

4 September 2023

s9(2)(g)(ii)

s9(2)(g)(ii)

s9(2)(g)(ii)

Thank you for your Official Information Act request, received on 7 August 2023. You requested:

1. Any review of Waka Kotahi's additional Waitematā Harbour crossing work and/or recommendations by Treasury.
2. Any review of Waka Kotahi's additional Waitematā Harbour crossing work and/or recommendations by Te Waihanga.
3. Any advice/feedback/briefings provided by Treasury to Waka Kotahi as part of the additional Waitematā Harbour crossing work.
4. Any advice/feedback/briefings provided by Te Waihanga to Waka Kotahi as part of the additional Waitematā Harbour crossing work.
5. Any briefings from Te Waihanga to ministers on the additional Waitematā Harbour crossing work.
6. Any briefings from Treasury to ministers on the additional Waitematā Harbour crossing work.

On 8 August, you clarified your request to include: "any feedback/input Te Waihanga had into ministry of transport papers intended for ministerial briefings or cabinet papers".

[We have transferred part of your request to the Ministry of Transport](#)

Some of the information we hold that is within scope of your request cannot be released by us because the relevant Cabinet papers can only be released by the Minister of Transport. This pertains to draft Cabinet papers we received for comment from the Ministry of Transport (on behalf of the Minister).

As advised by letter on 14 August, we have transferred this part of your request to the Ministry of Transport.

One of the documents covered by the transfer is a draft of the Cabinet paper with our 'track change' comments provided as feedback to the Ministry of Transport. There is a reference to this document under item 13 in the table below.

Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1	20/4/23	Extract from April monthly update to the Minister for Infrastructure	Release
2	23/5/23	Extract from May monthly update to the Minister for Infrastructure	Release
3	1/6/23	Briefing from Te Waihanga to Minister for Infrastructure re Auckland Transportation Portfolio	Release in part
4	4/7/23	Email from Te Waihanga to Waka Kotahi on mega projects This followed a presentation given by Te Waihanga to Waka Kotahi Waitematā Harbour Crossing joint governance group	Release in part
5	11/7/23	Email from Te Waihanga to MOT attaching feedback on draft Cabinet paper [item 6].	Release
6	11/7/23	Te Waihanga feedback to MOT on draft Cabinet paper [attached to item 5].	Release
7	12/7/23	Email update to Minister's office relaying Treasury comment [attaches a draft of the Cabinet paper, which is covered by the transfer; and item 6]	Release
8	12/7/23	Email to Minister's office attaching briefing [item 9]. Also attaches a draft of the Cabinet paper, which is covered by the transfer; and item 6]	Release
9	12/7/23	Briefing from Te Waihanga to Minister for Infrastructure re draft Cabinet paper [attached to item 8].	Release
10	13/7/23	Email from Te Waihanga to Waka Kotahi re comments on the draft Cabinet paper [attaches item 6]	Release
11	13/7/23	Email to Minister's office attaching talking points for Cabinet on 17 July [attaches item 12].	Release
12	13/7/23	Talking points for Minister for Infrastructure to take to Cabinet on 17 July [attached to item 11].	Release
13	19/7/23	Update from Te Waihanga to Minister's office re latest draft Cabinet paper [attaching track change feedback to MOT which is subject to the transfer]	Release

Item	Date	Document Description	Decision
14	24/7/23	Email to Minister's office attaching talking points for Cabinet on 24 July [item 15].	Release
15	24/7/23	Talking points for Minister for Infrastructure to take to Cabinet on 24 July [attached to item 14].	Release in part

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under the following sections of the Official Information Act:

- contact details of officials, under section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment
- section 9(2)(f)(ii) – to protect the ability to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility.

We have provided extracts of two monthly reports relevant to your request (items 1 and 2 in the table above). Other information in these reports is not included because it is outside the scope of your request. Similarly, some parts of items 3 and 4 have been redacted because they are outside the scope of your request.

In relation to the two sets of talking points provided as items 12 and 15, we note that we have no visibility of how (or whether) this advice from Te Waihanga informed Cabinet considerations.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter and its attachments may be released on our website (with your name redacted).

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely



Barbara Tebbs
General Manager, Policy

Item 1

**Extract from April monthly update to the
Minister for Infrastructure**



Monthly Update – April 2023

To: Minister for Infrastructure, Hon Megan Woods
From: Ross Copland, Chief Executive, Te Waihanga

Auckland Transport Megaprojects

Recent announcements made in Auckland city relating to Auckland Light Rail (ALR) and Auckland Waitemata Harbour Crossing (AWHC) projects now exceed \$50 billion of unfunded capital commitments. When combined with the additional \$7+ Billion of further works required to reach the design capacity of the City Rail Link project and the wider portfolio of NZ Upgrade Programme and ATAP projects, proposed new investment in Auckland City's transport network is so great that it may necessitate significant change in transport funding policies. Our key concern is the scoping and public engagement on these various projects seems to be occurring without a parallel and equally prominent conversation about the dramatic escalation in funding they will require. These investments are not only expensive to build, but they also have long term and very significant operating costs; the ALR indicative business case noted the present value of operating costs was greater than the estimated P50 capital cost. While MoT have a work programme in this area which Te Waihanga will contribute to at the appropriate time, the work is needs to be part of the public discussion about options and affordability of funding scenarios to ensure the design options are durable, and the considerable investment in the current round of business cases does not go to waste.

The Commerce Commission released a paper in August 2022 setting out Cost of Capital Determinations for various regulated infrastructure providers including Transpower, Auckland International Airport, Vector, Gasnet and others. The midpoint of the WACC (Weighted Average Cost of Capital) estimates for the period ranges from 6.17% to 7.24%. On \$60B of additions to Regulated Asset Base (RAB), this would represent an annual funding requirement of between \$3.7 and \$4.3 billion. Thus, the current portfolio of proposed megaprojects for Auckland City would require funding in the order of \$4 billion annually (using a simple RAB x WACC methodology) – that is a similar order of magnitude to the current National Land Transport Fund.

You may wish to discuss this further with the Minister of Transport prior to further key decisions being taken on either ALR or AWHC. We are happy to brief you in further detail on this if required.

Item 2

Extract from May monthly update to the Minister for Infrastructure

Monthly Update – May 2023

To: Minister for Infrastructure, Hon Megan Woods

From: Ross Copland, Chief Executive, Te Waihanga

Deliverability of the Auckland Transportation Portfolio

The City Rail Link Review has drawn attention to the challenges associated with delivering major transport projects in the Auckland market. The historical maximum annual capital spend in the transportation sector in Auckland (by Waka Kotahi and local agencies plus the crown's contribution to City Rail Link) was \$1.8 billion, in 2019. Our analysis of the current commitments by the respective agencies delivering mega projects in Auckland indicates that capital investment would peak at \$5.5 billion per annum from 2029 when ATAP, ALR and AWHC are forecast to be under construction. Te Waihanga considers the anticipated portfolio of Auckland transportation infrastructure projects undeliverable as currently anticipated, primarily due to the proposed delivery timeframes and the capacity of the market.

Jurisdictions overseas are struggling with similar problems and have identified and implemented solutions that have helped mitigate these problems. These international examples could be leveraged to develop a sustainable portfolio solution to delivering the transportation infrastructure required in the Auckland Region. We are currently developing advice to Ministers on the best ways to de-risk the Auckland Portfolio and optimise delivery of these essential infrastructure projects. We welcome the opportunity to discuss this advice with you and the Minister for Auckland.

Item 3



**Te Kāwanatanga
o Aotearoa**
New Zealand Government

Deliverability of the Auckland Transportation Portfolio

Date: 1 June 2023

Report No: 248

Action sought

To	Action sought	Deadline
Minister for Infrastructure	Note that the Auckland portfolio of infrastructure projects has significant achievability issues. Agree to host a meeting with the Minister of Finance and the Minister of Transport and for Auckland to explore how other jurisdictions have solved similar problems. Refer to the Minister of Finance and the Minister of Transport and for Auckland.	15 June 2023

Contact details

Name	Role	Phone
Vinny Minett	Principal Advisor, Infrastructure Delivery	s 9(2)(g)(ii)
Liz Innes	Director Investment, Infrastructure Delivery	
Blake Lepper	General Manager, Infrastructure Delivery	

Minister's office actions

Refer to the Minister of Finance, and the Minister of Transport and for Auckland.
Establish attendees and set up the meeting, if required.

Actions Sought

We recommend that you:

1. **Note** that Te Waihangā considers the anticipated portfolio of Auckland transportation infrastructure projects undeliverable as currently anticipated, based on proposed delivery timeframes and the capacity of the market.
2. **Note** that improving deliverability of the portfolio will require a combination of sequencing investments, changing the scope of investments, and coordinated interventions to rapidly grow the capacity of the market.
3. **Note** that jurisdictions overseas are struggling with similar problems and have identified and implemented solutions that have helped mitigate these problems.
4. **Note** that these international examples could be leveraged to develop a sustainable portfolio solution to delivering the transportation infrastructure required in the Auckland Region.
5. **Agree** to meet with the Minister of Finance and the Minister of Transport and for Auckland to explore the best ways to de-risk the Auckland Portfolio and optimise delivery of these essential infrastructure projects.

Agree / Disagree



Blake Lepper
General Manager Infrastructure Delivery

Hon Megan Woods
Minister for Infrastructure

Deliverability of the Auckland Transportation Portfolio

Purpose of this Report

1. The purpose of this report is to:
 - a. Provide an overview of the portfolio of the closely interrelated major transportation projects and programmes currently proposed for the Auckland Region (the "Auckland Portfolio") and provide strategic context to accompany that portfolio.
 - b. Summarise the problems that exist, or are anticipated to exist, as a result of the Auckland Portfolio, including the deliverability of the required scale and coordination / interface risks.
 - c. Identify required mitigations to the identified problems, including enabling decision makers to make informed trade-off decisions.
 - d. Note that the probability of success of the major city-shaping programmes included within the Auckland Portfolio will increase through the implementation of these mitigations.
 - e. Note that these mitigations have been employed internationally, and examples exist where cities and regions have managed significant infrastructure spend in a coordinated manner.

