scope changes - KiwiRail requirements at Rolleston
Queenstown Package ⁴	Approved in Principle	\$90m	\$17m	\$1m		\$7m	\$115m	<ul style="list-style-type: none"> Scope changes – inclusion of large signalised interchange and Frankton bus interchange
Totals		\$5,614m	\$2,362m	\$676m	\$674m	\$692m	\$10,018m	

1 – Original P50 total estimate for Papakura to Drury South included both stages 1 and 2.

2 – No estimates were provided for property or contingency within the Establishment Report.

3 – Total Scope change value for Canterbury Package includes contingency cost changes

4 – Total Scope change value for Queenstown Package includes contingency cost changes