



Aide-memoire

12 May 2021: Meeting with Ministers of Finance and Transport to discuss the NZ Upgrade Programme

Date:	7 May 2021	Security level:	In Confidence
Priority:	Medium	Report number:	AMI20/21050516

Information for Minister(s)

Hon Dr Megan Woods
Minister of Housing

Note this aide-memoire provides you with context and background ahead of your meeting with the Ministers of Finance and Transport to discuss the New Zealand Upgrade Programme.

Contacts for discussion

Name	Position	Telephone	1 st contact
Ernst Zollner	Kaiaki, Place-Based Policy and Programmes, HUD	s 9(2)(a)	✓

Other agencies consulted

Minister's office to complete

- ☐ Noted
- ☐ Seen
- ☐ See Minister's notes
- ☐ Needs change
- ☐ Overtaken by events
- ☐ Declined
- ☐ Referred to (specify)

Comments

Date returned to MHUD:



Aide-memoire

12 May 2021: Meeting with Ministers of Finance and Transport to discuss the NZ Upgrade Programme

For: Hon Dr Megan Woods, Minister of Housing

Date: 12 May 2021

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Purpose of the meeting

1. You are meeting with the Minister of Finance and Minister of Transport to discuss the NZ Upgrade Programme ahead of a planned Cabinet discussion later in May.
2. The key context for the meeting is the recent Programme 'baseline' review led by the Ministry of Transport and Treasury, and which recommended that several the projects included in the initial January 2020 Programme announcement be deferred.
3. Ministers have responded to this advice on 4 May through a joint letter (refer Annex 1) provided in principle support to proceed with 19 projects but requested additional information and advice in relation to seven projects; this subsequent advice may be available at the time of your meeting.
4. From a Housing perspective we have the following suggested key points in relation to the above:

Topic Proposed key messages

NZ Upgrade Programme transport programme	<ul style="list-style-type: none">• Several of the projects which Ministers have signalled should proceed will have positive housing outcomes, and your officials will provide ongoing support and advice to the delivery agencies to ensure these are realised.• The Ministerial decision to include all <u>three</u> Drury-Paerata stations in the Programme is particularly significant and welcome.• None of the seven projects that may now be deferred or resized would cause significant concern from a Housing perspective:<ul style="list-style-type: none">○ Whilst the 4-laning of SH1 Whangārei to Marsden would accelerate housing development in the Ruakaka area, a delay would enable joint planning to ensure that this will be optimal development that is public transport focussed○ Penlink would unlock new housing opportunities but not in a priority location.○ Widening the Southern Motorway from Drury Central to Drury South would improve access to the Drury South business park, but transit-orientated development around the new stations must be the priority.
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Topic Proposed key messages

	<ul style="list-style-type: none"> ○ It is important that the northern (Manukau-Alfriston) and southern (Drury) sections of Mill Road are included in the Programme but delaying the central section (Alfriston to Papakura) would be justifiable and supported by Council officials. ○ The second stage of Takitimu (Tauranga) North Link (from Te Puna to Omokoroa) would have only limited housing outcomes. ○ Four-laning of SH1 from Ōtaki to north of Levin would support the current and planned housing developments around Levin (in line with the Regional Growth Framework) but the investment in the Capital Connection rolling stock signals the importance of public transport.
Related network investments and developments	<ul style="list-style-type: none"> ● For the NZ Upgrade Programme to achieve the intended housing (and in some cases even transport outcomes) there are several related initiatives that need to be noted and progressed. These include: <ul style="list-style-type: none"> ○ Securing the estimated \$440-500m 'shortfall' in local transport network funding around the three new Drury-Paerata stations through possible IFF levies and HAF grants, amongst other options. ○ Appropriately rezoning of land around the Drury stations through the Drury Fast Track Consent and Private Plan Change applications. ○ Implementation of the Wellington Regional Growth Framework to guide the future development around the Wairarapa Line and areas such as Levin. ○ Similarly, adoption and implementation of the Queenstown Lakes joint spatial plan to provide the required growth management framework for the NZ Upgrade projects.

