


OC240862

16 August 2024



Tēnā koe 

I refer to your email dated 24 July 2024, requesting the following under the Official Information Act 1982 (the Act):

“Please provide the following from June:

- 1. The Options for Electric Vehicle Charging CoInvestment Model paper. It has the reference number OC240520*
- 2. Meeting Briefing - Infrastructure Commission Quarterly Meeting. It has the reference number OC240632*
- 3. Meeting Briefing - Quarterly City Rail Link Preparedness Meeting on 2 July 2024. It has the reference number OC240628*
- 4. NZTA Performance: Quarter Three Report for 2023/24. It has the reference number OC240650*

In relation to the Waitematā Harbour crossings project, please also provide:

- 1. Any cabinet paper for the project prepared by the ministry this year.*
- 2. Any briefings, aide memoires or other documents submitted by the ministry this year to the minister about the project and its viability, including views from Treasury and the Infrastructure Commission.”*

In response to first part of your request for the four briefings, three are released with some information withheld and one is withheld in full.

Certain information and one full document has been withheld or refused under the following sections of the Act:

- | | |
|-------------|--|
| 9(2)(a) | to protect the privacy of natural persons |
| 9(2)(b)(ii) | to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information |
| 9(2)(f)(iv) | to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials |

- 9(2)(g)(i) to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
- 9(2)(h) to maintain legal professional privilege
- 9(2)(i) to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities
- 18(d) the information requested is or will soon be publicly available

In relation to the second part of your request for the Waitematā Harbour Crossing project documents, five documents are in scope. All these documents including their titles are withheld under Section 9(2)(f)(iv) of the Act.

At the stage, the Ministry anticipates that the advice on the Waitematā Harbour Crossing project would be considered by Cabinet in September 2024. Following the final decisions, the Ministry intends to proactively release these documents on its website. We will advise you once the documents are available online.

With regard to the information that has been withheld under section 9 of the Act, I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz

The Ministry publishes our Official Information Act responses and the information contained in our reply to you may be published on the Ministry website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā



Hilary Penman
Manager, Accountability and Correspondence

Annex 1: Document Schedule

Doc #	Reference number	Title of Document	Decision on request
1	OC240520	Options for Electric Vehicle Charging Co-Investment Model	Withheld in full under Section 9(2)(f)(iv). This paper will be considered for proactive release once the final decisions are made by Cabinet later in the year.
2	OC240632	Meeting Briefing - Infrastructure Commission Quarterly Meeting	Released with some information withheld or refused under Sections 9(2)(a), 9(2)(g)(i) and 18(d).
3	OC240650	NZTA Performance: Quarter Three Report for 2023/24	Released with some information withheld under Sections 9(2)(a), 9(2)(b)(ii) and 9(2)(i).
4	OC240628	Meeting Briefing - Quarterly City Rail Link Preparedness Meeting on 2 July 2024	Released with some information withheld under Sections 9(2)(a), 9(2)(b)(ii), 9(2)(f)(iv), 9(2)(g)(i) and 9(2)(h).

17 June 2024

OC240632

Hon Simeon Brown
Minister of Transport, Energy and Local Government

MEETING BRIEFING - INFRASTRUCTURE COMMISSION QUARTERLY MEETING

Snapshot

This meeting is part of a series of quarterly catchups with the Infrastructure Commission. This meeting will likely focus on infrastructure systems and settings, the public-private partnership work programme, water and transport reform and the Infrastructure Commission's equity research on infrastructure pricing.

Time and date	5:00pm-5:30pm, Wednesday 19 June 2024
Venue	Hon Simeon Brown's office, Room 5.1 The Beehive
Attendees	Hon Simeon Brown Ross Copland, CEO, Infrastructure Commission Apologies: Dr Allan Bollard, Board Chair, Infrastructure Commission
Officials attending	Private Secretary, Infrastructure (Hon Chris Bishop's office) Mitch Macaulay, Principal Adviser, Investment, Ministry of Transport
Agenda	Agenda attached
Talking points	Provided in Annex 1

Contacts

Name	Telephone	First contact
Matt Skinner, Manager Revenue	s 9(2)(a)	
Daniel Cruden, Principal Adviser, Revenue		✓
Hugo Beale, Adviser, Revenue		

MEETING BRIEFING - INFRASTRUCTURE COMMISSION QUARTERLY MEETING

Key points

- The Infrastructure Commission has produced an Infrastructure Strategy, that sets a pathway for New Zealand's infrastructure over the next 30 years. It is also currently in the early stages of a new project to drive cost and time efficiencies in infrastructure delivery, the "50:50 project," and is also leading work alongside the Treasury on modernising the public-private partnership (PPP) model.
- The Commission has also recently produced a series of infrastructure pricing research papers to provide a principled economic framework for pricing infrastructure. The series includes research on the equity implications of infrastructure pricing models, such as volumetric and fixed charges, on different income groups.
- Transport officials continue to progress reform to the transport revenue system, s 18(d). The Commission have provided feedback s 18(d), with a focus on the importance of managing demand (for example, by the implementation of time of use charging) s 18(d).
- On the Local Water Done Well workstream, DIA have informed us that they recently delivered – advice to you relating to improving cost efficiency in the approach to regulation, the resource management system, the standardisation of design standards, and increasing uptake of standard and modular designs.
- The Ministry of Business, Innovation, and Employment has been consulted on the agenda of this meeting and have nothing to add regarding the Energy portfolio.

