

Update on the transport aspects of the New Zealand Upgrade Programme

Reason for this briefing	To provide you with a draft paper to update Cabinet on the delivery of the transport aspects of the New Zealand Upgrade Programme.
Action required	Consider the draft Cabinet paper and inform Ministry of Transport and Treasury officials of any changes you would like to make.
Deadline	Monday, 25 May 2020.
Reason for deadline	To ensure any revisions to the draft Cabinet paper can be made before cross party consultation begins, and a final draft is provided to you for lodging with Cabinet Office on 4 June 2020.

Contact for telephone discussion (if required)

To protect the privacy of individuals

Name	Position	Telephone	First contact
Helen White	Manager, Investment, Ministry of Transport	[REDACTED]	✓
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MINISTER'S COMMENTS:

Date:	Tuesday, 19 May 2020	Briefing number:	OC200406 T2020/1565
Attention:	Hon Grant Robertson (Minister of Finance) Hon Phil Twyford (Minister of Transport)	Security level:	In-confidence

Minister of Transport's office actions

- Noted*
 Seen
 Approved
- Needs change*
 Referred to
- Withdrawn*
 Not seen by Minister
 Overtaken by events

Purpose of report

1. The purpose of this briefing is to provide you with a draft paper to update Cabinet on the delivery of the transport aspects of the New Zealand Upgrade Programme (the Programme).

A draft Cabinet paper has been prepared for you to commence cross party consultation

2. You previously directed the Ministry of Transport (the Ministry) and Treasury officials to provide you with a draft paper to update Cabinet on the delivery of the transport aspects of the Programme.
3. If Joint Ministers agree to commence cross party consultation on the draft Cabinet paper, we will undertake agency consultation with both Waka Kotahi NZ Transport Agency (Waka Kotahi) and KiwiRail alongside this process.

Decisions will be delegated to maintain the delivery momentum of the Programme

4. Waka Kotahi and KiwiRail have been progressing with a number of transport projects in the Programme, which is consistent with the Ministerial direction to complete the work as soon as possible. The transport agencies have indicated that further decisions will be required in the coming months to optimise and accelerate the delivery of the Programme.
5. In order to maintain delivery momentum, we understand that you intend to delegate all decisions on the transport aspects of the Programme to the respective entity Boards. This will ensure the delivery agencies have the certainty they need to make the necessary decisions on the transport aspects of the Programme which will ensure projects can continue at pace to respond to the impacts of COVID-19.

The Oversight Group will provide assurance on any significant decisions, risks or concerns on the transport aspects of the Programme

6. Given the Programme is the single largest transport investment directly funded by the Crown, Ministry and Treasury officials consider it is important for Joint Ministers to have a higher level of certainty and assurance than would typically be the case for projects funded through the National Land Transport Fund (NLTF).
7. The New Zealand Upgrade Programme Oversight Group (the Oversight Group) will be established as the key mechanism to manage the level of risk that sits with the Crown.
8. The Oversight Group will be tasked with providing high level strategic oversight and regular reporting to ensure that Joint Ministers are receiving integrated and independent advice on delivery across the Programme. This group will brief Joint Ministers on any significant decisions, concerns or risks as well as any cost savings and efficiencies across the transport aspects of the Programme.

Next steps

9. The Ministry and the Treasury will reflect any revisions in the draft Cabinet paper before cross party consultation begins.

Recommendations

10. The recommendations are that you:

- (a) **agree** the draft Cabinet paper on the delivery of the transport aspects of the New Zealand Upgrade Programme is circulated for cross-party consultation Yes/No

Helen White
Manager, Investment
Ministry of Transport

David Taylor
Manager, National Infrastructure Unit
The Treasury

MINISTERS' SIGNATURES:

Hon Phil Twyford
Minister of Transport

Hon Grant Robertson
Minister of Finance

DATE:

DATE:

Proactively released by the
Ministry of Transport
and Treasury

In Confidence

Office of the Minister of Finance
Office of the Minister of Transport

Chair, Cabinet Economic Development Committee

The New Zealand Upgrade Programme – an update on transport projects

Purpose

1. This paper provides an update on the delivery of the transport aspects of the New Zealand Upgrade Programme (the Programme).