Meeting details

5. The meeting will take place at your offices, room EW7.6.

Expected attendees

6. You will be meeting with Hon Grant Robertson and Hon Michael Wood. There will be no officials in attendance.

NZ Upgrade Programme

The original decisions

7. In November 2019, Cabinet authorised Budget Ministers to take decisions on the final details of the New Zealand Upgrade Programme [CAB-19-MIN-0572 refers]. Subsequently, in December 2019, Budget Ministers confirmed \$6.8 billion for transport projects under the New Zealand Upgrade Programme (the Programme) and authorised the Minister of Finance and the Minister of Transport (Joint Ministers) to take decisions on the final details of the projects.

8. In January 2020, the 26 transport projects were announced at an estimated cost of \$6.706 billion, with the remaining \$0.094 billion being held as contingency (OC191303 / T2019/4158 refers). The projects were at various stages of development, with varying levels of confidence in the cost estimates.

Programme finalisation

9. During 2020 significant cost increases and uncertainties were been identified across the Programme, which means the envisaged Programme cannot be fully delivered within the fixed funding envelope of \$6.8 billion.
10. On 16 April 2021 the Ministry of Transport and Treasury provided the Ministers of Finance and Transport with advice on:
- a. The updated and refined project cost and staging assessment by Waka Kotahi NZ Transport Agency and KiwiRail's (the delivery agencies')
 - b. Given the significant cost increases, a proposed re-prioritisation of the Programme within the \$6.8 billion funding envelope against the Programme objectives.
11. The review assessed individual projects against the priority outcomes for the Programme, including supporting transit-oriented housing outcomes and emissions reduction. As a result of this analysis projects were sorted into four groups:
- a. 18 projects that have previously been agreed in-principle by Joint Ministers, are geographically spread, and have a higher certainty and a lower cost risk to the overall Programme
 - b. Three projects that likely to represent higher value for money and align with priorities for transit-oriented housing developments while potentially resulting in less emissions than other Programme configurations
 - c. Two projects that align with priorities, but do not necessarily represent value for money based on available information
 - d. Five projects are high risk with high uncertainty around expected outcomes, value for money, and scope.
12. On 3 May the Ministers of Finance and Transport responded to the above advice in a letter to the respective delivery agency chairs (refer Annex 1). The Ministers clarified their priorities as:
- a. Remaining within fiscal limits where possible
 - b. Decarbonisation
 - c. Supporting the Government's housing objectives
 - d. Providing certainty for infrastructure providers and support economic development
 - e. Ensuring there is sufficient capacity to deliver the projects that are funded in the construction sector.
13. In advance of that process, based on the information provided, the Ministers signalled which projects should in principle proceed through to completion. Ministers then required the delivery agencies to provide further advice on alternative delivery or staging options for the remainder of the projects by 11 May.
14. In the letter the Ministers also signalled their intention to seek Cabinet approval for any changes to the Programme in late May.

Programme overview

15. Table 1 below summarises the estimated cost, recommendations, and latest Ministerial direction in relation to each of the 26 NZ Upgrade Programme transport projects. The table

also highlights the projects that are of particular significance to Housing, and the most immediate next steps.