The '50:50 project' is short hand for work to drive time and cost efficiencies in infrastructure delivery, but it is not being taken forward under this name.

The Infrastructure Commission has expressed some views about recent transport infrastructure announcements

- 1 s 9(2)(g)(i)
- 2
- 3
- 4 The draft GPS directs substantial funding towards the pothole prevention activity class. The NZTA Board has also recently confirmed indicative funding levels of \$2.07 billion for State Highway Pothole Prevention and \$1.9 billion for Local Road Pothole Prevention over the 2024-2027 National Land Transport Programme (NLTP) period.

The Commission is working on several initiatives to improve the performance of the infrastructure system

The Commission wishes to discuss their new 50:50 (time/cost sector challenge) project

- 5 The Commission is in the early stages of working on its “50:50” project. This is an initiative where central Government would work with the private sector on driving efficiencies in infrastructure delivery, specifically in time and cost. This concept has developed from the Commission’s own research findings that New Zealand infrastructure expenditure aligns with OECD comparators but gets less value for money.

Work has begun on the 30 Year National Infrastructure Plan

- 6 The Minister for Infrastructure has tasked the Commission with developing a 30-year infrastructure plan to demonstrate a pipeline of major projects for New Zealand. It will be broken down by city and region and have three main parts.
- 6.1 **A national infrastructure pipeline** which will provide a national view of planned infrastructure projects over the next ten years. This will build upon the existing pipeline from the Commission.
- 6.2 **An assessment of infrastructure priorities** which will be a structured independent review of infrastructure proposals and problems for the next five to 15 years.

6.3 **An infrastructure needs assessment** which will be an analysis of long-term infrastructure needs at a sector and/or regional level over the next five to 30 years.

- 7 The draft GPS outlines that NZTA will work closely with the Commission and the National Infrastructure Agency to develop the transport components of the 30-year investment plan.

The commission is refreshing its public-private partnership work

- 8 The Commission develops PPP policy and processes and supports government agencies and local authorities that are considering or implementing PPPs as a procurement option for major infrastructure projects. It is currently undertaking work to renew and modernise the PPP model, alongside the Treasury.
- 9 The Commission oversaw and recently released the independent review into the commissioning of the Transmission Gully motorway PPP. The review found the PPP model itself was not to blame for delays and cost overruns, but the key findings indicated issues with the affordability threshold and governance, as well as recurring relationship issues between key parties.

Water reform

- 10 Officials are progressing several workstreams on Local Water Done Well. The Local Government (Water Services Preliminary Arrangements) Bill is being considered by Finance and Expenditure Committee (the Committee). The Committee will report back to the House on 18 July 2024. It is transitional legislation, expected to be passed by the end of July 2024 to make it easier for councils to shift delivery of water services into council-controlled organisations. It also includes the requirement for councils to prepare Water Services Delivery Plans within 12 months to demonstrate their commitment to deliver water services that meet financial and regulatory standards.
- 11 A subsequent Bill is expected to be passed in 2025 which will provide long-term requirements for financial sustainability, a complete economic regulation regime, and a range of new structural and financing tools.
- 12 The Infrastructure Commission is developing a new national direction for infrastructure that provides a more permissive regime for infrastructure activities, on behalf of the Ministry for the Environment. This direction will form part of a new integrated package of national direction. The infrastructure national direction could have benefits for water infrastructure service delivery.
- 13 Officials have provided you advice on improving cost-efficiency in water service delivery, including through standardised engineering standards, modular design, Taumata Arowai's regulatory role, and resource management processes.
- 14 In the resource management system, officials have put forward potential options for change to achieve better water service delivery outcomes, including work on rebalancing the National Policy Statement on freshwater management (NPS-FM) to be more enabling for consenting wastewater and stormwater activities.

- 15 There are also opportunities in the resource management reforms to reduce costs for water infrastructure through providing more permissive national settings in national direction, in national standards, and across consenting requirements. As part of this rebalancing, the Amendment Paper that removes the Te Mana o te Wai hierarchy considerations in the NPS-FM is being considered by the Committee, alongside the transition Bill. Similar amendments are in the Resource Management (Freshwater and Other Matters) Amendment Bill.

s 18(d)

- 18 The Commission's feedback on the draft GPS outlined support for the reform of the NLTF revenue system and the return to regular FED/RUC increases, as well as support for the use of additional/alternate revenue sources and funding and delivery models like Value Capture, Tolling and Public Private Partnerships.
- 19 The Commission has also outlined its willingness to support the Ministry of Transport with the revenue reforms and the development/design of new revenue tools and recently provided feedback on the draft transport revenue action plan

20 s 18(d)

21

22

- 23 On time of use charging, the Commission provided feedback on an earlier Cabinet paper expressing a desire for a highly devolved model. The model that has developed is instead quite centralised – NZTA will be involved in every scheme alongside

territorial authorities and will have the final decision on whether a scheme is submitted to the Minister of Transport.

