

## MINISTERIAL BRIEFING NOTE

<b>Subject</b>	NZ Upgrade Programme – Upcoming decisions
<b>Date</b>	16 December 2020
<b>Briefing number</b>	BRI-2090

Contact(s) for telephone discussion (if required)				
Name	Position	Direct line	Cell phone	1 <sup>st</sup> 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- Withdrawn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

16 December 2020

**Minister of Transport**

**Minister of Finance**

## NZ UPGRADE PROGRAMME – UPCOMING DECISIONS

### **Purpose**

1. This briefing provides information on a number of significant decisions that need to be made prior to, and immediately following completion of the baselining exercise in March 2021.
2. Each of the decisions outlined in Attachment 1 are critical to maintaining the rate of delivery for the programme, with any delays potentially having significant impacts on project costs and timeframes.
3. These decisions will maintain momentum for the programme but do carry risk given the cost to deliver the current programme outcomes and scope will be significantly higher than the current \$5.6b funding allocation for the Waka Kotahi-led projects.
4. It seeks Joint Minister approval for Waka Kotahi to progress with each of these decisions prior to the baselining being completed and reported back to Ministers.

### **Background**

5. In late-2019, the Government asked for information about a package of projects that could be delivered with additional Crown funding. A number of projects were put forward as potential candidates for inclusion in the package, with a lower and upper cost estimate being provided for each project. The Government elected to approve funding at the mid-point of the lower and upper estimates.
6. Due to the early stage of development of many of the projects that had been put forward, it was noted that there was a risk that the funding allocation would be insufficient to deliver the full package.
7. The Government announced the details of the NZ Upgrade Programme in January 2020, with \$6.8 billion being invested across 24 projects in rail, roads, public transport and walking and cycling infrastructure throughout New Zealand.
8. Waka Kotahi and KiwiRail are now undertaking a baselining exercise to provide the latest understanding on project scope, cost, schedule and risk across the whole programme. We anticipate completing this by the end of March 2021 and subsequently reporting back to Joint Ministers.
9. This is particularly important considering the cost pressures on the programme. As previously advised, we expect that this baselining will further confirm that the funding allocation is not sufficient to achieve the current outcomes and scope proposed in the programme.
10. This first programme baseline will enable decision makers to make strategic decisions on the programme scope and priorities.

11. It should be noted that this baseline will be our understanding one year into a 10-year programme. Significant uncertainties and risk on cost and schedule will remain even with completion of the baselining and will need ongoing management over coming years.
12. Due to the critical role the NZ Upgrade Programme will play in the economic recovery of New Zealand, Waka Kotahi recognises the expectation and need for the programme to be delivered at pace.
13. There are a number of decisions that will need to be made before completion of the baselining exercise and shortly after that, if delayed, will have a significant impact on the successful and timely delivery of the programme.
14. However, noting the cost to the deliver current programme outcomes and scope will be significantly higher than the current funding allocation, Waka Kotahi will slow down progression of the programme until after the baselining is completed if this is the preferred approach of Joint Ministers.

### Upcoming decisions

15. Up to \$900 million of decisions are anticipated between now and June 2021 (and therefore before completion of baselining or potentially before subsequent strategic decisions have been made).
16. These are summarised below, with further detail in Attachment 1:
  - **Contracts:** The major decisions primarily relate to physical works contract awards for implementation stages of the first five projects. The most significant of these are contract awards for Takitimu North Link (\$420m contact) and Stage 1A of Papakura to Drury South (\$140m contact). Both contract decisions are required by or before March 2021.
  - **Property acquisitions:** Of significance is the Mill Road Corridor project, with the decision to approve commencement of acquisitions for the northern section, resulting in an estimated cost of \$3 million by June 2021. This is part of the total property acquisition cost for the northern section of approximately \$120 million. Other acquisitions are substantially smaller, such as Papakura to Drury South (\$3m by June 2021, with an overall cost of \$35 million).
  - There are also non-contractual decisions that, while not having direct financial impacts, do increase expectations of future expenditure. Most notably up to June 2021, this relates to landowner and community engagement for Mill Road, Otaki to North of Levin and SH1 Whangarei to Port Marsden. It also includes upcoming designation and consent lodgements, such as Stage 1B for Papakura to Drury South.

### Next Steps

17. Subject to your agreement, Waka Kotahi will continue to deliver the programme to the milestones and decisions set out in Attachment 1.
18. Alternatively, some or all key decisions included in Attachment 1 could be put on hold until the baselining activity has been completed and programme options have been presented to Ministers. Placing some key programme decisions on hold would require further discussion with Ministers.

**It is recommended that you:**

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|---|--------|
| 1. <b>Note</b> the contents of this briefing  | Noted  |
| 2. <b>Advise</b> Waka Kotahi of Joint Ministers preference to either:   |        |
| a) proceed with all significant decisions outlined in Attachment 1  | Yes/No |
| or  |        |
| b) proceed with some significant decisions outlined in Attachment 1 and place others on hold until baselining is complete in March 2021 (further advice will be sought if this is the preferred option) | Yes/No |
| or  |        |
| c) put all major decisions outlined in Attachment 1 on hold until baselining is complete in March 2021  | Yes/No |



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**Brett Gliddon**

General Manager, Transport Services

Date: 16 December 2020










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**Hon Michael Wood, Minister of Transport**

Date:

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**Hon Grant Robertson, Minister of Finance**

Date:

## Attachment 1 – Upcoming decisions

Theme	Project Name	Summary	Estimated value	Decision date	Funding allocation (\$m)	Current budget RAG	Critical path?
Property Acquisition	SH1 Papakura to Drury South	Property acquisition for stage 1B	\$4m to June 21 (of total \$35m)	Mar-21	423.0		Yes
	Mill Road	Initial acquisitions for northern section	\$3m to June 21 (of north section total \$120m)	March-21	1354.0		Yes
	Various	Early purchases	\$15m	June-21	-	-	Yes
Contracts	Penlink	Professional Services Contract	\$4.4m contract	Dec-20	411.0		Yes
	Papakura to Drury South	Physical Works Contract Award	\$140m contract	March-21	423.0		Yes
		Professional Services Contract Variation	\$18m contract	March-21			Yes
	Takitimu Northern Link Stage 1	Physical Works design Contract Award	\$420m contract	Feb-21	478.0		Yes
	Canterbury Package	Physical Works Contract Award - Walnut Avenue	\$10m contract	Dec-20	159.0		Yes
	Queenstown Package	Physical Works Contract Award	\$5m contract initially to June 21	Feb-21	90.0		Yes
Landowner and community engagement	Whangarei to Port Marsden	Landowner engagement, refined preferred route	Non-contractual	Feb-21	692.0		Yes
	Mill Road	Landowner engagement for final preferred route	Non-contractual	Feb-21	1354.0		Yes
	Otaki to North of Levin	Landowner engagement, refined preferred option	Non-contractual	Feb-21	817.0		Yes
Consent Lodgement	Papakura to Drury South	Stage 1B	Non-contractual	March-21	423.0		Close to critical path
	SH2 Melling Improvements	New SH designations	Non-contractual	May-21	258.0		
	Queenstown Package	New SH designations	Non-contractual	Jun-21	90.0	