Table 1: NZ Upgrade Programme – Transport projects

January 2020 Programme	16 April 2021 Updated cost estimates	Officials Advice Recommendation	3 May 2021 Ministerial direction	Housing growth and/or transit-orientated outcomes	Immediate next step
SH1 Whangarei to Port Marsden	\$1,233-1,311m	Defer	Develop a full range of (lower cost) options	2,000+ DUs and public transport	Follow-on advice to Ministers 11 May 2021, then Cabinet in May
Penlink	\$739-826m	Defer	Clarify reasons and provide alternatives	8,000+ DUs	
Cycling: Northern Pathway	\$715-\$785m	Reconsider direction	Summarise the range of options		
Rail: Wiri to Quay Park (3 rd Main)	\$305-318m	Proceed	Proceed	Middlemore TOD supported	Procurement
Rail: Papakura to Pukekohe electrification	\$356-375m	Proceed	Proceed	Supports housing in Pukekohe and future station TODs	Procurement
SH1 Papakura to Drury South Stage 1	\$655-720m	Proceed	Proceed	Part of unlocking southern growth areas	Procurement
SH1 Papakura to Drury South Stage 2	\$510-600m	Rescope	Rescope and sequence as a package (with the three stations) within \$2.4bn fiscal envelope, to achieve optimal housing and decarbonisation outcomes		Follow-on advice to Ministers 11 May 2021, then Cabinet in May
Mill Road (northern & southern sections)	\$800-950m	Rescope		Supports Manukau, Flat Bush, and Drury developments	
Mill Road (middle section)	\$2,100-2,550m	Defer		Unlocks some development along corridor	
Rail: Drury Central and Paerata rail stations	\$303-360m	Proceed	Proceed	13,500+ DUs within 1km of station, including major town centres	Consenting of stations IFF and HAF analysis to secure additional \$0.5bn for local transport networks
Rail: Drury West rail station	\$110-135m	Proceed/Defer (split view) ¹	Proceed		
SH1/SH29	\$40-49m	Proceed	Proceed		Final design and procurement
SH2 Takitimu North Link Stage 1	\$658-740m	Proceed	Proceed	Supports Omokoroa, Bethlehem developments	Procurement Resolve \$15m scope issue with Tauranga City Council

¹ KiwiRail and Ministry of Housing and Urban Development recommended all three stations as a priority

January 2020 Programme	16 April 2021 Updated cost estimates	Officials Advice Recommendation	3 May 2021 Ministerial direction	Housing growth and/or transit-orientated outcomes	Immediate next step
SH2 Takitimu North Link Stage 2	\$543-627m	Defer	Defer, possibly to NLTF	Would support ongoing growth of Katikati and Omokoroa	Complete detailed business case
SH1 Otaki to North of Levin	\$1,203-1,501m	Defer	Consider lower cost options	2,500+ DUs	Follow-on advice to Ministers 11 May 2021
Rail: Wairarapa Line upgrades	\$118-127m	Proceed	Proceed	Supports ongoing development within serviced towns, in line with Wellington Growth Framework	Proceed with consenting and procurement
Rail: Capital Connection rolling stock	\$24-26m	Proceed	Proceed		
SH2 Melling interchange	\$376-419m	Rescope	Proceed	2,000 DUs in Hutt CBD	
Rail: Wellington railway station	\$69-74m	Proceed	Proceed	-	
SH58 safety improvements	\$107-133m	Proceed	Proceed	Supports Plimmer Farms and Hutt developments	
Greater Christchurch bus and freight priority package	\$228-277m	Proceed	Proceed	Supports key south western growth areas	
SH 6 Queenstown improvements (three projects)	\$117-148m	Proceed	Proceed	Supports spatial plan implementation	

16. Several of the 'green' projects (refer table above) have important housing growth outcomes, HUD and Kāinga Ora officials will support the delivery agencies with final design to help ensure that these outcomes are realised.

17. Seven projects require further consideration or will be deferred, and from a housing and urban development perspective there are several key aspects to note:

- a. **SH1 Whangārei and Marsden Point motorway:** deferring the 4-laning SH1 between the southern edge of Whangārei and the Marsden Point roundabout would likely affect the rate of new housing development in locations such as the One Tree Point and general Ruakaka area south of Marsden Point.
However, a delay for this project may create the opportunity for revised and joint land use and transport planning for this coastal strip that would aim to ensure that any future development is transit-orientated and achieves a good work-live balance.
- b. **Penlink:** deferring the Penlink project would reduce opportunities for (and affect the rate of) greenfield developments north of Long Bay and infill developments along the Whangaparoa peninsular. However, in terms of the Auckland Urban Growth Partnership this is not a priority development area as it lacks immediate access to the city's rapid transit network.
- c. **Northern pathway:** this planned cycle path between the Westhaven marina and Esmonde Road (Takapuna) is not directly relevant to housing developments, however a

major new high-rise development on Esmonde Road will directly connect to the new cycleway (and is being promoted as such).

- d. **SH1 Papakura to Drury South (Stage 2):** this project would widen the Southern Motorway to 6 lanes between Drury Central and Drury South and incorporates constructing a new interchange with Mill Road (and the future Pukekohe Expressway) at Drury South.