- 24 If asked about this, you could say that Cabinet considered that a strong role for central government is necessary to ensure good design and efficient schemes. Also, many of the schemes are likely to operate on state highways, which necessitates a larger role for central government.

The Commission has conducted research into the equity implications of transport pricing

- 25 The Commission appointed PWC to conduct its infrastructure pricing research. It looks at how pricing works in New Zealand's four main network infrastructure sectors: land transport, water, telecommunications, and energy. The report aims to provide a baseline view on pricing in each of these sectors and to assess how current approaches align with best practice principles for pricing of network infrastructure.
- 26 The research outlined three best practice goals for how infrastructure should be priced in order of importance:
- 26.1 pricing should guide infrastructure investment,
 - 26.2 pricing should send signals to users about when, where, and how they should use infrastructure networks,
 - 26.3 and pricing should be used to share benefits of providing networks widely through society.
- 27 The key finding of this assessment is that infrastructure pricing is better aligned with the best practice pricing goals in electricity and telecommunications, and less well aligned in land transport and water.
- 28 The study was released publicly on 17 May and contains four separate reports, one of which was an *Exploration of equity impacts of pricing mechanisms* which researches the equity impacts of increasing different types of charges on different types of households.
- 29 Some of the key findings from this report were that:
- 29.1 Fixed charges are consistently regressive and volumetric charges are consistently more progressive as they allow for greater substitution away from a service than fixed charges. However, lower income households pay a greater percentage of household income from all charges.
 - 29.2 Congestion charging can be interpreted as regressive as a proportion of income, or progressive as a proportion of baseline expenditure of travel.
 - 29.3 The ability of larger households to economise on infrastructure services is one of the strongest determinants of average cost per person across all sectors, and the report found a correlation between higher incomes and larger households.
 - 29.4 Development contribution charges are more progressive than commonly understood. This is partly because new greenfield developments tend to be

purchased and lived in by higher income households, and partly because most of the cost burden is likely to be absorbed out of the profit margins of landowners and developers rather than borne by homebuyers and renters.

- 30 The Commission is also releasing two supplementary research reports (on transport and water) that examine the potential impact of *Infrastructure Strategy* recommendations on the pricing performance of these sectors. These are expected to be published in the week of 24 June 2024.
- 31 The key finding of the water pricing report was that international evidence and domestic statistics show that volumetric charging encourages conservation. Increased conservation and volumetric metering offer opportunities to save capital and operational costs, including delaying the need for new investment, and providing the data needed for leak detection. On equity, the research shows that fixed charges, like rates, increase the cost of water services for low-income households and volumetric charging can have positive equity outcomes.
- 32 The transport pricing research report chose two specific opportunities to incrementally improve transport pricing: road tolls to help pay for new investment, and congestion pricing to improve the efficiency of urban road networks. The research found that toll revenue analysis can be used to identify and prioritise the road projects that are likely to lead to the largest economic benefits and summarises international evidence on congestion relief efforts. On equity, the research found that the main long-term opportunity to minimise cost-of-living pressures is to reduce investment needs.

Major projects

- 33 Major projects in transport include the RoNS, Roads of Regional Significance and several public transport projects in our major cities. You are also progressing work on the business case for an additional Waitematā Harbour crossing with NZTA.
- 34 Through GPS 2024, NZTA is expected to consider the use of alternative delivery models and a broader range of funding and financing options to deliver major projects.

Biographies



Ross Copland

Ross Copland has been the CEO of Te Waihanga/New Zealand Infrastructure Commission since 2020. He has worked in commercial construction and property in Australia and New Zealand, ending with a stint as the National Operations Manager for Westfield in 2013. He returned to New Zealand to pursue a career developing tourism infrastructure and was Chief Executive of Ruapehu Alpine lifts and Remarkables Park Ltd. Ross holds a Bachelor of Civil Engineering with First Class Honours, a Bachelor of Commerce and an MBA.

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Annex 1: Talking Points

MEETING BRIEFING – INFRASTRUCTURE COMMISSION QUARTERLY MEETING

Infrastructure system and settings

30 Year National Infrastructure Plan

- The GPS outlines that the National Infrastructure Agency (NIA) and the Infrastructure Commission, will work closely with the NZTA to develop a 30-year plan for transport infrastructure in New Zealand.
- This plan will connect local and offshore investors with transport projects, as well as consider alternative funding and financing options for all major projects.
- I am aware that the Infrastructure Commission will be playing the lead role in the development of the 30-year infrastructure plan. I have outlined my expectation to both the Ministry of Transport and NZTA that they work closely with you on the transport aspects of this plan

Funding and financing tools for energy and transport infrastructure

Public private partnership work

- The Government expects public private partnerships, and other opportunities to use private expertise and finance, will be considered for all major projects.
- In the draft GPS, I outlined that the NZTA Board should ensure that all relevant sources of funding and financing have been examined in relation to any particular project.
- I am interested in your work as to how we can optimise PPP settings to ensure that we can fully utilise PPPs.

Sector Reforms

Transport revenue and funding reforms

- Work has begun on reforming the transport revenue system, including: moving all vehicles from Fuel Excise Duty (FED) to Road User Charges (RUC), reforming tolling legislation, enabling time of use charging to address traffic congestion, and unlocking other revenue tools, such as value capture and increased use of private financing.