The Auckland Strategic Context

2. Since the 1990s, Auckland has experienced a trend towards increasing congestion and increasing average travel times. This has occurred despite significant expansion of the city's road motorway network (approximately 380 lane-kilometres added since 2000, more than doubling the city's total motorway capacity). This trend is forecast to continue under current plans.
3. Increasing travel times have several negative social and economic impacts. They reduce people's quality of life, reduce freight productivity, and exacerbate housing affordability challenges by reducing the number of places where it is desirable to build housing.¹
4. These problems lead to national economic costs; Auckland represents over one-third of New Zealand's population and economy and is our main international gateway. Problems in Auckland, such as housing price pressures, spill over to the rest of New Zealand.
5. There are no simple solutions to Auckland's transport challenges. Significant change is required as existing motorway designations will not support significant capacity expansion. Consistent with current government policy, arresting or reversing the increase in average travel times will therefore require sustained implementation of complementary transport investment, congestion pricing, and land use planning measures.

¹ <https://www.nzier.org.nz/news/benefits-from-auckland-road-decongestion>
<https://www.tewaihanqa.govt.nz/strategy/infrastructure-reports/te-waihanqa-research-insights-march-2022/>

6. Te Waihangā research has found that New Zealand is less efficient at delivering quality infrastructure than most other high-income countries.² We face cost premiums for motorways, road tunnels, and rail tunnels relative to other high-income countries.³ Our spending measures up, but infrastructure performance does not. While this paper is not focused specifically on procurement or productivity, this factor compounds the problems that the paper does seek to address.

The Auckland Portfolio

7. The Auckland Portfolio is an unprecedented scale of closely interrelated major transportation projects and programmes that are planned or proposed to be delivered in the Auckland Region in parallel over the next two decades.
8. The historical maximum annual capital spend in the transportation sector in Auckland (by Waka Kotahi and local agencies plus the Crown's contribution to City Rail Link) was \$1.8 billion, in 2019.
9. City Rail Link Limited, an organisation tasked with delivering the largest transportation capital project that Auckland has ever seen, delivered approximately \$800 million of capital works in the twelve months to 30 June 2022.⁴
10. The Auckland Portfolio comprises a significant number of projects and is hard to conclusively quantify, but examining a small number of the major projects already uncovers a significant investment hurdle:
 - **Auckland Transport Alignment Project** (ATAP) covers 2021-31 and is a programme to invest approximately \$31.4 billion (\$22.3 billion of capital) into critical transport infrastructure and services across Auckland.⁵ This programme was originally costed at \$23.7 billion in 2016 for works to be delivered between 2018 and 2028 (note that the projects that made up the programme changes between the 2016 and 2021 iterations).⁶ ATAP was originally developed to help address the interrelationships between the projects that it comprises, however, ATAP is closely linked to the other programmes that make up the Auckland Portfolio.
 - **City Rail Link** (CRL) is currently in delivery and has recently announced a \$1 billion capital cost increase (to bring the expected total cost to \$5.5 billion, up from the original 2014 estimate of \$3.4 billion).⁷ The project is aiming to deliver approximately \$2.5 billion of capital works over the next three years (to the revised construction completion date of November 2025).

² <https://www.tewaihang.govt.nz/strategy/infrastructure-reports/te-waihangā-research-insights-december-2021/>

³ <https://www.tewaihang.govt.nz/strategy/infrastructure-reports/the-lay-of-the-land-benchmarking-new-zealands-infrastructure-delivery-costs/>

⁴ https://issuu.com/cityraillinkltd/docs/crl0450_crl_annual_report_2021-2022-accessible/78

⁵ <https://www.transport.govt.nz/assets/Uploads/Report/ATAP20212031.pdf>

This figure is likely to increase, with the NZ Upgrade Programme portion of it already seeing a 100% increase in expected capital cost.

⁶ <https://at.govt.nz/media/1971357/item-115-atapfinal.pdf>

⁷ <https://www.cityraillink.co.nz/city-rail-link-cost-timeline>

- **Auckland Light Rail** (ALR) is in the detailed business case stage, with an estimated capital cost of \$14.6 billion (P50) to \$23.3 billion (P95)⁸ for the current preferred tunnelled option. Construction is forecast to be delivered over the next 10 years (2-3 years of consenting followed by 6-8 years of construction).
 - **Waitematā Harbour Connections** (WHC) is in the Indicative Business Case Stage, with an estimated capital cost of \$15 billion to \$25 billion (depending on option). Government announced its intention to start construction in 2029, and it is anticipated to take 10 to 15 years to complete.
11. These four programmes total \$63.75 billion (assuming midpoint costs for ALR and WHC) of capital investment over the next 15 years, peaking at \$5.5 billion per annum from 2029 when ALR, WHC and elements of ATAP are forecast to be under construction.
 12. In addition to the above the **New Zealand Upgrade Programme** invested in Auckland including in Penlink, providing a two-lane road and shared walking and cycling path bridge, in a third main rail line between Westfield and Wiri in Auckland, and in extending Auckland's electrified rail network from Papakura to Pukekohe.
 13. Other Auckland investments are also on the horizon including:
 - a government announcement in early 2022 which indicated support for a potential city-wide roll out of light rail lines to the north (through the proposed WHC) and north-west (to Kumeu), and
 - The Heavy Rail Network Development Programme, focused on reducing passenger freight conflicts and enabling faster and more reliable trains on the heavy rail network, has a potential cost exceeding \$30b.
 14. The Government has also committed an initial \$6 billion towards a National Resilience Plan to support investments in the resilience of New Zealand's critical infrastructure, including transport, with plans for further funding in future Budgets. Given recent weather events, the focus is on projects that support recovery and building back better.
 15. It is not yet clear what portion of this will be allocated to the Auckland region, however this spend is certain to create continued pressure on the civil construction market. Together, these programmes are yet to be studied in detail or costed but would likely add tens of billions of dollars to the future Auckland Portfolio.

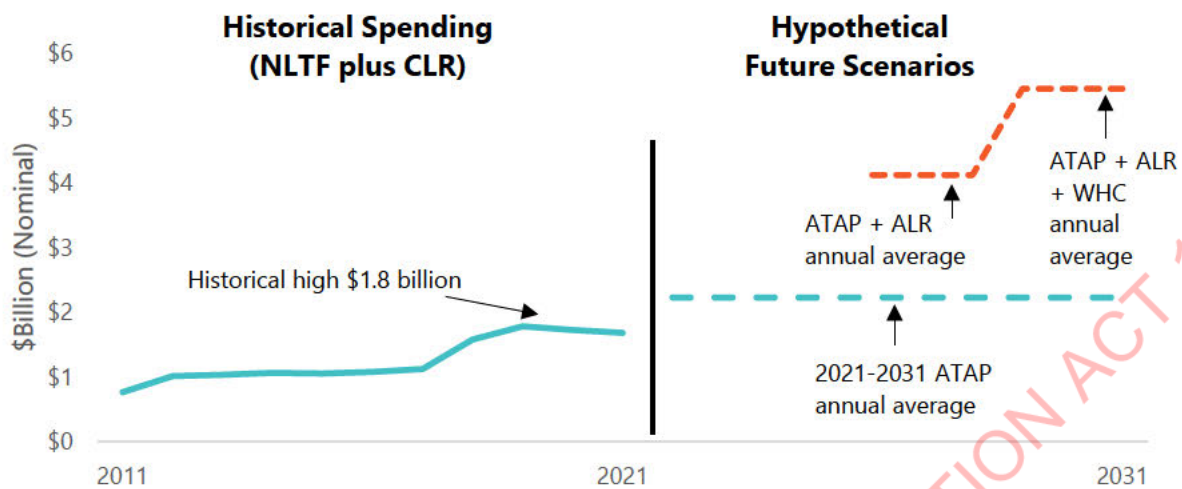
The Problem

16. The level of construction activity required to deliver the expected Auckland Portfolio cannot be achieved based on historical figures and forecast future growth. It would require nearly three times as much transport investment in Auckland within a decade.
17. The current annual level of construction activity within the transportation sector in the Auckland Region is just under \$1.8 billion per year, compared to a potential peak requirement of almost \$5.5 billion in 2029 to deliver the Auckland Portfolio.⁹

⁸ A September 2021 Treasury paper noted that P50 estimates have an accuracy range of -50% to 100%, meaning the project could cost up to \$29.2 billion <https://www.treasury.govt.nz/sites/default/files/2022-03/alr-4528767.pdf>

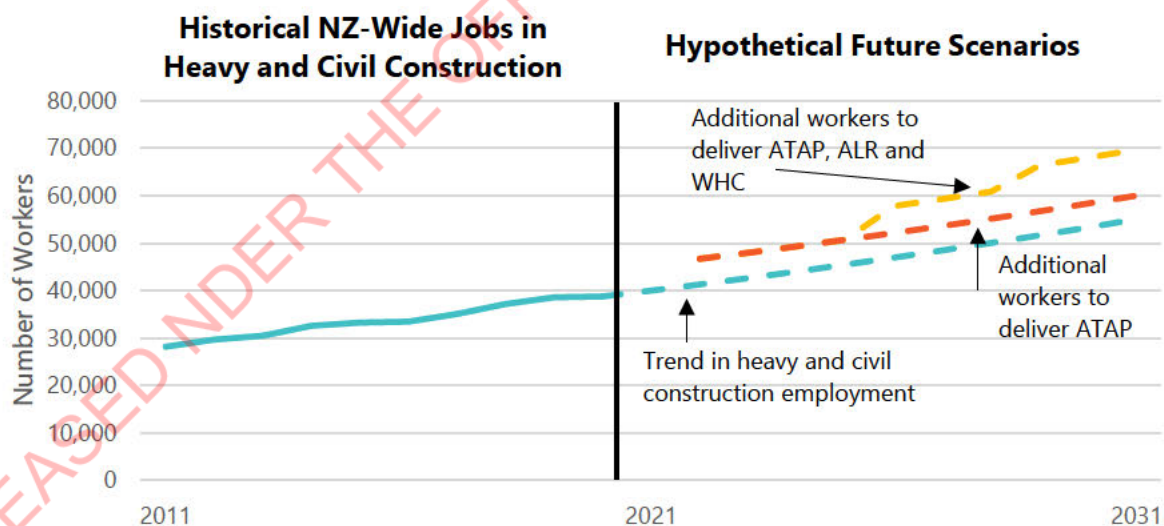
⁹ These are hypothetical scenarios in which currently estimated programme and project costs are split evenly over programme or project duration.