The project will improve travel times and reliability on SH1 and improve access to the Drury South business park. It would also indirectly support housing developments in Drury South, Drury East (through Mill Road, refer below) and Drury West (through a future Pukekohe Expressway).

However, unlocking housing development in these 'outer' parts of Drury is a lower priority than facilitating housing development around the three stations.

- e. **Mill Road:** construction of the northern (Manukau to Alfriston) and southern (Drury) sections of Mill Road would have significant housing growth outcomes, whereas the potential housing yield from the central section (Alfriston to Papakura) is less defined and longer term. Deferring the construction of the central section would therefore have the support of Auckland Council and Auckland Transport officials.
- f. **SH2 Takitimu North Link Stage 2:** Upgrading SH2 between Te Puna and Omokoroa will have important road safety, travel time and route resilience benefits, but only limited housing and urban development outcomes. Deferring the project would be opposed by the Western Bay of Plenty District Council but the impact on the broader Tauranga-Western Bay transport and urban growth planning would be more limited.
- g. **SH1 Otaki to North of Levin:** This project would extend the 4-laning of SH1 from Ōtaki to north of Levin and would therefore support the significant new housing and urban development planned for the Levin area. However, investment in the Capital Connection rolling stock will improve the attraction of public transport as an option for Wellington commuters – and signal this as a priority.

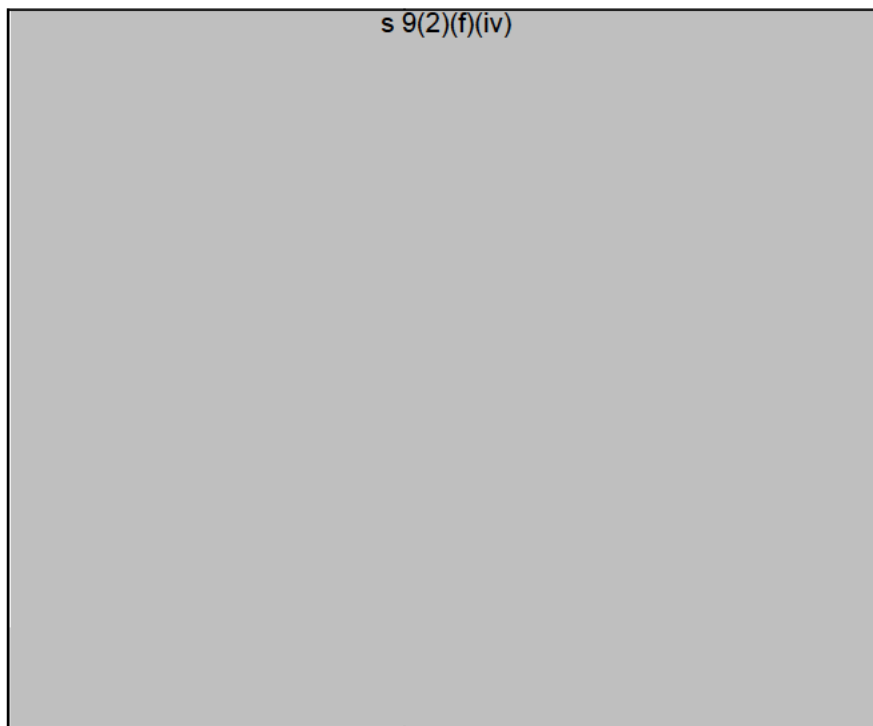
Additional network investment required in Drury-Paerata

- 18. In 2020 central and local government officials worked together to understand the transport infrastructure requirements for Drury. This work was known as Drury Transport Infrastructure Programme (DTIP). This work found that to support urban growth at Drury and maximise Transport Oriented Development at Drury around \$5.2 billion of investment was required between now and 2048.
- 19. In addition to the \$2.4 billion that is likely to be provided by the New Zealand Upgrade Programme, \$243 million has been provided in the ATAP 2021-2031 package for transport infrastructure at Drury. This allocation supports the New Zealand Upgrade Programme investment, by either building or route protecting key projects which provide access to the new rail stations.
- 20. The transport network DTIP developed had a central aim of providing public transport first, though investment in rail and feeder services to get people to the rail network. There were three additional aims; to resolve existing issues, support existing development and enable future development. These aims align well with ATAP's mode shift priority.
- 21. The housing and urban development yield potential of each new station is set out further in Annex 2, and joint official groups have developed detailed transport, three waters, stormwater, parks, and community facility investment programmes that are required to support accelerated housing and urban development around the stations.
- 22. This work has confirmed that significant further funding will be required for the local transport networks, and a joint group of officials (with representation from the Council, Treasury, HUD, and