Executive summary

2. On 29 January 2020, we announced that the Government would invest \$12 billion in capital to future proof and grow our economy. This included \$6.8 billion of Crown investment in transport infrastructure across New Zealand.
3. The Programme is an agreed set of projects across rail, road, public transport, cycling and walking.
4. Good progress is being made with Waka Kotahi NZ Transport Agency (Waka Kotahi) and KiwiRail (the agencies) progressing a number of projects in the Programme, consistent with our Ministerial direction to commence the work as soon as possible.
5. The Programme is an important fiscal stimulus to respond to economic impacts of COVID-19 and the agencies have indicated that they are exploring opportunities to leverage their existing procurement processes and approaches to streamline the delivery of the Programme. The agencies have indicated that further decisions will be required in the coming months to optimise and accelerate the delivery of the Programme.
6. Under the Programme, the Crown is entering into a purchasing arrangement with Waka Kotahi and KiwiRail to deliver specified projects and expected outcomes. Relative to the arrangements under the Land Transport Management Act 2003, Ministers have a more direct responsibility for overseeing the use of funding directly provided by the Crown.
7. In order to maintain momentum, the Minister of Finance and Minister of Transport (Joint Ministers) intend to delegate project decisions in the Programme that are consistent with the intent of the Programme and the Establishment Reports to the respective agency Boards.
8. This will ensure the delivery agencies have the certainty they need to make the necessary decisions in the Programme which will ensure projects can continue at pace to respond to the impacts of COVID-19.

9. We have also established the New Zealand Upgrade Programme Oversight Group (the Oversight Group) as a key mechanism to oversee delivery of the Programme. The Oversight Group is tasked with providing high level strategic oversight and regular reporting to ensure that Joint Ministers are receiving integrated and independent advice on delivery across the Programme. The group will brief Joint Ministers on progress, concerns or risks, as well as any cost savings and efficiencies across the Programme.

Background

10. On 29 January 2020, we announced that the Government would invest \$12 billion in capital in order to future proof and grow our economy.
11. This significant capital investment reflects the Government's commitment to addressing our nation's infrastructure deficit, while also providing a vital economic stimulus to firms and households in response to the impacts of COVID-19.
12. This included \$6.8 billion of Crown investment in transport infrastructure across New Zealand. Our transport delivery partners, Waka Kotahi and KiwiRail, are already in procurement, or about to commence procurement on many projects, and decisions are required to maintain the pace of the Programme. This is particularly important in light of the unexpected and significant impact that COVID-19 has had on the economy.

The Crown is purchasing the transport projects directly from the delivery agencies

13. Crown investment in the Programme is different from the standard process of funding land transport projects through the National Land Transport Fund (NLTF). Under the Land Transport Management Act (LTMA) 2003, the permanent responsibility and accountability of project selection and delivery through the National Land Transport Programme sits with the Waka Kotahi Board.
14. Under the Programme, the Crown is entering into a purchasing arrangement with Waka Kotahi and KiwiRail to deliver specified transport projects and expected outcomes outside of permanent legislation. Relative to the arrangements under the LTMA, Ministers have a more direct responsibility for overseeing the use of funding directly provided by the Crown.
15. In November 2019, Cabinet authorised Budget Ministers to take decisions on the final details of the Programme, including allocating funding between portfolios as well as any associated operating funding that was required [CAB-19-MIN-0572 refers].
16. Subsequently, Budget Ministers agreed to allocate \$6.8 billion of Crown capital for transport projects, with further decisions on the detailed list of projects delegated to the Minister of Finance and Minister of Transport (the Joint Ministers). This approach requires Waka Kotahi and KiwiRail to seek Joint Ministers' approval at regular intervals in order to progress with the Programme.

The delivery agencies are progressing with the Programme

17. Since 29 January 2020, Waka Kotahi and KiwiRail have been progressing a number of projects in the Programme, which is consistent with the Ministerial direction to commence the work as soon as possible. This includes the preparation of detailed designs, the completion of business cases, property purchases, and commencing or progressing with procurement so construction on projects can get underway.
18. Over \$3 billion worth of projects have progressed in June 2020, with five major projects in Auckland, Wellington and Tauranga each a step closer to construction.
19. Waka Kotahi has issued an Advanced Notice seeking registrations of interest from prequalified and experienced contractors for improvements on Auckland's Southern Motorway (SH1) between Papakura and Drury South, Tauranga Northern Link in the Bay of Plenty and the Penlink connection from the Northern Motorway (SH1) to the Whangaparaoa Peninsula, north of Auckland.
20. A short update on all projects is attached as appendix one.
21. The Programme will be an important fiscal stimulus to respond to the economic impacts of COVID-19. The agencies have also indicated that further decisions are required in the coming months to optimise and accelerate the delivery of the Programme. As a result of this, the agencies are exploring opportunities to leverage their existing procurement processes and approaches to streamline the delivery of the Programme.