- s 18(d)

- s 18(d)
-

- On time of use charging, I intend to take a model to Cabinet that would involve a partnership between NZTA and territorial authorities. I consider that a strong role for central government is necessary to ensure good design and efficient schemes.

Infrastructure Commission transport pricing equity report

- I am aware you recently released a report on the equity implications of changes to infrastructure prices across several sectors.
- I am interested in your views on the transport revenue reforms, especially as it is pointed out in the report that volumetric prices are consistently more progressive than fixed prices. Does the report have any relevancy for our revenue reform?

Water Reform

- We are progressing our Local Water Done Well plan.
- We intend to pass legislation by the end of July to make it easier for early movers to shift the delivery of water services into CCOs and require councils to prepare Water Services Delivery plans within 12 months.
- We will then pass legislation in 2025 to establish economic regulation of water services, ensure financial sustainability, and provide a new range of structural and financing tools.
- I am also continuing to receive advice on ways to ensure cost efficiency in the delivery of quality water services across the regulatory approach, resource management, and standardisation.
- I understand that your infrastructure pricing report also covered water infrastructure, are there any actions you would suggest advancing from this?

Major projects

- Core to the success of our transport investment will be the reintroduction of the successful Roads of National Significance programme, with the draft GPS 2024 listing the 17 new Roads of National Significance, 11 Roads of Regional Significance and five major public transport projects.
- GPS also provides for investment in public transport via the Better Public Transport programme and additional investment in regional roads.

24 June 2024

OC240650

Hon Simeon Brown
Minister of Transport

Action required by:
Sunday, 30 June 2024

NZTA PERFORMANCE: QUARTER THREE REPORT FOR 2023/24

Purpose

This briefing provides you with an analysis of NZTA performance during the nine-month period to 31 March 2024, including issues you may wish to raise with the Chair

Key points

- Recently published research by the Infrastructure Commission highlights the importance of productivity and scope as important determinants of infrastructure construction costs.
- There has been a significant deterioration in NZTA's investment programme during 2023/24, with the percentage of large capital projects off track and unlikely to recover increasing from 0.0% in the first quarter to 62.5% in the third quarter.
- NZTA provides a partial explanation for this deterioration, including internal resource and supplier capacity constraints and ongoing cost pressures.
- The Ministry will seek to clarify how well the Board is aware of and addressing this decline in project delivery performance; and improve the quality of project information provided by NZTA in future quarterly reports.
- There is an opportunity for you to attend the next NZTA Board meeting on 22 August 2024 to reinforce your expectations and priorities and discuss some of the key challenges and opportunities facing the entity.

Recommendations

We recommend you:

- 1 **note** that you received NZTA's quarter three performance report on 31 March 2024, which documents progress made during the first nine months of 2023/24 against the targets outlined in its 2023/24 Statement of Performance Expectations

2 **note** the significant increase in NZTA capital projects that are off track and unlikely to recover by year-end and the growing risk profile of NZTA's capital programme

3 **agree** to attend the next NZTA Board meeting on 22 August 2024.

Yes / No



David Wood
Deputy Chief Executive, Investment & Monitoring

..... / /

Hon Simeon Brown
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Chris Jones, Principal Adviser	s 9(2)(a)	✓
David Wood, DCE Investment & Monitoring		

NZTA PERFORMANCE: QUARTER THREE REPORT FOR 2023/24

Background

- 1 On 5 June, you received NZTA's quarter three performance report to 31 March 2024. This report documents progress made during the first nine months of 2023/24 against the targets outlined in its 2023/24 Statement of Performance Expectations (SPE).
- 2 While this was an improvement on the timeliness of the quarter two report, it was still one month later than the preferred due date you signalled to the Chair as part of your feedback on the Q2 report. The NZTA Chair noted that the quarterly report is being redesigned for the first quarter of 2024/25 to ensure that it responds to your letter of expectations and is delivered in a timely manner.
- 3 We have been cautious in assessing NZTA performance against the current 2023/24 SPE, as it was finalised at a time when there were new Government priorities. For this reason, the briefing takes a broader approach to assessing NZTA performance, as well as drawing upon more recent performance data.
- 4 This briefing takes an exceptions-based approach to assessing NZTA's performance, by primarily focussing on those activities and measures that are not on track and unlikely to be delivered by year-end.

Financial performance

- 5 Total NLTF revenue in the nine months to 31 March 2024 was six percent (\$215 million) above budget due to significantly higher-than-expected Crown revenue for North Island Weather Event (NIWE) recovery. FED and RUC revenue remains below budget, reflecting subdued economic conditions.
- 6 NLTF-funded expenditure of \$4,666 million in the nine months to 31 March 2024 was also higher than budget, primarily driven by a steep increase in (largely NIWE-related) maintenance expenditure¹. Forecast NLTF-funded expenditure for 2023/24 is \$6,705 million, six percent higher than budget.
- 7 Looking at expenditure trends over the 2021-24 GPS period, state highway maintenance more than doubled from \$578 million in the nine months to March 2022, to \$1,221 million in the nine months to March 2024. By comparison, local road maintenance expenditure increased 72 percent to \$808 million over the same period, and rail investment increased 87 percent to \$388 million. Total NLTF-funded expenditure increased 42 percent to \$4,666 million in the nine-month period to 31 March 2024, compared with the equivalent period in 2022.
- 8 Figure 1 summarises expenditure trends over the 2021-24 period - both NLTF-funded and Crown-funded. Crown-funded expenditure more than doubled to \$782 million in the nine months to March 2024 compared with the same period in 2022². Total

¹ State highway maintenance expenditure was 48 percent higher than budget, at \$1,221 million, while local road maintenance expenditure was 23 percent higher than budget, at \$808 million.