Figure 1: Historical and Projected Transportation Capital Spend in Auckland



18. Based upon data from the Annual Enterprise Survey and jobs in the heavy and civil construction industry, it takes about 3,000 workers to produce a billion dollars of annual output. In order to deliver the estimated 2029 spend for ATAP, ALR and WHC (in addition to the general growth in the New Zealand construction sector), NZ would have to add over 16,000 more heavy and civil construction jobs (a 27% increase to the baseline). Alternatively, our heavy and civil construction sector would need to greatly increase its productivity, but research by Te Waihangā found that this sector has experienced slow productivity growth over the past 20 years.¹⁰

Figure 2: Past and Future Required Jobs in Heavy and Civil Construction¹¹



¹⁰ <https://www.tewaihangā.govt.nz/strategy/infrastructure-reports/te-waihangā-research-insights-september-2022/>

¹¹ This scenario for required job growth assumes these new investments in Auckland are additive to baseline infrastructure investment New Zealand-wide. Alternatively, if these investments were hypothetically included in the trend of job growth, that would require constraining other investments in New Zealand.

19. This analysis takes a system wide view on the delivery of infrastructure and does not consider other specific constraints that may further exacerbate the problem (e.g., capital equipment constraints geographical constraints, planning environment, macroeconomic conditions).
20. **If we attempt to deliver the currently anticipated Auckland Portfolio without adopting a coordinated portfolio approach, we will constrain markets and drive-up costs, further impacting on delivery within the transportation sector and the broader New Zealand infrastructure market.**
21. The construction market is already experiencing significant cost escalation (exceeding double digit annual percentage increases in some areas) across sectors and regions, exacerbated by the global pandemic and Russia's invasion of Ukraine.
22. Any attempt to gear up to deliver the required annual levels of construction activity to concurrently deliver the Auckland Portfolio places unrealistic demands on a sector already under stress. In addition to transport, the projected large increase in infrastructure spend across other sectors (such as water, health, housing and urban development) compounds this problem further.
23. This presents a significant problem for the Auckland transportation sector, and the New Zealand construction sector as a whole. There is currently limited coordination between the projects that make up the Auckland Portfolio, and individual projects will compete for the constrained resources that are available.
24. A proactive coordinated approach could help avoid these issues, while also increasing delivery of intended programme benefits and potentially developing delivery capacity across key areas.

Out of Scope

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Out of Scope

Making Trade-Off Decisions

29. Based on these problems, decision makers will need to make trade-off decision on what is delivered, and when.
30. Trade-offs could take the form of scope (including design solutions, such as the extent of tunnelling), scale, or timing (i.e., phasing). To make informed decisions, decision makers need to be equipped with appropriate, accurate and timely information, including but not limited to:
 - The portfolio costs and spend profiles of each programme.
 - The impacts that each programme has on the wider portfolio and broader delivery of benefits across the Auckland Region.
 - The expected timing of each programme.
 - The resources each programme requires, and when, (e.g., trades and subtrades, specialised equipment, construction supplies and materials, etc.).
31. Currently, decisions on major capital programmes are centred around key project milestones or funding decisions, and information is produced to support these on a point in time basis. No single entity is responsible for collating and coordinating information between programmes on a real-time basis.
32. Internationally, authorities of various forms have been established to provide decision makers with this information, allowing a portfolio approach to be taken across planning and delivery of major projects within a jurisdiction and/or sector, where these problems have been present.
33. These approaches have led to the achievement of better outcomes on large portfolios of work, either by managing the timing and phasing of delivery or by better coordinating delivery across the portfolio.

International Examples

34. Examples exist where major portfolios of work have needed to be coordinated appropriately to assist in successful delivery. While no one perfect comparator exists, there are lessons that can be learned from several examples to help develop a solution that works for the Auckland Portfolio.
35. The most relevant comparator is the **Major Transport Infrastructure Authority** (MTIA) in Victoria, Australia. The MTIA was established in 2019 specifically to oversee five major transport projects. Victoria (and specifically Melbourne) was already facing a large capital upgrade programme and had recently added almost \$80b of programmes to its forward pipeline. The MTIA works closely with the Department of Transport and Planning to ensure major construction activities and disruptions are coordinated across the network (including developing plans to keep people moving through major work periods) and works with industry to ensure it has the skilled workers need to deliver Victoria's massive construction program.
36. Parallels exist between the problems presented by the Auckland Portfolio and the ones addressed by **Olympic Delivery Authorities** across the world. Olympic (and other major sporting event) delivery authorities scale up to deliver major infrastructure requirements within unmovable timeframes; the games must begin. Unmovable timeframes mean that cost increases are often considered inevitable and have ended up being significant. Delivery authorities have been established to manage the delivery of infrastructure requirements on a portfolio basis; utilising factors such as programme delivery models and centralised procurement to streamline delivery. The London Olympic Delivery Authority (in charge of delivering the 2012 London Summer Olympics) was an example of this that was generally seen as successful.
37. Auckland could look towards the **Madrid Metro** projects from the 1995 to 2008 period for ways to build rapid transit quickly in a cost-effective way. The city and its publicly chartered company, MINTRA, took a staged approach to its expansion program using standardized designs and methods to maximize speed and minimize costs of construction. Though the program was billions of Euros in size, the stages were smaller and thus, more manageable, which allowed MINTRA to properly manage contracts, more easily make changes, and foster competition between firms.
38. Each of these four examples have characteristics that can be leveraged to the benefit of the Auckland Portfolio, as well as lessons learned.

Consultation Section

39. Te Waihangā has consulted with the Treasury and the Ministry of Transport in preparing this briefing.

Item 4

From: Ross Copland
Sent: Tuesday, 4 July 2023 4:46 pm
To: Nicole Rosie
Cc: Blake Lepper
Subject: Links and follow up

Hi Nicole,

Thanks for the opportunity to share some insights on Mega Projects with the joint governance group last week. As promised here are some relevant links I referred to that they might find interesting. Of particular note are the NSW Treasury Announcements Policy which guides Ministers on how and when to announce projects and what they can/should say at each stage (s9(2)(g)(i)) – although relevant to future announcements re both projects), and secondly the Denicol Paper which sets out a framework for systematically understanding how/why mega projects fail and how to set them up for success – it is a highly acclaimed piece of work which summarises >3000 papers on the subject so if you only read one paper, this is the one.

- **Denicol Paper:**
<https://discovery.ucl.ac.uk/id/eprint/10095843/1/What%20Are%20the%20Causes%20and%20Cures%20of%20Poor%20Megaproject%20Performance.pdf>
- **Grattan Institute:** This is their report on megaprojects in Australia: <https://grattan.edu.au/wp-content/uploads/2020/11/The-Rise-of-Megaprojects-Grattan-Report.pdf>
- **NSW Treasury announcements policy:** <https://arp.nsw.gov.au/c2020-22-timely-information-on-infrastructure-projects-and-transactions-with-the-non-government-sector/>
- **Vic Parliamentary Budget Office paper:** This is the review for the Suburban Rail Loop: <https://www.pbo.vic.gov.au/response/2820>

As you know the Infrastructure Commission made strong recommendations to Government about lifting the capability of Government as a sophisticated client of infrastructure (which Govt endorsed in its response to the Infrastructure Strategy). You can expect us to continue to champion this cause passionately and constructively while providing our input on these two business cases. We have previously highlighted big picture issues around the lack of a programme business case for mass transit in Auckland city, need for deep integration between the various existing modes on the network and those completing the business case, lack of fiscal/market capacity constraint on the options being considered, commitment to preferred options ahead of necessary work to exclude others, and the lack of funding discussion in the public discourse about the benefits (benefits presented publicly without costs or distribution of costs – ie who actually pays or what the trade-offs are – including opportunity costs, business interruption etc). We hope project Governors are taking these matters seriously and making choices/recommendations accordingly. Individually, these matters represent a significant risk to these projects progressing beyond business case stage. If we don't address them its unlikely we can say we have equipped decision makers with adequate information to make informed choices about how to resolve Aucklands medium-term transport needs.

Final thoughts – the graph below (top) is one we presented at the Building Nations conference. It indicates that ATAP accounts for most of the current market capacity for new build in Auckland city. If we add ALR and AWHC to the mix we would need to expand market capacity many times over in order to deliver the projects – this is extremely unlikely to be a) possible b) affordable; so even if these are all amazing investments, we still need to choose which one we aren't doing and sequence/stage those we are doing in line with market capacity.