Decisions will be delegated to maintain the delivery momentum of the Programme

22. Joint Ministers intend to delegate project decisions that are consistent with the intent of the Programme and the Establishment Reports to the respective agency Boards to maintain the delivery momentum of the Programme. This excludes decisions where project scope, outcomes, costs and timeframes are substantially changed.
23. This will provide the delivery agencies with certainty to make the necessary decisions on the Programme, and ensure transport projects continue at pace to respond to the impacts of COVID-19. This is similar to the standard practice of delivering major land transport projects that are funded through the Crown, where the respective agency Board is responsible for the delivery governance of its own projects within the overall parameters set by the Crown.
24. Although these agencies are well equipped to deliver transport infrastructure, given that the Programme comprises is the single largest transport investment directly funded by the Crown, we have also established an Oversight Group to provide programme level assurance on the delivery of the Programme.
25. The Oversight Group is a key component for mitigating the level of risk that sits with the Crown. It is tasked with providing high level strategic oversight and regular reporting to ensure that Joint Ministers are receiving integrated and independent advice on the delivery across the Programme.

26. Waka Kotahi have also established a separate governance board with senior executives from KiwiRail and an independent chair to manage the delivery of the Programme.

Financial, legislative and population Implications

18. There are no financial, legislative or population implications arising from this paper.

Impact Analysis

16. Impact analysis requirements do not apply to the proposals in this paper.

Climate Implications of Policy Assessment

17. As substantive policy decisions have already been made on the Programme, a Climate Implications of Policy Assessment is not required.

Human Rights

18. The proposals in this paper are not inconsistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

19. This paper was prepared by the Treasury and the Ministry of Transport. Waka Kotahi and KiwiRail were both consulted on this Cabinet paper. The Department of the Prime Minister and Cabinet was informed.

Communications

20. No announcements will be made regarding the proposals in this paper.

Proactive Release

21. This paper will be proactively released within 30 business days of decisions being confirmed by Cabinet

Recommendations

We recommend that the Committee:

1. **note** that on 29 January 2020, the Government announced \$12 billion capital investment through the New Zealand Upgrade Programme (the Programme) to future proof our economy
2. **note** 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. **note** that on 4 November 2019, Cabinet authorised Budget Ministers to take decisions on the final details of what was then known as the capital investment package [CAB-19-MIN-0572 refers]
4. **note** that, subsequent to the decision on the capital investment package [CAB-19-MIN-0572 refers], Budget Ministers agreed to further delegate decisions on the detailed list of transport projects to the Minister of Finance and Minister of Transport
5. **note** that the Minister of Finance and Minister of Transport have the authority to take all future decisions on the Programme, including the approval of the Establishment Reports and subsequent baselines which outline the objectives, scope, timeframes and budgets for the Programme
6. **note** that the Minister of Finance and Minister of Transport have the authority to make further delegations for decision making to the respective agency Boards
7. **note** that the Minister of Finance and Minister of Transport intend to delegate the responsibility for project decisions to the respective agency Board on the basis that these decisions are consistent with the intent of the Programme and the objectives, scope, timeframes and budgets set out in the Establishment Reports
8. **note** that we have established the New Zealand Upgrade Programme Oversight Group to provide programme level assurance and regular reporting to Joint Ministers on the delivery of the Programme

Authorised for lodgement

Hon Grant Robertson
Minister of Finance

Hon Phil Twyford
Minister of Transport

Appendix one

Projects in the Programme and their expected construction start dates, based on information available as of June 2020:

SH1 Whangarei to Port Marsden (Late 2023 / Early 2024)

- Progressing professional services contract to recommence the business case.
- This business case will confirm the preferred option for the upgrade of this corridor.

Northern Pathway (Early 2021)

- Procurement process underway to vary current tender process and direct award contract to a consortium of the two shortlisted tenderers.
- Public engagement on preferred design recently completed.

Penlink (Late 2021)

- Registration of Interest was released to market on 19 May 2020, which commences the procurement process for the construction contract.
- Procurement of Technical Advisors to support the procurement process progressing.
- Progressing transfer of property from Auckland Transport.

SH1 Papakura to Drury South Improvements (Late 2020)

- Registration of Interest was released to market on 19 May 2020, which commences the procurement process for the construction contract.
- Design phase also progressing.

Papakura to Pukekohe Electrification (June 2020)

- Preferred contractor selected on 15 May 2020 and finalising contract negotiations.
- Block of Line planning is continuing in parallel.

Wiri to Quay Park Corridor Improvements (September 2020)

- Design work is continuing.
- The unsuccessful bidders for Papakura to Pukekohe are now invited to participate in a closed tender on Wiri to Quay Park with a target selection date of 15 July 2020 which is six months earlier than originally planned.

Drury rail stations (2023)

- The work being done by the Strategic Growth Alliance continues with the business case recommendations underway.

Mill Road (Late 2022)

- Currently progressing through public engagement alongside the wider Auckland southern growth network consultation.
- Business case well progressed and Notices of Requirement expected to be lodged in early 2021.