² Mainly due to the NZ Upgrade Programme, which has since been rebranded and rebaselined.

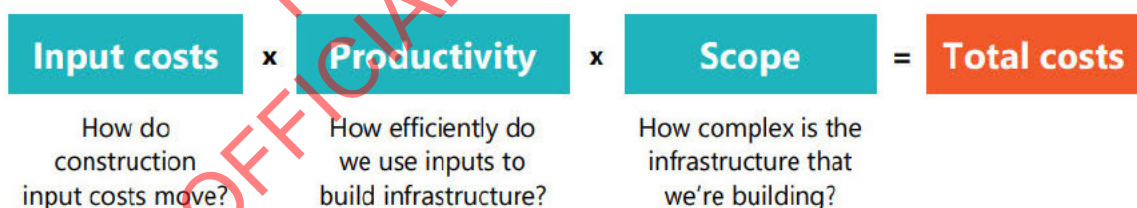
expenditure increased nearly 50 percent to \$5,448 million in the nine months to March 2024.

Figure 1: NZTA Expenditure Growth (\$ million)

\$ million	9 months to Mar 2022	9 months to Mar 2023	9 months to Mar 2024
NLTF-funded spend	3,287	3,909	4,666
Crown-funded spend	387	426	782
Total spend	3,674	4,335	5,448

- 9 COVID-19 played a significant role in boosting NZTA expenditure, both directly and indirectly. The direct impact is via NZUP, which was designed as a fiscal stimulus to the NZ economy. The indirect impact was COVID-19's impact on supply chains and input costs, which are still being felt today. The extreme North Island weather events of early 2023 also had a significant impact, particularly during the second half of the 2021-24 GPS period.
- 10 It's difficult to isolate the impact of price and output changes over the 2021-24 period and to determine whether NZTA achieved value for money from this expenditure. However, it's worth reflecting on recently published research by the Infrastructure Commission on input costs and the extent to which infrastructure providers such as NZTA can control cost drivers³.
- 11 The Infrastructure Commission notes that construction costs are volatile and rising, and that since 2000 "... no other industry has seen the costs of its inputs rise faster than construction." It also identifies three key factors that influence the costs of infrastructure construction: input costs, productivity, and scope of the project – refer to Figure 2 below.

Figure 2: Factors That Influence Infrastructure Construction Costs



- 12 While NZTA and policy makers have limited influence over input costs (such as materials and labour), they have a high degree of influence over productivity and project scope & design issues. While scope changes can be made and influence construction costs relatively quickly, productivity changes can take many years to become embedded. The Infrastructure Commission concludes that "...our research highlights that rather than a silver bullet, addressing infrastructure construction costs in both the short and long term will require a suite of solutions targeted at specific factors."

³ Why do construction input costs change? The role of global and local factors (Dec 2023). Available <https://media.umbraco.io/te-waihangā-30-year-strategy/br2nrbt1/why-do-construction-input-costs-change.pdf>

- 13 This research provides useful insights for the NZTA Board and Ministry (as your monitoring department). In practical terms, this means ensuring that:
- 13.1 The Board complies with the Cabinet-endorsed investment management system (including Cabinet Office circular CO (23) 9), which seeks to optimise value from new and existing investments.
 - 13.2 There is adequate transparency and accountability with respect to NZTA investments and project delivery.
 - 13.3 The Board is focussed on improving productivity and scoping / designing projects to minimise whole-of-life costs.
 - 13.4 NZTA has the right policies, systems, capabilities and incentives to deliver cost-effective project outcomes.
 - 13.5 The Productivity and Efficiency Plan drives the right behaviours and outcomes and is therefore successful in reducing costs and improving value for money.

Delivery performance

- 14 The Q3 performance report provides a partial view on NZTA's delivery performance, by tracking progress of 17⁴ significant capital projects against SPE milestones. The Q3 report notes that four of these projects are on track to meet SPE milestones by year-end, whereas two of these projects are not on track but *likely* to recover by year-end and the remaining ten are not on track and *unlikely* to recover.
- 15 Figure 3 summarises the growing percentage of NZTA significant capital projects that are off track and unlikely to recover by year-end (and conversely the declining percentage of projects that are on track) from Q1 to Q3 of 2023/24. This represents a material deterioration in NZTA's delivery performance during 2023/24 and raises concerns about NZTA's forecasting and/or ability to deliver in accordance with project budgets and timelines.