The next graph shows that on a 'jobs' basis labour markets are similarly constrained unless they expand at a rate significantly greater than the underlying growth trend for NZ and that to deliver ATAP will already take a step-change in labour market (jobs) growth, let alone adding ALR and AWHC. The input factors necessary to deliver a big expansion in

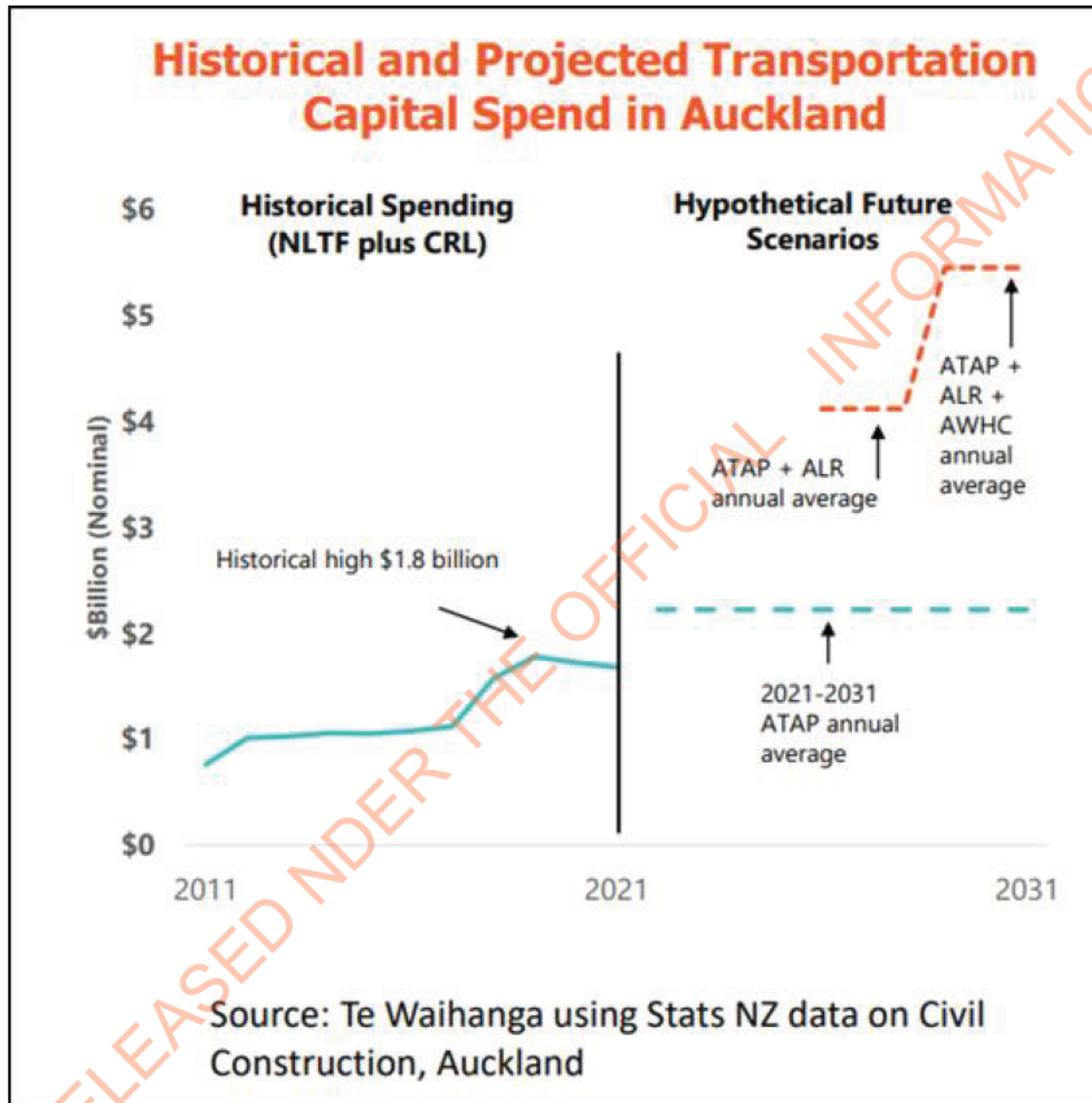
labour market capacity (e.g. housing) are not in surplus in Auckland City as we all know so designing an investment programme that materially exceeds the labour/construction market capacity (including credible growth potential) seems destined for failure.

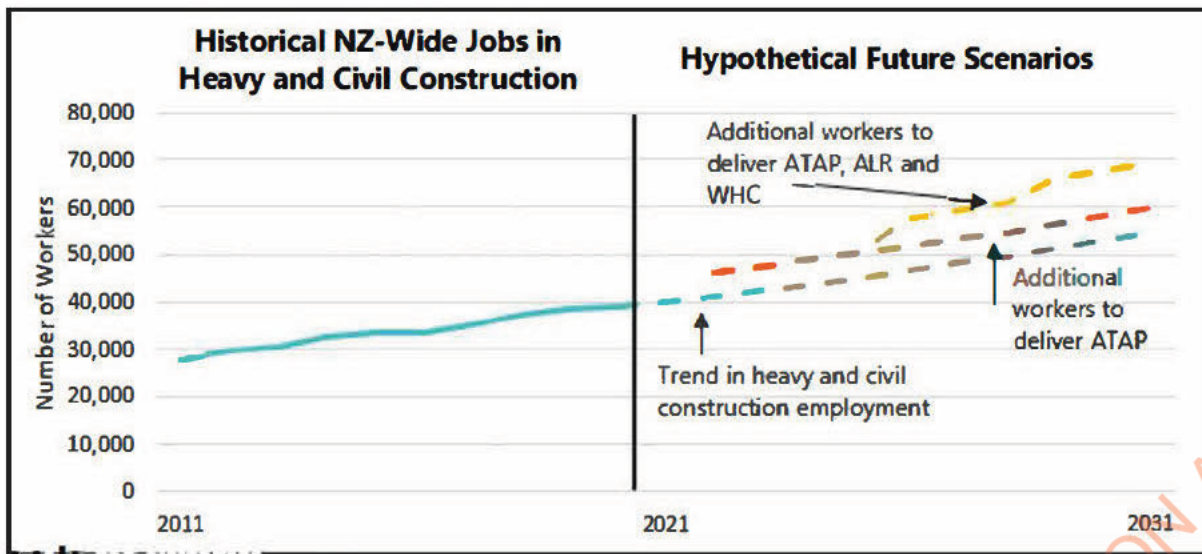
Out of scope

Happy to connect again in future if the board/s of either project would find value in this.

Regards,

Ross





Out of scope

Regards,
Ross

Ross Copland, Chief Executive

New Zealand Infrastructure Commission | Te Waihanga

Mobile: s9(2)(g)(ii) | Email: s9(2)(g)(ii)

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Item 5

From: Barbara Tebbs
Sent: Tuesday, 11 July 2023 3:43 pm
To: s9(2)(g)(ii)
Cc: Blake Lepper; Brigit Stephenson; Geoff Cooper
Subject: RE: Heads up on shortened Cabinet paper consultation
Attachments: Feedback on WHC Cabinet paper 11 July 2023.docx

Hi Emily

As discussed – attached is our Te Waihanga feedback on the Cab paper on the WHC.

Also as discussed – I need to get feedback from our CE and Chair so I may come back with some other comments, recognising that you must lodge the paper by 5pm this evening.

Happy to discuss and do call if you have any questions.

Cheers, Barbara

Barbara Tebbs | General Manager, Policy | New Zealand Infrastructure Commission, Te Waihanga

Auckland Policy Office, 45 Queen Street, Auckland Central 1010

The Todd Building, Level 7 – 95 Customhouse Quay, Wellington 6011

Email: s9(2)(g)(ii)

Mobile:

Visit us online at <https://tewaihanga.govt.nz/>



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From: Blake Lepper <s9(2)(g)(ii)>
Sent: Monday, July 10, 2023 1:07 PM
To: Barbara Tebbs <s9(2)(g)(ii)>; Geoff Cooper <s9(2)(g)(ii)>
Cc: Ross Copland <s9(2)(g)(ii)>
Subject: FW: Heads up on shortened Cabinet paper consultation

Barbara / Geoff- looping you in

Please find attached the draft Cabinet paper and the first response to my information request – an independent assessment of the Waitematā Harbour Crossing (WHC) Project's analysis and assumptions assessment process in its determination of the emerging preferred option.

Blake Lepper / GM Infrastructure Delivery - Kaiwhakahaere Whakatū Hanganga

M: s9(2)(g)(ii) | Email: s9(2)(g)(ii)

<https://tewaihanganga.govt.nz/>

From: Emily Irwin <s9(2)(g)(ii)>
Sent: Monday, July 10, 2023 12:48 PM
To: Blake Lepper <s9(2)(g)(ii)>
Subject: RE: Heads up on shortened Cabinet paper consultation

Kia ora Blake,

Here's the TSA report, please keep in confidence. The Waka Kotahi contacts are below.

Cheers,
Emily

Robyn Elston

Acting Group General Manager Transport Services

Email: s9(2)(g)(ii)

Phone:

Mobile:

Paul Glucina (he/him)

Chief Transport Planner,

Transport Services

Email: s9(2)(g)(ii)

Mobile:

From: Emily Irwin
Sent: Monday, July 10, 2023 12:11 PM
To: > s9(2)(g)(ii) ' < s9(2)(g)(ii)
Subject: FW: Heads up on shortened Cabinet paper consultation

Kia ora Blake,

Please see attached a draft Cabinet paper for consultation, with feedback required by tomorrow 3pm. Apologies for the short timeframe, but appreciate any comments if possible in this time.

Ngā mihi,
Emily

From: Emily Irwin
Sent: Monday, July 10, 2023 11:12 AM
To: Ben Wells <s9(2)(g)(ii)>, s9(2)(g)(ii) ' < s9(2)(g)(ii) >

'Natasha Tod' <[REDACTED]>; [REDACTED] <[REDACTED]>; 'Lesley Baddon' <[REDACTED]>; 'Jason Raven [DPMC]' <[REDACTED]>; Oscar Damerham <[REDACTED]>; Official Correspondence NZTA <[REDACTED]>; Robyn Elston <[REDACTED]>;
Cc: Lou Lennane <[REDACTED]>; Richard Cross <[REDACTED]>
Subject: RE: Heads up on shortened Cabinet paper consultation

Kia ora koutou,

As per the email below, here is the WHC Cabinet paper for departmental consultation, scheduled for Cabinet on 17th July. Please provide your comments by 3pm tomorrow, Tuesday 11th July. I apologise for the short timeframe.

Waka Kotahi, could you please also provide the figure for spending on the project to date (para 78).

Ngā mihi,
Emily

From: Emily Irwin
Sent: Tuesday, July 4, 2023 5:02 PM
To: Ben Wells <[REDACTED]>; [REDACTED] <[REDACTED]>; Natasha Tod <[REDACTED]>; Lesley Baddon <[REDACTED]>; Jason Raven [DPMC] <[REDACTED]>
Subject: Heads up on shortened Cabinet paper consultation

Kia ora koutou,

This is a heads up that we are expecting to consult with you on a Cabinet paper in a shortened timeframe. We will need feedback by Tuesday 10th next week, and I am hoping we can send it out to you tomorrow but it may be delayed.