Tauranga Northern Link (and SH2 Te Puna to Omokoroa) (Late 2021)

- Registration of Interest for Tauranga Northern Link was released to market on 19 May 2020, which commences the procurement process for the construction contract. This also signalled an option to include SH2 Te Puna to Omokoroa as part of this contract at a future time.
- Property negotiations have recommenced to secure remaining property requirements.

SH1/29 Intersection (Early 2022)

- Currently progressing the business case to confirm intersection upgrade location.

Otaki to North of Levin (2025)

- Progressing negotiations with property owners.
- Business case underway to confirm preferred option for corridor location.

SH58 Improvements (Mid 2020)

- Commenced direct negotiation with contractor delivering Stage 1.
- Recommencing negotiations with landowners for remaining 24 property interests.

Melling Interchange (Late 2022)

- Progressing variation to professional services contract to include designation and consenting works.

Wellington Rail Programme (Late 2020)

- Business cases under development for Station Entry and Capital Connection carriages components.
- Waka Kotahi NZ Transport Agency have now funded Greater Wellington Regional Council to develop the business case for the rolling stock, which will include the network element for this programme

Christchurch package (2021)

- Progressing professional services contracts to complete business case and design.

Queenstown package (Late 2021/2022)

- Progressing variation to existing professional services contract to complete the business case.



Cabinet Committee Background Information and Talking Points

Cabinet Committee: *Cabinet Priorities Committee (CPC)*

Paper Title: Update on the transport aspects of the New Zealand Upgrade Programme

Portfolio: *Finance, Transport*

Background Information:

- On 29 January 2020, Government announced the New Zealand Upgrade Programme, an investment of \$12 billion in capital to future proof and grow our economy. \$6.8 billion of this will be invested in transport.
- This significant investment reflects the Government's commitment to addressing our nation's infrastructure deficit while also providing a vital economic stimulus to firms and households in response to COVID-19 impacts.
- You and the Minister of Finance wrote to Waka Kotahi and KiwiRail on 29 January to outline your expectations for delivery of the transport parts of the New Zealand Upgrade Programme. You are now updating CPC on progress.
- Waka Kotahi has established an internal governance group with senior executives from KiwiRail and an independent chair to manage the delivery of projects in the Programme.
- The New Zealand Upgrade Programme Oversight Group (the Oversight Group) has been established to provide additional assurance to the Minister of Finance and Minister of Transport (Joint Ministers) on delivery of the overall Programme.

Talking Points:

Background on delegation

- On 4 November 2019, Cabinet authorised Budget Ministers to take decisions on the final details of the New Zealand Upgrade Programme.
- Budget Ministers agreed to further delegate decisions on the detailed list of transport projects to the Minister of Finance and Minister of Transport (Joint Ministers).
- This covers \$6.8 billion of Crown investment in transport infrastructure across New Zealand, which is an agreed set of projects across rail, road, public transport and walking and cycling.

Progress on delivery

- We directed our transport delivery partners to commence work as soon as possible. Waka Kotahi and KiwiRail have progressed a number of transport projects in the Programme.
- Our transport delivery partners are already in procurement, or about to commence procurement on many projects. Over \$3 billion worth of projects have progressed in June 2020, with five major projects in Auckland, Wellington and Tauranga each a step closer to construction.

Ongoing governance arrangements

- There are further decisions required in the coming months to maintain the pace of the Programme.
- Waka Kotahi has established an internal governance group with KiwiRail and an independent chair to manage the delivery of projects in the Programme.
- Our transport delivery partners have provided us with Establishment Reports that outline the scope, schedule and costs for the projects in the Programme. These reports provide a starting baseline for monitoring and reporting on the Programme.
- As experts in procuring road and rail improvements across New Zealand, our transport delivery partners are well equipped to deliver the projects in the Programme.
- We intend to delegate individual project level decisions to the respective agency Boards to maintain the delivery momentum of the Programme.
- This excludes decisions where project scope, outcomes, costs and timeframes are substantially changed. This is to make sure Ministers are involved in any decisions that may impact our original objectives for the Programme.
- We have directed the Ministry of Transport to establish an oversight group to monitor and report on the Programme. The Oversight Group will provide additional assurance to Joint Ministers on the delivery of the Programme.
- This group includes senior officials from the Ministry of Transport, the Treasury, the Infrastructure Commission, an independent chair and two external members that bring deep infrastructure delivery, governance and assurance expertise to the Programme.
- The group is tasked with providing high level strategic oversight and regular reporting to ensure we are receiving integrated and independent advice across the Programme. It is also responsible for drawing any significant risks or concerns across the Programme to the attention of Joint Ministers.
- I look forward to seeing the first report from the Oversight Group as they work closely with our transport delivery partners to translate the single largest transport investment directly funded by the Crown into infrastructure for New Zealanders.