Figure 3: Changing Status of NZTA Significant Capital Projects (% of total)

	Q1 FY24	Q2 FY24	Q3 FY24
Not on track and unlikely to recover	0%	25%	62.5%
On track to meet milestones	65%	50%	25%

- 16 Despite the deterioration in the number of capital projects on track, project risk ratings have remained relatively stable. Of the 10 projects in Q3 that are off track and unlikely to recover, the following four are assessed as high / critical risk:

s 9(2)(b)(ii), s 9(2)(i)

⁴ Now 16 projects, after the cancellation of Let's Get Wellington Moving.

s 9(2)(b)(ii), s 9(2)(i)

- 17 NZTA notes that the deterioration in delivery is due to "...limited internal resource and supplier capacity" and that it continues to experience "unprecedented cost challenges⁵...which will come through as escalations or claims in future reporting periods."
- 18 These statements raise questions about the extent to which the Board is aware of and actively managing these internal capability, market capacity and cost pressure issues⁶. The Ministry will work with NZTA to clarify the quality and timeliness of project information provided to the Board (via the Investment and Delivery Committee) and how effectively it's mitigating project delivery risks.
- 19 The Ministry will also work with NZTA to improve the transparency (i.e. quality and timeliness) of project information provided in future quarterly reports, as this information currently provides limited insight into NZTA performance

Key risks

- 20 NZTA's key risks have not materially changed over the past three months (with the exception of project delivery risks).
- 21 However, the Q3 report notes that NZTA is going through a period of adjustment to meet new government priorities and expectations and that "This transition and current economic and global environmental factors naturally heighten inherent people, fraud, delivery and change risks which are being monitored and managed carefully."
- 22 Given the challenging strategic environment and difficult investment trade-offs facing the Board and Government over the 2024-27 GPS, it would be beneficial for you to have a discussion with the Board about its risk appetite and/or tolerance⁷ to ensure that these are aligned to your expectations.
- 23 For example, you may be prepared for the Board to take calculated risks with initiatives designed to increase productivity (such as its digital change programme) but have relatively low tolerance for cost and time overruns on large-scale infrastructure programmes. If you have specific risk-related expectations, it's important for the Board to understand these to mitigate potential principle-agent problems.

⁵ The construction sector Producer Price Index (a proxy for NZTA cost pressures) increased 3.2 percent in the year to March 2024, compared with 10 percent in the year to March 2023.

⁶ In addition to the productivity and project scope issues referred to above.

⁷ Risk appetite is defined as "the amount of risk that an organisation is willing to accept to achieve its objectives" whereas risk tolerance is about controlling risk and is defined as "the acceptable deviation from the level set by the risk appetite and business objectives" (Source: <https://www.isaca.org/resources/news-and-trends/isaca-now-blog/2022/risk-appetite-vs-risk-tolerance-what-is-the-difference>).

Next steps

- 24 We recommend that you review this briefing alongside NZTA's Performance Report: Quarter Three 2023/24 (which you received on 5 June 2024).
- 25 The Ministry also believes there would also be value if you attended the next NZTA Board meeting on Thursday 22 August 2024 - to reinforce your expectations and priorities, discuss some of the key issues and risks facing the Board and (if appropriate) share any thoughts on your risk appetite and/or tolerance. Note that this board meeting is scheduled to be held in Wellington and involve a strategic planning day on 23 August.
- 26 If you agree with this recommendation, the Ministry would be happy to liaise with NZTA to confirm your attendance and help you prepare for the meeting.
- 27 Note that NZTA does not traditionally prepare a quarter four report. Instead, it provides an early draft of the Annual Report to provide a heads-up on year-end results. NZTA advises that a first draft of its 2023/24 Annual Report will be made available to the Ministry mid-August, and that the Board is likely to sign off a final version of the Report at its 16 September meeting. The Ministry will provide you with a briefing on NZTA's 2023/24 Annual Report as soon as possible after the September board meeting.

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26 June 2024

OC240628

Hon Simeon Brown
Minister of Transport

MEETING BRIEFING - QUARTERLY CITY RAIL LINK PREPAREDNESS GROUP MEETING ON 2 JULY 2024

Snapshot

You are meeting with the City Rail Link (CRL) Preparedness Group on Tuesday 2 July 2024 to discuss the progress of the CRL Project and preparations for Day One operations. To support you in your meeting, we have prepared an overview of the current key risks facing the project and suggested agenda items for you to consider.

Time and date	1pm-2pm, 2 July 2024
Venue	Minister of Transport's Office
Attendees	<ul style="list-style-type: none"> Sean Sweeney, Chief Executive, City Rail Link Limited Peter Reidy, Chief Executive, KiwiRail David Gordon, Chief Capital Planning and Asset Development Officer, KiwiRail Mark Lambert, Executive General Manager Integrated Networks, Auckland Transport
Officials attending	<ul style="list-style-type: none"> Richard Cross, Director, Investment & Monitoring
Agenda	Suggested agenda items are attached in Annex 1.
Talking points	Suggested talking points are attached in Annex 2.