The paper is on the Waitematā Harbour Connections project, and although it was originally going to seek endorsement of an emerging preferred option, it will now be a noting paper providing an update on progress. At this stage it is 9 pages plus 3 pages of attachments.

Please let me know if there is anyone else I should send the paper to.

Ngā mihi,
Emily

Emily Irwin (she/her)
Principal Advisor, Auckland | Auckland Policy Office
Te Manatū Waka - Ministry of Transport

M: [REDACTED] | E: [REDACTED] | www.transport.govt.nz



Hāpaitia ana ngā tāngata o Aotearoa kia eke
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Item 6

Hi Emily

Thank you for the opportunity to comment on the Cabinet paper.

Te Waihangā is strongly of the view that announcing an 'emerging preferred option' for the Waitematā Harbour Connections project (WHC) undermines effective project planning and investment decision-making.

In its response to *Rautaki Hanganga o Aotearoa, the New Zealand Infrastructure Strategy 2022 – 2052*, Government has agreed the need for government to be a better client and to take a holistic view of the infrastructure system in planning and investment to meet current and future needs.

Narrowing options under consideration for the WHC by early announcement of an 'emerging preferred option' falls well short of the principled approach to decision-making set out in the Strategy and is inconsistent with robust business case processes.

Premature provision of detail on solutions, scope, costs and timeframes puts counterproductive pressure on project planning processes and undermines assessment of alternative investment options, compromising cost benefit analyses.

From a national perspective, early announcement of options for the WHC will also constrain government options on wider infrastructure priorities – such as future decisions to address the infrastructure deficit, build resilience, meet emissions reduction goals, or recover from recent extreme weather events.

We advise that the Cabinet paper should be more than a noting paper and provide active direction to agencies to reset the process and workstreams underway – and for any announcement to be deferred until this work is in hand.

In particular, we recommend that the Cabinet paper should:

- Prioritise work on the programme level business case to integrate major interdependent projects (such as Auckland Light Rail (ALR) and Northwest Rapid Transit Corridor (NWRT)); ensure an adequate understanding of the overall network and land use impacts of these projects; and allow for a holistic and strategic consideration of the needs and aspirations for Auckland's overall transport network and land use system
- Instruct the project team to complete a full business case process in accordance with Treasury's Better Business Case Guidance and the Decision-Making Principles set out in the Strategy
- Require a focus on the exploration of lower cost interventions (e.g. demand management, pricing, land use) that aligns with the Waka Kotahi intervention hierarchy and stakeholder expectations
- Signal the significant carbon impact of a double tunnel under the Harbour compared with other options, and ensure thorough consideration of how the options will impact on the government's emissions reduction pathway
- Instruct the project team to work to identify affordability and deliverability constraints, noting that Te Waihangā considers the anticipated portfolio of Auckland transportation infrastructure projects to be undeliverable, as currently proposed, based on estimated delivery timeframes and constraints on market capacity.

We expand on each of these points briefly below.

The importance of the Business Case process

The purpose of a robust business case is to provide objective analysis in a consistent format to decision-makers. This allows for better comparability and transparency, and enables government to make smart investment decisions that maximise public value.

An 'emerging preferred option' is not something that is contemplated within Better Business Case guidance.

It is an important part of the Business Case process that project teams take a structured and objective approach to analysis of options.

At this stage, a range of options have been identified and analysed. However, there is still further work needed to identify the preferred option, develop scope and understand delivery approach. Planning and environmental consultation processes are yet to be completed which may impact project options. At this stage, cost estimates and delivery timeframes are highly uncertain. As highlighted by the Rapid Independent Assessment, there is insufficient analysis and partner alignment to arrive at a single emerging preferred option with reasonable certainty and without considerable risk.

It is important that the Cabinet paper supports the stewardship of the public investment decision-making system and instructs the consideration of options in accordance with government policy.

Require a focus on the exploration of lower cost interventions

We are deeply concerned with the statement that options analysis has been limited to high-cost infrastructure solutions that aim to meet all of the project investment objectives.

Both the Infrastructure Strategy and Waka Kotahi intervention hierarchy emphasise the importance of non-built and low costs solutions to addressing our infrastructure challenges.

This is particularly evident in Auckland. Since the 1990s, Auckland has experienced a trend towards increasing congestion and increasing average travel times. This has occurred despite significant expansion of the city's road motorway network (approximately 380 lane-kilometres added since 2000, more than doubling the city's total motorway capacity). Arresting or reversing the increase in average travel times will therefore require sustained implementation of complementary transport investment, congestion pricing, and land use planning measures.

Demand management can help manage the need for expensive infrastructure, but is under-used as an intervention. If critical projects can not deliver as promised, it will be increasingly important to make better use of the existing infrastructure and networks we have, and shape demand towards decarbonisation.

Prioritise work on the programme level business case

The Auckland Portfolio is an unprecedented scale of closely interrelated major transportation projects and programmes that are planned or proposed to be delivered in the Auckland Region over the next two decades.

In addition to those projects already committed under the Auckland Transport Alignment Project, work is underway on City Rail Link, Auckland Light Rail, Waitematā Harbour Connections, the New Zealand Upgrade Programme, the North West Corridor RT line, the Heavy Rail Development

Programme – as well as a number of small-scale infrastructure projects being delivered under the Transport Choices package¹.

These are all significant city shaping investments and will have major impacts on the transport network and the allocation of economic activity across the Auckland region. In order to ensure they are complementary, work needs to be undertaken at a system level that takes a holistic and strategic consideration of the needs and aspirations of Auckland's overall transport network and land use system to develop an overall investment strategy that integrates current and future land use and transport networks.

As part of that investment strategy work, it is becoming increasingly urgent for a conversation on the funding of this programme and its overall affordability. The National Land Transport Fund is becoming increasingly strained and without a clear articulation of how land transport should be funded in the future, business cases are being developed without any clear view of affordability constraints. There is a very real risk that the eventual reset of the land transport funding system will leave this planning work redundant once it becomes apparent that, as a collection, they can not be afforded. Accelerating the Future of the Revenue System work is essential to giving clear financial parameters for these projects to work within.

Consideration of the deliverability of the investment programme

The current annual level of construction activity within the transportation sector in the Auckland Region is just under \$1.8 billion per year. Based on Te Waihanga modelling of WHC at \$15 billion to \$25 billion, we estimated a potential peak market requirement of almost \$5.5 billion in 2029 to deliver the Auckland Portfolio. The deliverability challenge gets even more significant with the higher figure of \$35-45 billion.

Te Waihanga considers the anticipated portfolio of Auckland transportation infrastructure projects undeliverable as currently anticipated, based on proposed delivery timeframes and the capacity of the market. Improving deliverability of the portfolio will require a combination of sequencing investments, changing the scope of investments, and coordinated interventions to rapidly grow the capacity of the market.

We recommend a policy process is commenced on a portfolio approach, based on international examples of successful infrastructure build programmes, to ensure the deliverability challenges are best managed, and the programme is brought to market via a sensible series of packages that enables the market to gear up to deliver.

We welcome the opportunity to discuss this feedback or provide input into the advice you will be providing to Ministers alongside the Cabinet paper.

We request that the following content be included in the Cabinet paper as comment from Te Waihanga:

Te Waihanga strongly advises against identifying and announcing an emerging preferred option for the WHC as this unnecessarily constrains the consideration of all options for the WHC project and wider planning for future investment into the Auckland transport network. Similarly, Te Waihanga advises against the continuation of business case development, until business cases can be informed by robust parameters for affordability and deliverability.

¹ This is a \$348 million package of activities nationwide, funded through the Climate Emergency Response Fund. It was announced as part of Budget 2022 and is due to be completed by mid 2024.

Given the scale of the emerging transport infrastructure investments being considered for Auckland, Te Waihanga advises that a portfolio approach be applied to manage the funding and deliverability challenges and bring the programme to market via a sensible series of packages that enables the market to gear up to deliver.”

Regards
Blake and Barbara

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Item 7

From: Brigit Stephenson
Sent: Wednesday, 12 July 2023 11:40 am
To: Jon Butler
Cc: Barbara Tebbs
Subject: FW: Trsy WHC comment
Attachments: OC230591 Cabinet paper on Waka Kotahi's emerging preferred option for the Waitemata Harbour Crossing - Cabinet Paper.docx; Feedback on WHC Cabinet paper 11 July 2023.docx

Hi Jon

As discussed, see below the Tsy comment, which is very much in line with the feedback we provided Te Manatū Waka on the draft Cabinet paper (attached). Our feedback to the Ministry is attached for your ref, and will also be attached to the briefing for the Minister if/when this goes up today.

In our feedback, we asked for the following comment to be included in the paper – we haven't seen an updated version to know if this has been included:

Te Waihangā strongly advises against identifying and announcing an emerging preferred option for the WHC as this unnecessarily constrains the consideration of all options for the WHC project and wider planning for future investment into the Auckland transport network. Similarly, Te Waihangā advises against the continuation of business case development, until business cases can be informed by robust parameters for affordability and deliverability.

Given the scale of the emerging transport infrastructure investments being considered for Auckland, Te Waihangā advises that a portfolio approach be applied to manage the funding and deliverability challenges and bring the programme to market via a sensible series of packages that enables the market to gear up to deliver.

I will of course keep you looped in on developments and will be standing by for any questions you have!

Cheers
Brigit

From: Barbara Tebbs <s9(2)(g)(ii)>
Sent: Wednesday, July 12, 2023 10:20 AM
To: Brigit Stephenson <s9(2)(g)(ii)>
Subject: Trsv WHC comment

Treasury comment that has been included in the WHC Cab paper: Treasury Comment

1. The Treasury has substantive concerns with the timing and basis for the identification of an emerging preferred option at this early stage of an ongoing business case process, based on information available and presented in this Cabinet paper, including the following areas.
 1. There is insufficient analysis at this stage, and a lack of a clear and agreed problem definition, to support the identification of an emerging preferred option that addresses agreed outcomes. The emerging preferred option appears to have been identified based on its alignment with investment objectives alone and it is not clear how cost (both capital and operating) was taken into account, nor embodied carbon or other key considerations. This is in line with the Waka Kotahi Board noting the significant risk in identifying an emerging preferred option at this stage. This approach is inconsistent with Better

Business Case best practice (a position supported by the independent sponsor assurance report from TSA).