CIP) is working with urgency to develop several IFF levy proposals to help meet this shortfall. This work will also support parties with their consideration of (and positions taken in relation to) the seven Drury Private Plan Change hearings in July 2021.

Table 2: NZ Upgrade Programme – The possible transit-focussed investment programme

s 9(2)(f)(iv)



Annexes

ANNEX 1: Letter from Hon Robertson to Sir Brian Roche and Sue McCormack

ANNEX 2: Drury and Paerata stations summary



ANNEX 1: Letter from Hon Robertson to Sir Brian Roche and Sue McCormack

Hon Grant Robertson

MP for Wellington Central
Deputy Prime Minister
Minister of Finance
Minister for Infrastructure
Minister for Sport and Recreation
Minister for Racing



3 May 2021

Sir Brian Roche
Chair Waka Kotahi Transport Agency Board

Sue McCormack
Deputy Chair KiwiRail Board

Dear Sir Brian Roche and Sue McCormack

We are writing to indicate our initial views following the advice we have received on the New Zealand Upgrade Programme (the Programme) baselining.

Firstly we want to begin by thanking you and your organisations for all the work that has gone in to the baselining process. It is important Ministers have a good understanding of the projects in order to support decision making going forward.

Our priorities through this decision making process will be to:

- remain within fiscal limits where possible
- prioritise decarbonisation in light of the independent Climate Change Commission's carbon budgets
- support the Government's housing objectives
- provide certainty for infrastructure providers and support economic development
- ensure there is sufficient capacity to deliver the projects that are funded in the construction sector.

It is our intention to seek Cabinet approval for changes to the Programme in late May.

In advance of that process, based on the information provided, our in principle decision would be for the following projects to proceed through to completion:

- SH58
- SH1/29
- Takitimu North Link Stage 1
- Papakura to Drury South Stage 1
- Canterbury Package
- Queenstown Package
- Wiri to Quay Park
- Papakura to Pukekohe electrification
- Wellington Railway Station safety
- Wairarapa Railway upgrade
- Capital Connection Interim replacement rolling stock
- Drury rail stations (three stations)
- Melling
- Penlink.

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The following projects require further consideration:

- Mill Road and Papakura to Drury South Stage 2 – we request that officials reconsider the South of Auckland investments as a package alongside the Drury Stations investment. We seek a reconfigured option for consideration that:
 - Works within the original fiscal envelope across the three projects, and;
 - Supports increased housing supply in the area in a way that is consistent with the government's decarbonisation objectives, and;
 - Improves safety outcomes.
- Ōtaki to North of Levin – we request that officials provide advice on the full range of options for this project, including whether there are lower cost rail and targeted safety and congestion relieving road projects that could deliver good transport outcomes for residents along the corridor, consistent with the fiscal envelope for the project and the government's decarbonisation objectives.
- Whangārei to Port Marsden – we request officials provide advice on the full range of options for this project, including whether there are lower cost rail and targeted road safety projects that could deliver similar outcomes for the corridor, consistent with the fiscal envelope for the project and the government's decarbonisation objectives.
- Penlink – we request that officials provide further advice on their rationale for recommending that the project does not proceed to construction, and any alternatives to this project that officials would recommend in this corridor
- Takitimu North Link Stage 2 – as Stage 1 proceeds we propose that business case work on Stage 2 continues with the intention that this project be considered through the National Land Transport Fund as a source of funding.