Contacts

Name	Telephone	First contact
Richard Cross, Director, Investment & Monitoring	s 9(2)(a)	✓
Rebekka Jobson, Senior Adviser, Programme Monitoring and Investment Management		

Meeting Briefing - Quarterly City Rail Link Preparedness Group Meeting

Key points

- The City Rail Link (CRL) Project is making good progress as it advances into the very complex phases of testing and commissioning. These phases involve testing and integrating a range of systems on the CRL before Day One operations, from signalling for the trains, to running the air conditioning in the stations.
- The next important milestone (Traction Power Energisation Completion) is well on its way to being achieved, with all stations being energised in June 2024.
- The focus of the project is on the fit out of stations and tunnels, landscaping and urban realm enhancements, integrating systems, and preparations for testing the first train in November this year. The activities involved in the fit-out programme include the installation of lifts, escalators, security systems, CCTV, electricity, signalling and communications.
- Current reporting from City Rail Link Limited (CRL) shows that the project is on track to meet important milestones as per the Project Delivery Agreement (PDA). s 9(2)(b)(ii), s 9(2)(g)(i)
- s 9(2)(b)(ii)
- At your previous meeting with the CRL Preparedness Group on 3 April 2024, the following actions were recorded (the first action has been suggested as an agenda item for your upcoming meeting):
 - A breakdown of the actions to be carried out in the six months post-practical completion to ensure the CRL is ready for users; and
 - Auckland Transport (AT) to provide a summary of the six projects/activities to support CRL that it intends to seek funding from the Public Transport Infrastructure Activity Class.

Key project risks

s 9(2)(b)(ii)

s 9(2)(b)(ii)

3 s 9(2)(b)(ii)

4

s 9(2)(b)(ii)

5 s 9(2)(b)(ii)

6

7 s 9(2)(b)(ii), s 9(2)(g)(i)

Preparation for City Rail Link Day One

CRL delivery partners are reportedly working well together

8 In recent months there has been good progress by the delivery partners, CRLL, AT and KiwiRail Holdings Limited (KR) to establish strong working relationships across agencies, with the objective of having them work as 'one team'. While there is more work to do to embed these working arrangements, delivery partners have all stated that they are encouraged by the way the agencies are working together.

9 s 9(2)(f)(iv), s 9(2)(g)(i)

The

successful integration of new systems with legacy systems is also critical to the project's success.

The One Client Alliance is working towards successfully delivering Day One operations

- 10 The One Client Alliance was established in 2023, which brings together the Chairs and Chief Executives (or delegates) of the delivery partners, to ensure day one operational readiness. As per the Memorandum of Understanding, the main objectives of the One Client Alliance are to minimise the time and cost risks to the CRL Project.

Work towards delivering the target City Rail Link Day One Timetable is progressing

- 11 The target CRL Day One Timetable is a sustainable plan which operates 16 trains per hour, per direction, through the CRL tunnels.
- 12 Work is progressing between KR and AT to achieve an agreed position on the CRL Day One Timetable specification. The factors influencing this collective agreement include:
- the Auckland Metropolitan Rail Network forecast asset condition and performance,
 - the availability of funding across the Rail Network Rebuild (RNR),
 - further backlog renewal funding, and
 - ongoing track access funding (which includes operational, maintenance and steady state renewals).

13 s 9(2)(f)(iv)

14

Budget 2024 provides \$159.2 million to complete the Auckland Rail Network Rebuild programme

- 15 The RNR is part of a broader programme of work to upgrade Auckland's Metropolitan Rail Network ahead of the opening of CRL.
- 16 The RNR is replacing aging track foundations (known as formation - a rock layer up to a metre below the tracks, some of which is about 150 years old), improving drainage in the rail corridor, replacing ballast, and worn track and sleepers as required. It will make the network a lot more resilient, supporting more reliable and frequent services.

¹ Established in 2023, the One Client Governance Group comprises of the Chairs and Chief Executive's of CRLL, Auckland Transport, and KiwiRail, the Chief Executive of Auckland One Rail, and Sponsors' Representatives from Auckland Council and the Ministry of Transport. The Treasury acts an observer in this forum.

- 17 KR has completed works in the inner Auckland Metropolitan Rail Network including:
- Southern Line (Otahuhu – Newmarket)
 - Eastern Line (Otahuhu to Britomart around the waterfront), and
 - Western Line (Newmarket - New Lynn).
- 18 RNR work is now shifting to the currently closed section between Papakura and Pukekohe and will continue into January 2025.
- 19 The additional funding in Budget 2024 will be used on the challenging segment between Middlemore and Papakura, the section between New Lynn and Swanson, and the Newmarket Branch. The RNR will continue into 2024/25 and 2025/26, with work substantively completed prior to the CRL opening in early 2026.

Other project risks

s 9(2)(b)(ii)

Maungawhau oversite development is progressing

- 25 Officials have previously signalled to you that there have been discussions with CRLL about the legal mechanisms required to enable Eke Panuku to manage the process of developing land held by CRLL in the Maungawhau and Karanga-a-Hape precinct.

26 s 9(2)(h)

s 9(2)(h)

- 27 We are working with Auckland Council, Eke Panuku, CRLL, and the Treasury to determine what steps are necessary to accomplish this.