2. The TSA report also indicates that there is inadequate supporting evidence to properly quantify the problems that the intervention is trying to solve, and lower cost, non-capital intensive, interventions appear to have been discarded too early in the IBC process.
 3. The indicative cost estimate is significant at \$35-\$45 billion, and may yet underestimate the final cost of the emerging preferred option, presenting a substantive risk to the Crown's fiscal position. If funded by the Crown centrally, and assuming a 20-year phased construction approach, it would equate to an allocation of \$1.75 - \$2.25 billion every year for 20 years from the Multi-Year Capital Allowance, or the equivalent of an immediate 29 to 37 cents per litre increase in Fuel Excise Duty (FED) or Road User Charges (RUC) if funded from the NLTF. The scale of the costs increases the risk of this project crowding out other, possibly higher value, investments.
 4. Crown funding required to enable completion of future phases of the planning work, such as a Detailed Business Case or preliminary design, will likely be operating costs. Depending on the nature of any future decisions on funding this work, there could be significant risks to the Crown OBEGAL forecasts.
 5. There has been no analysis presented on the embodied carbon impacts of the different options and, given the capital-intensive nature of all short-listed options, it is not clear that the indicative emissions reduction (of only 6,000 tonnes p.a. for the emerging preferred option relative to the status quo) are justified at an aggregate emissions level. Further, given the substantive cost of the project, it is not clear that the indicative emissions reduction represents value for money from the investment.
 6. there is not yet consensus with key stakeholders, and this presents a substantive risk to progressing the project in a constructive and efficient manner that will deliver intended benefits. Cabinet would also benefit from further description of the integration with the Auckland Light Rail business case process.
2. Overall the Treasury believes that the evidence available at this stage of the business case process is insufficient to identify an emerging preferred option, and recommends that a preferred option should only be selected once the business case process has been completed and the concerns raised by the TSA report and the Gateway Review have been addressed. Even though this paper does not propose endorsing the emerging preferred option, the noting of this and any proposed announcement would likely require, at a minimum, a Specific Fiscal Risk to be recognised in PREFU.
 3. If the Government wishes to announce an update on the business case process, an announcement could focus on the high-level issues and objectives that will drive development of the problem definition, outlining the high-level options that have been considered through consultation, and outline what some of the key matters Waka Kotahi will need to work through before the completion of the IBC in 2024, at which time an emerging preferred option will be identified.

Barbara Tebbs, General Manager, Policy | New Zealand Infrastructure Commission, Te Waihangā

Email: s9(2)(g)(ii)

Mobile:

Item 8

From: Brigit Stephenson
Sent: Wednesday, 12 July 2023 4:16 pm
To: s9(2)(g)(ii)
Cc: ; Jon Butler; Ross Copland; Barbara Tebbs; Geoff Cooper; Blake Lepper; Georgia Kahan; Ange Watson
Subject: Briefing re Waitematā Harbour Connections
Attachments: 2023 Briefing re emerging preferred option for WHC.docx; OC230591 Cabinet paper on Waka Kotahi's emerging preferred option for the Waitemata Harbour Crossing - Cabinet Paper.docx; Feedback on WHC Cabinet paper 11 July 2023.docx

Hi Mitch

As signalled yesterday, we attach a briefing setting out issues in relation to a draft Cabinet paper on the 'emerging preferred option' for the Waitematā Connections Project. As you know, this Cabinet paper is to be considered by Cabinet on Monday. Also attached (as attachments to the briefing) are the draft Cabinet paper as we received it for comment, and our feedback to MOT. Let me know if you need these as pdfs.

Tomorrow, we will send through the agenda and papers for Monday's officials meeting – including an aide memoire for the Minister's attendance at the Ministerial Employment, Education and Training meeting on Tuesday (which is on the agenda for discussion). We'll also be providing our monthly report.

Regards
Brigit

Brigit Stephenson | Principal Advisor Policy - Kaitohutohu Mātāmua
New Zealand Infrastructure Commission | Te Waihanga

M: s9(2)(g)(ii) | **Email:** s9(2)(g)(ii)

<https://tewaihanga.govt.nz/>

Please note that I do not work on Thursdays.





**Te Kāwanatanga
o Aotearoa**
New Zealand Government

Draft Cabinet paper re Waitematā Harbour Connections – emerging preferred option

Date: 12 July 2023
Report No: TW/2023/276

Action sought

To	Action sought	Deadline
Minister for Infrastructure	For discussion at Cabinet on 17 July	17 July

Contact details

Name	Role	Phone
Brigit Stephenson	Principal Advisor, Policy	s9(2)(g)(ii)
Barbara Tebbs	General Manager, Policy	

Minister’s office actions

- **Invite Minister Woods to raise** issues outlined in this report as part of Cabinet’s consideration of this paper on 17 July.
- **Refer** this report to the Minister of Transport.
- **Request**, from the Minister of Transport, a copy of the report prepared by TSA Australia reviewing the work to date on the WHC business case

Executive Summary

On Monday 10 July, we received a draft Cabinet paper from Te Manatū Waka Ministry of Transport for comment by 3pm on 11 July. The paper is scheduled for consideration by Cabinet on 17 July.

The paper provides an update on progress to develop an indicative business case (IBC) for the Waitematā Harbour Connections (WHC) project and sets out an 'emerging preferred option' from the Waka Kotahi Board. It signals the Minister of Transport's intention to make an announcement on progress with the IBC following Cabinet's consideration of the paper and to release the paper proactively.

Te Waihangā considers that it is premature for government to signal an 'emerging preferred option' and that this would carry significant risks. In our feedback to the Ministry of Transport, we have sought revisions to the Cabinet paper to direct next steps in line with the government's infrastructure action plan, requirements under Treasury's Better Business Case guidance, and wider government investment priorities. We recommended that this work is progressed as part of the portfolio programme for the Auckland Region. We strongly recommended that this work is carried out ahead of any further announcement on the project.

Recommendations

We recommend that you:

1. Raise issues outlined in this report as part of Cabinet's consideration of this paper on 17 July. *[Agree/ disagree]*.
2. Refer this report to the Minister of Transport. *[Agree/ disagree]*.



Barbara Tebbs
General Manager, Policy

Hon Dr Megan Woods
Minister for Infrastructure

[Agree/ disagree]

Draft Cabinet paper re Waitematā Harbour Connections – emerging preferred option

Purpose of this Report

1. This report raises concerns about a Cabinet paper to be considered on 17 July, setting out an 'emerging preferred option' for the Waitematā Harbour Connections (WHC) project. It invites you to seek deferral of an announcement on this option, and to ensure that the Cabinet paper provides direction on next steps to align with government policy, business case guidance, and related work on the portfolio of interventions for the Auckland region.

Background

2. In 2022, Cabinet requested that work on WHC be brought forward to link with related work to develop an integrated transport network for Auckland – including Auckland Light Rail and the refresh of the Auckland Transport Alignment Project. This work is being developed in partnership by Waka Kotahi, Ngā Iwi Mana Whenua o Tāmaki Makaurau, Auckland Council, and Auckland Transport.
3. An indicative business case is to be developed by late 2023, ahead of Cabinet approval in early 2024.
4. In March, the Prime Minister announced the start of public consultation on five different scenarios for the WHC project and noted the Government's intention to announce a preferred option in mid-2023 with construction to begin in 2029.
5. Earlier this year, the Minister of Transport asked Te Manatū Waka to commission an Australian-based firm, TSA, to undertake an independent analysis of work to date on the IBC. This report was delivered in mid-June. Key findings are signalled in the Cabinet paper. In summary, the report finds that, despite work to date having been done in a competent and well-intentioned way, the project team has been working within significant constraints and that there are "insufficient analyses and partner alignment to arrive at a single emerging preferred option with reasonable certainty and without considerable risk".
6. On 6 July, the Waka Kotahi Board endorsed an 'emerging preferred option' for presenting to the Minister of Transport ahead of the planned announcement.
7. On 10 July, we received a draft Cabinet paper from Te Manatū Waka Ministry of Transport for comment by 3pm on 11 July. This Cabinet paper is to be considered on 17 July, with a view to an announcement being made later this month. In the draft we received (attached), the paper is a noting paper only – with no decisions requested of Cabinet.

The 'emerging preferred option'

8. The option preferred by the Waka Kotahi Board includes separate road and rapid transit tunnels under the Harbour, reassignment of the eastern Auckland Harbour Bridge clip-on

to active modes (walking and cycling), and dual rapid transit corridors on the North Shore to Albany.

9. This option is estimated to cost \$35-\$45 billion, but at such an early stage of development, this estimate is acknowledged to be very uncertain.
10. The paper notes that Waka Kotahi considers this to be the best option compared with three others – which include two options combining new bridges and tunnels; and a further option that would comprise new bridges (but no tunnels). The preferred option is the most expensive, is likely to have the biggest carbon impact (due to double tunnelling) and has only negligible impact on enabled carbon emissions.

Our feedback to Te Manatū Waka

11. In our feedback to the Ministry of Transport on 11 July (attached), we indicated our concern that it is premature for government to signal an 'emerging preferred option' and that this would carry significant risks. Explicitly, we raised concerns that the proposed approach would:
 - undermine effective project planning and investment decision-making
 - fall short of principles and objectives in Te Waihangā's investment strategy and the Government's infrastructure action plan – including the need for government to be a better client and to take a holistic view of the infrastructure system in planning and investment to meet current and future needs
 - be inconsistent with business case guidance set by Treasury
 - put undue pressure on work and timelines for assessment of alternative options, which could compromise cost benefit analyses and reduce value for money
 - constrain government options on wider infrastructure priorities.
12. We have sought revisions to the Cabinet paper to direct next steps in line with the Government's infrastructure action plan, requirements under Treasury's Better Business Case guidance, and wider government investment priorities. We recommended that this work is progressed as part of the portfolio programme for the Auckland Region (ref TW-248, "Deliverability of the Auckland Transport Portfolio"). We strongly recommended that this work is carried out ahead of any further announcement on the project.