The Northern Pathway project, given its significant change in scope, we believe requires separate consideration by Cabinet to the remainder of the Programme projects. We would like to put forward to Cabinet for consideration at the earliest opportunity an options paper setting out the key choices for the Government. These should include the preferred option put forward by Waka Kotahi, the option of using existing lanes on the current bridge structure, and the option of bringing forward delivery of an additional harbour crossing that includes a walking and cycling component and an extension of the Northern busway.

We request that the additional advice on the projects that require further consideration and Northern Pathway is provided by close of play Monday 11 May.

Where we have requested further information and advice from officials, we expect KiwiRail and Waka Kotahi to work jointly with the Ministry and Treasury in forming this advice. Ministers preference is to receive joint briefings from all agencies rather than separate briefings with split recommendations if necessary.

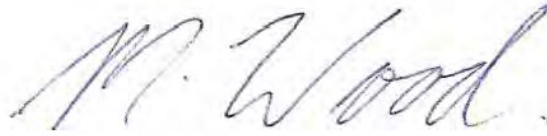
Given the fiscal pressure on the Programme we do not support adding the additional elements that are beyond the original scope of KiwiRail's projects, other than the additional rail station at Drury. We encourage KiwiRail to consider if these changes could be funded through a different source.

Thank you again for your work on this Programme.

Yours sincerely



Hon Grant Robertson
Minister of Finance



Hon Michael Wood
Minister of Transport

Copy: Nicole Rosie
Chief Executive, Waka Kotahi NZ Transport Agency

Greg Miller
Chief Executive, KiwiRail Group

Peter Mersi
Chief Executive and Secretary for Transport

Dr Caralee McLiesh
Chief Executive and Secretary to the Treasury

ANNEX 3 – Drury and Paerata stations precincts summary

Drury and Paerata station precincts

Initial estimates and scenarios of possible transport, housing, and urban development investment linkages

Station development precinct	Minimum enabling transport investment (Crown/Council share)	Possible yield or investment linked to investment			
		Dwellings	Jobs	Commercial	Facilities
Drury East (Central)	\$400m+	4,500+	10,000+	Potential 80,000 sqm retail	2+ schools, fire station, health facility, other
Drury West	\$400m+	6,000+	2,500+	3 local centres, one potentially larger	2 large high schools, including Catholic school complex
Paerata	\$300m+	3,000+	800+ future jobs	1 local centre	1 large high school

DRURY EAST/CENTRAL STATION PRECINCT

\$400m+ of critical transport projects

4,500+ future dwellings

10,000+ future jobs

Potential 80,000 sqm retail

2+ schools, fire station, health facility, other

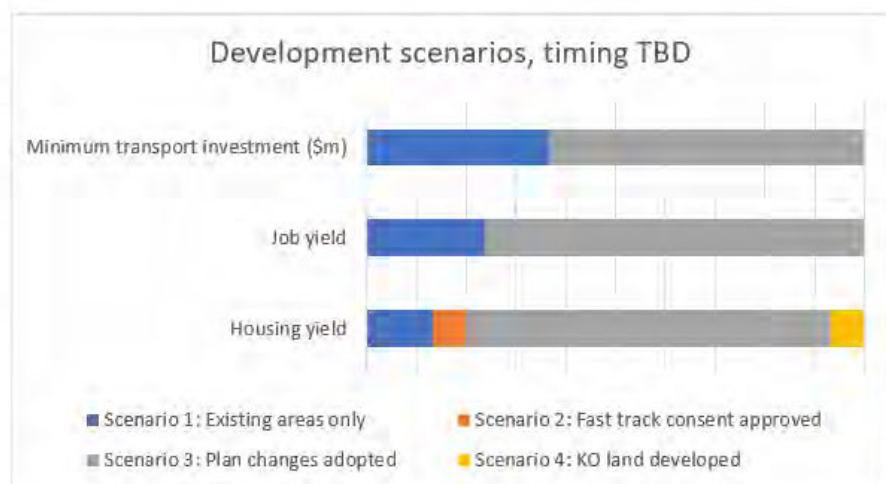
Future station to be located at the intersection of three urban arterials: Great South Road, Waihoehoe Road and Bremner Road (future connection).