28

s 9(2)(h)

The Targeted Hardship Fund (THF) is being wound down now that the associated street level construction works are coming to an end

- 29 CRLL has written to 13 businesses that will see reductions in their upcoming THF payments due to reduced disruptions from CRL construction works. There may be a response from these businesses and the Heart of the City expressing their concerns about the reduction in payments. CRLL is being proactive in their engagement and will respond to these concerns as they eventuate. The Ministry and Auckland Council are encouraging CRLL to use all of the discretion available to them to support businesses return to 'business as usual', consistent with your Letter of Expectations.
- 30 CRLL will also continue to assess construction related disruptions in affected areas and applications will continue to be assessed against the disruption occurring at the time.

Upcoming statutory reporting requirements

You will need to table the Statement of Performance Expectations (SPE), Statement of Intent (SOI)

- 31 CRLL is in the process of finalising its Statement of Performance Expectations (SPE) 2024/25 and Statement of Intent (SOI) 2024-27 following your feedback and comments. CRLL have indicated that it will provide you with the final versions of these documents by the end of June 2024.
- 32 Under the Crown Entities Act 2004, as responsible Minister you must present copies of these documents to the House of Representatives. The Act does not set a specific timeframe and you can choose when to present these documents to the House. For example, you may want to table the SPO and SPE at the same time as the Annual Report that is usually provided later after the end of the financial year. However, CRLL must publish its SOI and SPE documents on its website as soon as practicable after providing you with the final documents.

Biographies

Dr Sean Sweeney – Chief Executive Officer City Rail Link Limited



Dr Sweeney is an engineer with a PhD in construction economics from the University of Melbourne. He has been the Chief Executive of CRL since June 2018.

After graduating in engineering from the University of Auckland, Dr Sweeney spent seven years working on the development of Te Papa in Wellington before heading overseas to work in the USA and Europe and then settling in Australia.

In Australia, he delivered a programme of major public infrastructure in Victoria and ran a top tier Australian construction firm. More recently he established and implemented a \$2.5bn prison construction programme for New South Wales.

Peter Reidy – Chief Executive KiwiRail



Peter Reidy re-joined KiwiRail as Chief Executive in August 2022. He had previously held the same position from 2014 to 2018, before holding the role of CEO Fletcher Construction from 2018-2022.

Prior to KiwiRail, Peter was CEO of Downer New Zealand, and then held senior leadership roles with Downer Group in Australia and Singapore, including Board roles on the KeolisDowner Joint Venture operating Yarra Trams in Melbourne, and Gold Coast Light Rail. He has also held senior leadership roles with Todd Energy and Freightways New Zealand. More recently, Peter was Co-Chair of the NZ Government Construction Accord. Peter holds a Bachelor of Commerce from University of Auckland and has completed the CEO programme at Wharton University.

David Gordon – Chief Capital Planning and Asset Development Officer KiwiRail



David Gordon oversees KiwiRail's strategic capital projects. David joined KiwiRail in 2007 when he began working on the Wellington Regional Rail Programme as Project Director. More recently, David held the roles of GGM Asset Management and Investment, and GM Network Performance. Before joining KiwiRail, he worked as a consultant in the transport infrastructure business, was Planning and Development head for Wellington International Airport and a Senior Manager in the strategy consulting team of Ernst and Young.

Mark Lambert – Executive General Manager Integrated Networks Auckland Transport



Mark Lambert is a member of the Auckland Transport Executive Leadership Team reporting to the Chief Executive, responsible for Auckland's transport infrastructure and assets. Mark has held his role as Executive General Manager Integrated Networks since 2018, briefly acting as the interim Chief Executive Officer of Auckland Transport from June 2022-April 2023.

Mark is responsible for the planning, development, new build and asset management of Auckland's regionally owned transport network fixed infrastructure, across roads, public transport and active modes and public transport rolling stock.

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Annex 1: Suggested agenda items

Agenda item	Speaker	Estimated timeframe
Update on the progress against schedule and budget, and any key risks or issues to be aware of over the next 6 months	Sean Sweeney	15 mins
Day One readiness	KiwiRail and Auckland Transport	10 mins
Presentation on the level crossing programme – focus on CRL Day One	Auckland Transport	10 mins
<i>Action from last meeting</i> - A breakdown of the actions to be carried out in the six months post-practical completion to ensure the CRL is ready for users	KiwiRail and Auckland Transport	10 mins

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Annex 2: Talking Points

MEETING BRIEFING - QUARTERLY CITY RAIL LINK PREPAREDNESS GROUP MEETING

- You may wish to acknowledge the good work and commitment that agencies have shown in supporting the CRL Project to date, including the progress that has been made to achieve important milestones. In particular, you may want to acknowledge Dr Sean Sweeney's contribution to the project over the past six years, given his recent resignation.
- You may want to set your expectations about the successful delivery of the project. You could note that you expect it to be delivered within its current funding envelope, that there will be low tolerance for delays, and that you expect all agencies to take a 'no surprises' approach.
- You could ask Dr Sweeney about his confidence in the Link Alliance at present. s 9(2)(b)(ii)
- You could note that it is important that agencies work together as 'One Team' and take a pragmatic approach to resolving issues as they arise.
- You could ask KiwiRail and Auckland Transport whether they have any issues or concerns with progress and/or the way that agencies are working together through the One Client Alliance.
- You could ask about the CRL Day One Timetable and the work that KiwiRail and Auckland Transport expect is needed to come to an agreed position.

s 9(2)(b)(ii)