Te Waihangā concern about early announcements

13. Limited planning and investigation tend to lead to failures in delivering projects. As noted in our advice to the Ministry, premature provision of detail on solutions, scope, costs and timeframes puts counter-productive pressure on project planning processes and undermines assessment of alternative investment options, compromising cost benefit analyses. When decisions are made before the right information is available, they're more likely to lead to problems like cost overruns.
14. The very real impact of this has been highlighted by international research. In Australia, only one in three major infrastructure projects are announced before their business cases

have been completed, but these projects account for 79% of the total value of cost overruns¹.

15. As a result of these lessons, some Australian State Governments have developed guidance around the level of detail that may be confidently provided to the public at each stage of project development. We consider the NSW guidance, "[Information on Infrastructure Projects Guide](#)", provides helpful principles to support providing reliable project information.

Next steps

16. We invite you to consider raising the issues outlined above, and in our feedback attached, at the Cabinet discussion on 17 July.
17. You may also wish to seek a copy of the TSA report from the Minister of Transport.

¹ Terrill, M., O Emslie, and G Moran. The Rise of Megaprojects: Counting the Costs. Grattan Institute Report No 2020-15. 2020. Accessed September 20, 2021. <https://grattan.edu.au/wp-content/uploads/2020/11/The-Rise-of-Megaprojects-Grattan-Report.pdf>

Item 10

From: Barbara Tebbs

Sent: Thursday, July 13, 2023 4:39 PM

To: s9(2)(g)(ii)

Cc: Katie Mayes <[REDACTED]>

Subject: FW: Update on WHC Cabinet paper

Hi Robyn (cc Katie FY)

Thank you for the incredibly helpful discussion about the WHC emerging preferred option earlier this week.

I expect you've received the email from MoT below – but looping you in so you know we've got it. As discussed, attached FYI is a word doc, the comments Te Waihanga sent through to Emily on the WHC Cab paper. We also sent up a briefing to Minister Woods on the Cab paper (covering the same content as in our comments to MoT).

FYI – below are the comments Treasury sent through to MoT on the Cab paper, and which I think may have been included in the Cab paper (not sure on that):

1. *The Treasury has substantive concerns with the timing and basis for the identification of an emerging preferred option at this early stage of an ongoing business case process, based on information available and presented in this Cabinet paper, including the following areas.*
 - *There is insufficient analysis at this stage, and a lack of a clear and agreed problem definition, to support the identification of an emerging preferred option that addresses agreed outcomes. The emerging preferred option appears to have been identified based on its alignment with investment objectives alone and it is not clear how cost (both capital and operating) was taken into account, nor embodied carbon or other key considerations. This is in line with the Waka Kotahi Board noting the significant risk in identifying an emerging preferred option at this stage. This approach is inconsistent with Better Business Case best practice (a position supported by the independent sponsor assurance report from TSA).*
 - *The TSA report also indicates that there is inadequate supporting evidence to properly quantify the problems that the intervention is trying to solve, and lower cost, non-capital intensive, interventions appear to have been discarded too early in the IBC process.*
 - *The indicative cost estimate is significant at \$35-\$45 billion, and may yet underestimate the final cost of the emerging preferred option, presenting a substantive risk to the Crown's fiscal position. If funded by the Crown centrally, and assuming a 20-year phased construction approach, it would equate to an allocation of \$1.75 - \$2.25 billion every year for 20 years from the Multi-Year Capital Allowance, or the equivalent of an immediate 29 to 37 cents per litre increase in Fuel Excise Duty (FED) or Road User Charges (RUC) if funded from the NLTF. The scale of the costs increases the risk of this project crowding out other, possibly higher value, investments.*
 - *Crown funding required to enable completion of future phases of the planning work, such as a Detailed Business Case or preliminary design, will likely be operating costs. Depending on the nature of any future decisions on funding this work, there could be significant risks to the Crown OBEGAL forecasts.*
 - *There has been no analysis presented on the embodied carbon impacts of the different options and, given the capital-intensive nature of all short-listed options, it is not clear that the indicative emissions reduction (of only 6,000 tonnes p.a. for the emerging preferred option relative to the status quo) are justified at an aggregate emissions level. Further, given the substantive cost of the project, it is not clear that the indicative emissions reduction represents value for money from the investment.*
 - *there is not yet consensus with key stakeholders, and this presents a substantive risk to progressing the project in a constructive and efficient manner that will deliver intended benefits. Cabinet would also benefit from further description of the integration with the Auckland Light Rail business case process.*

2. *Overall the Treasury believes that the evidence available at this stage of the business case process is insufficient to identify an emerging preferred option, and recommends that a preferred option should only be selected once the business case process has been completed and the concerns raised by the TSA report and the Gateway Review have been addressed. Even though this paper does not propose endorsing the emerging preferred option, the noting of this and any proposed announcement would likely require, at a minimum, a Specific Fiscal Risk to be recognised in PREFU.*
3. *If the Government wishes to announce an update on the business case process, an announcement could focus on the high-level issues and objectives that will drive development of the problem definition, outlining the high-level options that have been considered through consultation, and outline what some of the key matters Waka Kotahi will need to work through before the completion of the IBC in 2024, at which time an emerging preferred option will be identified.*

We are overdue for that deferred catch-up. I'll follow up with Susanne on some suggested dates.

Hope you get a good break over the long weekend.

Cheers, Barbara

Barbara Tebbs | General Manager, Policy | New Zealand Infrastructure Commission, Te Waihanga

Auckland Policy Office, 45 Queen Street, Auckland Central 1010

The Todd Building, Level 7 – 95 Customhouse Quay, Wellington 6011

Email: s9(2)(g)(ii)

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From: Richard Cross <s9(2)(g)(ii)>
Sent: Thursday, July 13, 2023 3:13 PM
To: David Hermans <s9(2)(g)(ii)>; Ben Wells <s9(2)(g)(ii)>; Blake Lepper <s9(2)(g)(ii)>; Barbara
Tebbs <s9(2)(g)(ii)>;
Cc: Emily Irwin <s9(2)(g)(ii)>
Subject: Update on WHC Cabinet paper

Kia ora koutou

Thanks again for all of the very helpful feedback you all provided on the draft Cabinet paper for the Additional Waitematā Harbour crossing.

This is just a quick note to say that we met with Minister Parker this afternoon, and he has decided not to lodge the Cabinet paper for Monday. The Minister has asked for some changes to the framing of the paper which I expect will help address some of the concerns that have been raised. At this stage we don't have confirmation of when it will be going to Cabinet. We will provide you with a more insightful update next week. Until then, have a great long weekend.

Ngā mihi
Richard.

Richard Cross
Pou Whakahaere | Director
Te Pūnaha Waka me te Kāwantanga | System Performance and Governance

Te Manatū Waka Ministry of Transport
M: s9(2)(g)(ii) E: s9(2)(g)(ii) | [transport.govt.nz](mailto:s9(2)(g)(ii)@transport.govt.nz)



MINISTRY OF TRANSPORT

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Item 11

From: Georgia Kahan
Sent: Thursday, 13 July 2023 11:58 am
To: s9(2)(g)(ii)
Cc: Brigit Stephenson; [REDACTED] Barbara Tebbs;
Ross Copland; Blake Lepper; Ange Watson; Geoff Cooper
Subject: RE: Briefing re Waitematā Harbour Connections
Attachments: Talking points Cabinet meeting 17 July - Waitematā Harbour Connections paper.dotx; Te Waihangā Briefing and Talking points for July 17 Cabinet meeting - Waitematā Harbour Connections paper.pdf

Kia ora Mitch

As requested, attached are some talking points on the Waitematā Harbour Connections paper to support the Minister at during the cabinet meeting on Monday. I have also combined these into a pdf with the briefing if it helps to have them as a pack.

The Minister will need these as part of her weekend bag (I will send them again together with the rest of her weekend bag no later than 3pm today)

Thanks
Georgia

From: Brigit Stephenson <s9(2)(g)(ii)>
Sent: Wednesday, July 12, 2023 5:16 PM
To: Georgia Kahan <s9(2)(n)(ii)>
Subject: FW: Briefing re Waitematā Harbour Connections

From: Brigit Stephenson
Sent: Wednesday, July 12, 2023 4:35 PM
To: Mitch Keast <s9(2)(g)(ii)>
Cc: Sandy Grove <s9(2)(g)(ii)>; Jon Butler <s9(2)(g)(ii)>
Subject: RE: Briefing re Waitematā Harbour Connections

Not my usual gig either(!), so just wanting to be super clear: are you looking for talking points for the Minister to raise at Cabinet – or talking points for you to discuss the issues Te Waihangā has raised with the Minister?

From: Mitch Keast <s9(2)(g)(ii)>
Sent: Wednesday, July 12, 2023 4:30 PM
To: Brigit Stephenson <s9(2)(g)(ii)>
Cc: Sandy Grove <s9(2)(g)(ii)>; Jon Butler <s9(2)(g)(ii)>
Subject: RE: Briefing re Waitematā Harbour Connections

(This isn't my usual gig so not quite sure how to commission these. Jon will tidy up if I've done anything wrong).

From: Brigit Stephenson <s9(2)(g)(ii)>
Sent: Wednesday, 12 July 2023 4:26 PM
To: Mitch Keast <s9(2)(g)(ii)>

Cc: Sandy Grove <s9(2)(g)(ii)>; Jon Butler <s9(2)(g)(ii)>
Subject: RE: Briefing re Waitematā Harbour Connections

Just to clarify, that's talking points re the WHC project/briefing?

From: Mitch Keast <s9(2)(g)(ii)>
Sent: Wednesday, July 12, 2023 4:23 PM
To: Brigit Stephenson <s9(2)(g)(ii)>
Cc: Sandy Grove <s9(2)(g)(ii)>; Jon Butler <s9(2)(g)(ii)>
Subject: Re: Briefing re Waitematā Harbour Connections

Thanks Brigit. Can Te Waihanga please provide some talking points by midday tomorrow?