Within a 1km radius around the new station will be the large future Drury Metropolitan (by Kiwi Properties), the re-developed mixed use Drury township (existing) and the high-density residential developments by Fulton Hogan, Oyster (with Fletchers) and Kāinga Ora - with the latter development including public housing. There may also be a proposed Land For Housing project as part of the Oyster precinct.

The wider catchment through cycling and bus connections will include the rest of Drury East and Opāheke (north), large Fulton Hogan development (east), rest of Kiwi Properties development (south), Drury South Crossing business park (further south) and the live-zoned Auranga development (to the west).

Future high-profile inter-regional connections are also a possibility, with this station a likely stop on possible Hamilton-Auckland Intercity Fast Rail service and key connection for possible future Waikato River Community frequent bus services.

The market is eager to develop within the precinct with all the area surrounding the future station either already zoned for development or subject to notified plan change proposals and fast-track consent applications.



DRURY WEST STATION PRECINCT

\$400m+ of critical transport projects

6,000+ future dwellings

2,500+ future jobs

3 local centres, one potentially larger

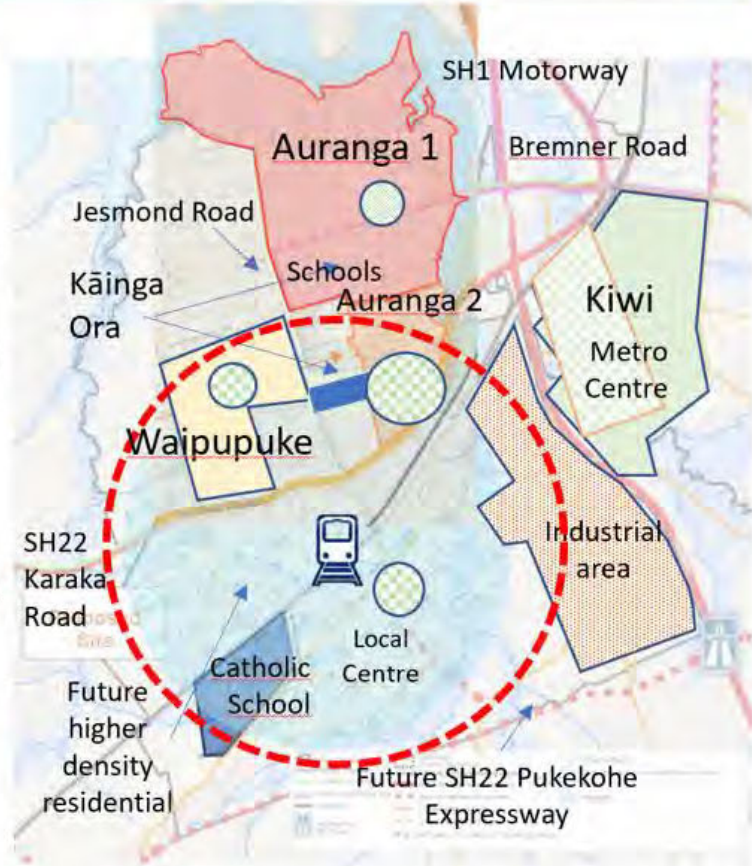
2 large high schools, including Catholic school complex

Future station to be located at the intersection of (to be extended) Jesmond and Burt Roads.

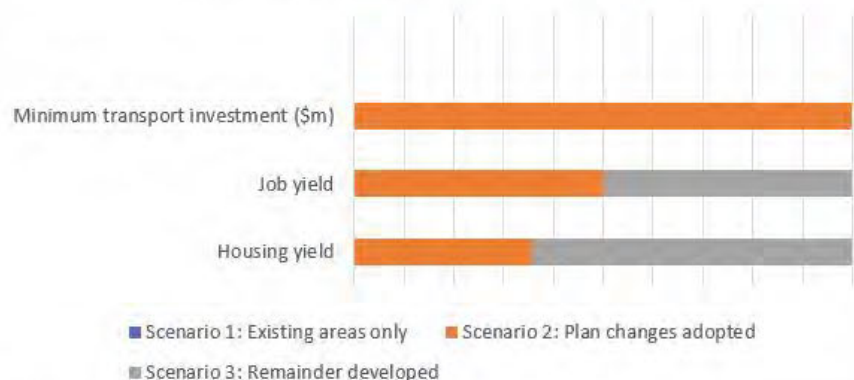
Within a 1km radius around the new station are three future local centres (relative sizes still to be confirmed); a Kāinga Ora site with likely public housing; part of the proposed Waipupuke residential development; part of the proposed higher density Auranga 2 mixed use development; and an (yet undefined) future zone of higher density mixed residential development.

The wider catchment is very important for this station and through cycling and bus connections will include the Auranga 1 development and land to its west (looking north), the existing Drury township and the Kiwi Metro Centres (further east), a large light industrial and business park adjacent to the SH1 motorway (east) and the remainder of Drury West (south and west).

Western connections: likely connection for the settlements to the west including Kingseat, Clarkes Beach and Waiuku.



Development scenarios, timing TBD



PAERATA STATION PRECINCT

\$300m+ of critical transport projects

3,000+ future dwellings

800+ future jobs

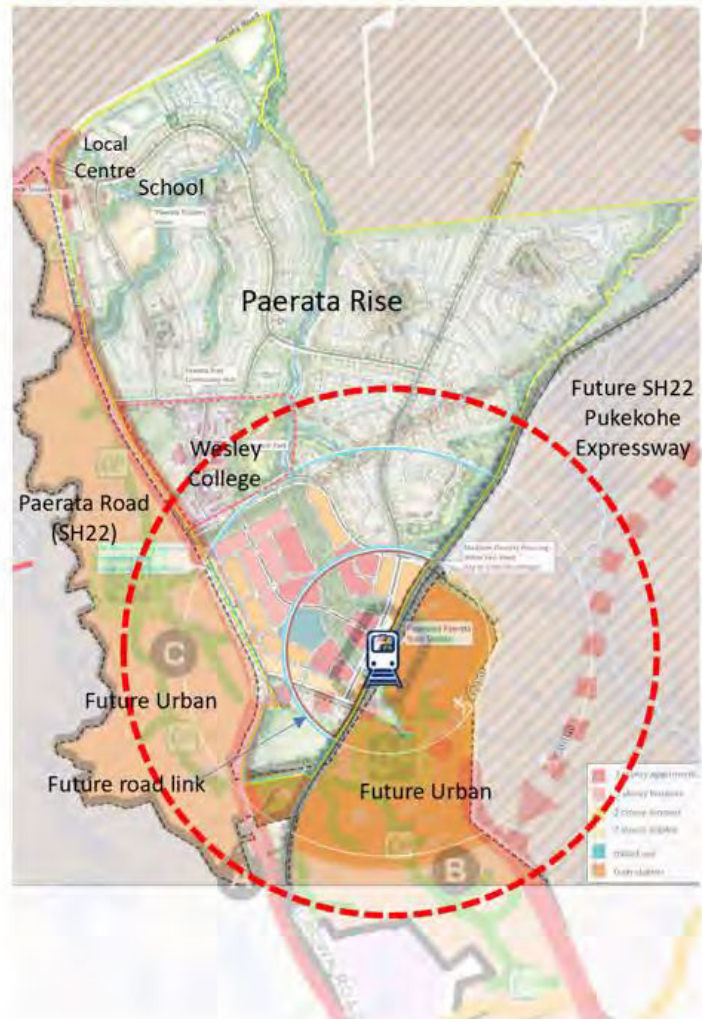
1 local centre

1 large high school

Future station to be located between Paerata Road (current SH22) and the future Pukekohe Expressway (and new SH22) and along a future connection between these two roads.

Within a 1km radius around the new station is the southern half (and later stages) of the existing large Paerata Rise development, as well as smaller future urban areas to the west and east. There will also be some 'mixed' rural land further in the west of the notional radius.

The wider catchment is also important for this station and through cycling and bus connections will include the northern half of the Paerata Rise development; the existing Paerata settlements and northern parts of Pukekohe (to the south); as well as settlements to the west including Karaka, Kingseat and Waiuku.



Development scenarios, timing TBD

Minimum transport investment (\$m)

Job yield

Housing yield

■ Scenario 1: Existing areas only

■ Scenario 2: Remainder developed