From: Brigit Stephenson <s9(2)(g)(ii)>
Sent: Wednesday, July 12, 2023 4:19 PM
To: Mitch Keast <s9(2)(g)(ii)>
Cc: Sandy Grove <s9(2)(g)(ii)>; Jon Butler <s9(2)(g)(ii)>; Ross Copland <s9(2)(g)(ii)>; Barbara Tebb <s9(2)(g)(ii)>; Geoff Cooper <s9(2)(g)(ii)>; Blake Lepper <s9(2)(g)(ii)>; Georgia Kahan <s9(2)(g)(ii)>; Ange Watson <s9(2)(g)(ii)>
Subject: Briefing re Waitematā Harbour Connections

Hi Mitch

As signalled yesterday, we attach a briefing setting out issues in relation to a draft Cabinet paper on the 'emerging preferred option' for the Waitematā Connections Project. As you know, this Cabinet paper is to be considered by Cabinet on Monday. Also attached (as attachments to the briefing) are the draft Cabinet paper as we received it for comment, and our feedback to MOT. Let me know if you need these as pdfs.

Tomorrow, we will send through the agenda and papers for Monday's officials meeting – including an aide memoire for the Minister's attendance at the Ministerial Employment, Education and Training meeting on Tuesday (which is on the agenda for discussion). We'll also be providing our monthly report.

Regards
Brigit

Brigit Stephenson | Principal Advisor Policy - Kaitohutohu Mātāmua
New Zealand Infrastructure Commission | Te Waihanga
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<https://tewaihangagovt.nz/>

Please note that I do not work on Thursdays.

13 July 2023

To Hon Dr Megan Woods, Minister for Infrastructure
From Barbara Tebbs, GM Policy
Subject Talking points for the Cabinet meeting 17 July

Talking points Cabinet meeting 17 July - Waitematā Harbour Connections paper

Context

- On Monday Cabinet will be asked to consider an “emerging preferred option” for the additional Waitemata Harbour Crossing – separate road and rapid transit tunnels under the Harbour, reassignment of the eastern Auckland Harbour Bridge clip-on to active modes (walking and cycling), and dual rapid transit corridors on the North Shore to Albany estimated to cost \$35-\$45 billion.
- The advice on the emerging preferred option has been developed by Waka Kotahi under very real time constraints which has limited the ability to provide robust analysis. While reviews of the recommendation have found the work to date has been done in a competent and well-intentioned way, there has not been time for the team to robustly analyse all options.

Talking points from Te Waihanga

- There appears to be consensus among those that have reviewed the recommendation (including Te Waihanga, Treasury, the Independent External Reviewer and the Gateway Review Panel) that there is insufficient analysis and partner alignment to arrive at a single emerging preferred option with reasonable certainty
- There are very real costs associated with premature announcements on projects. When decisions are made before the right information is available, they're more likely to lead to problems like cost overruns. Similarly, such early announcements preclude robust analysis of lower cost 'non-infrastructure solutions'.
- There are already more investment intentions announced in Auckland than can reasonably be delivered by the market. Te Waihanga considers that the market would get more confidence from announcements on a structured, programme approach to delivering on the Auckland Portfolio. Correspondingly market uncertainty is exacerbated by commitments to projects that are unlikely to be delivered in the next decade, which is how an announcement of \$45billion WHC 'emerging preferred option' will be perceived.
- Te Waihanga also considers the current approach to be out of step with current planning and investment policies and emissions reduction objectives. They are calling for more work to ensure better alignment with the government's infrastructure action plan, Treasury's guidance on business cases, and wider planning work in Auckland.

Further note

- The significant risk of cost overruns for projects that are announced before business case processes are completed has led some Australian state governments to develop 'announcements policies' to provide guidance on what level of information can be provided to the public at each stage of project development.
- We could consider developing a similar policy here to help reduce risks and cost escalations of future major infrastructure projects.

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Item 13

From: Brigit Stephenson
Sent: Wednesday, 19 July 2023 5:16 pm
To: Jon Butler
Cc: Barbara Tebbs; Blake Lepper; Ross Copland; Geoff Cooper
Subject: Our comments on the latest WHC paper
Attachments: WHC progress update cabinet paper v2 (TW feedback).docx

Hi Jon

Earlier today, we provided comment to the Ministry of Transport on a further revised draft of the Waitematā Harbour Connections Cabinet paper, which we understand will be lodged tomorrow morning for consideration by Cabinet on Monday 24th.

The revised draft was a big step forward from the earlier draft and significantly addressed most of the feedback we provided on the earlier draft (our briefing last week TW/2023/276 refers; we also provided draft talking points for the Minister, prior to the paper being withdrawn from the 14 July Cabinet meeting). However, we did provide some further track change comments and asked for a departmental comment to be included from us.

I've attached our track change comments on the paper as provided to MOT. These broadly call out the need for ongoing integrated, staged and affordable planning; the value of corridor protection; and a concern that emissions reduction claims are over-stated.

We also asked for the following departmental comment to be included from Te Waihangā:

"Te Waihangā emphasises the significant limitations of the options analysis noted by the Waka Kotahi Board and strongly supports the need for a robust business case process, informed by parameters for affordability, deliverability and priority across the Auckland transport portfolio. Te Waihangā supports a staged, affordable and coordinated approach to investment in transport infrastructure as part of an integrated Auckland transport system plan."

Given the scale of the emerging transport infrastructure investments being considered for Auckland, Te Waihangā supports a portfolio approach to managing funding and deliverability challenges, and bringing the programme to market via a sensible series of packages."

We also note that the emissions reduction impacts of this project need further consideration. This project will result in significant embodied carbon emissions which will run counter to national emissions reduction objectives and take many decades to offset through any VKT reduction or other benefits that could be achieved. This underlines the need to consider lower-emissions and non-infrastructure options – such as pricing and other demand management measures."

MOT has just confirmed that 'most' of our comments have been picked up in the revised draft, and that the departmental comment we requested has been included in the revised paper.

I'll pass forward a further revised draft if I can get one through from MOT.

Please let me know if you need anything further on this – eg, revised talking points for the Minister for Monday.

Cheers
Brigit

Brigit Stephenson | Principal Advisor Policy - Kaitohutohu Mātāmua

New Zealand Infrastructure Commission | Te Waihanga

M: s9(2)(g)(ii) | Email: s9(2)(g)(ii)

<https://tewaihanga.govt.nz/>

Please note that I do not work on Thursdays.



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Item 14

From: Barbara Tebbs
Sent: Monday, 24 July 2023 8:56 am
To: Jon Butler
Cc: Brigit Stephenson; Geoff Cooper; Blake Lepper; Ross Copland
Subject: Talking points Cabinet meeting 24 July - Waitematā Harbour Connections paper
Attachments: Talking points Cabinet meeting 24 July - Waitematā Harbour Connections paper.pdf
Importance: High

Hi Jon

Attached are talking points for Minister Woods for the WHC Cabinet paper this morning. These are based on the version of the paper we saw late last week. We haven't seen the version as it has been lodged for Cabinet this morning.

Cheers, Barbara

Barbara Tebbs | General Manager, Policy | New Zealand Infrastructure Commission, Te Waihangā

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20 July 2023

To Hon Dr Megan Woods, Minister for Infrastructure
From Barbara Tebbs, GM Policy
Subject Talking points for the Cabinet meeting 24 July

Talking points Cabinet meeting 24 July - Waitematā Harbour Connections paper

Context

- On Monday, Cabinet will consider an update on an 'emerging preferred option' for the additional Waitemata Harbour crossing – separate road and rapid transit tunnels under the Harbour, reassignment of the eastern Auckland Harbour Bridge clip-on to active modes (walking and cycling), and dual rapid transit corridors on the North Shore to Albany – with an estimated cost of \$35-\$45 billion.
- s 9(2)(f)(ii)
- The advice on the emerging preferred option has been developed by Waka Kotahi within an accelerated timeframe, and it is acknowledged that significant further work is needed to provide robust analysis of all options (including non-infrastructure options such as pricing).
- The initial paper proposed an announcement of the 'emerging preferred option'. Te Waihanga and other agencies considered this would raise significant risks – including, constrained options analysis, inaccurate cost estimates (which are likely to increase as more detailed planning is done) and risks to partnership and stakeholder relationships.
- s 9(2)(f)(ii)

Talking points from Te Waihanga

- s 9(2)(f)(ii)
- Te Waihanga supports a structured, programme approach to developing options and alternatives to an additional harbour crossing within the wider Auckland Portfolio. This would enable benefits to be delivered in a staged way and help to manage funding and deliverability challenges over time.
- In terms of investment decision-making, Te Waihanga emphasises the importance of the core principles for infrastructure decision-making as set out in the Infrastructure Strategy, including robust problem definition, assessment of affordability and consideration of alternative funding sources. Matters of affordability and potential funding sources need to be included in the business case work for the WHC.

- They note the need for further work on emissions impacts given the significant embodied carbon that would be generated by the project.

Further note

- The significant risk of cost overruns for projects that are announced before business case processes are completed has led some Australian state governments to develop 'announcements policies' to provide guidance on what level of information can be provided to the public at each stage of project development.
- We could consider developing a similar policy here to help reduce risks and cost escalations of future major infrastructure projects.

Te Waihanga content in the Cabinet paper

Te Waihanga was consulted in the development of the Cabinet paper and our specific comment has been included (paras 90-92):

90. Te Waihanga emphasises the significant limitations of the options analysis noted by the Waka Kotahi Board and strongly supports the need for a robust business case process, informed by parameters for affordability, deliverability and priority across the Auckland transport portfolio. Te Waihanga supports a staged, affordable and coordinated approach to investment in transport infrastructure as part of an integrated Auckland transport system plan.
91. Given the scale of the emerging transport infrastructure investments being considered for Auckland, Te Waihanga supports a portfolio approach to managing funding and deliverability challenges, and bringing the programme to market via a sensible series of packages.
92. Te Waihanga also notes that the emissions reduction impacts of this project need further consideration. This project will result in significant embodied carbon emissions which will run counter to national emissions reduction objectives and take many decades to offset through any VKT reduction or other benefits that could be achieved. This underlines the need to consider lower-emissions and non-infrastructure options – such as pricing and other demand management measures.