



QUEENSTOWN BUSINESS CASE

Commercial Case

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FINAL

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1 COMMERCIAL CASE

The commercial case describes how the preferred programme will be implemented including how it is procured, consented and how property is acquired. The case includes consideration of risk allocation and transfer, contractual management and implementation timeframes.

The management case notes that the preferred programme has three key parts for the next stages of delivery:

- New Zealand Upgrade Programme (NZUP) – committed activity with crown funding
- Crown Infrastructure Partners Stimulus Package (CIP) – committed activity with crown funding
- The remainder of the preferred programme – no funding allocated.

A decision has been made to deliver NZUP and CIP together under an Alliance, the Wakatipu Transport Programme Alliance.

1.1 Wakatipu Transport Programme Alliance

Waka Kotahi and QLDC released an RfT for the Wakatipu Transport Programme Alliance on 2 October 2020. The alliance includes professional services and physical works for NZUP and CIP from the business case along with Stage 1 of the Wakatipu Active Travel Network. It is anticipated that the alliance contract will be awarded pre-Christmas 2020 and that the programme will be delivered over four years. The estimated alliance project budget is \$200M.

1.2 The remainder of the preferred programme

The remainder of the preferred programme requires approval through the Long Term Plan and National Land Transport Programme before it will proceed to the next phase. The scope of the remainder of the programme includes:

- Travel demand management package
- PT services improvements
- On-road PT service improvements
- Stanley Street and Shotover Street corridor improvements, including the first stage of the Stanley Street bus hub
- Town centre upgrade – stage 2
- Arterials route stage 2
- Stanley Street bus hub stage 2
- Frankton offline transport hub
- Arterials route stage 3
- Offline PT infrastructure and service improvements.

1.3 Procurement approach

It is anticipated that the remainder of the preferred programme is procured and delivered as discrete pieces of work following the traditional approach. The projects will be competitively tendered through GETS and would generally be procured for an individual phase and utilise the price/quality method.

1.4 Risk allocation and transfer

Risk allocation is dependent on the procurement approach and delivery model. For the projects that are delivered through the traditional approach it is expected that most risks would remain with QLDC or Waka

Kotahi, but for the alliance it is expected that many of the risks would be transferred to the alliance. A key philosophy is that the risks will be allocated to the organisation that is best placed to manage them. This requires that the individual projects develop their own risk registers for their next stage (under the traditional approach). These would be managed together under an alliance.

The high level risks that may impact on the delivery of the overall programme are summarised in Table 1. The risk register can be found in Appendix F01.

Table 1: High level risks

Risk description	Risk cause	Risk score	Owner	Treatment strategy
That the funding available to implement business case recommendations, and the recommendations, do not align.	Future budget drivers and decisions based on a range of elements, not only this business case.	Critical	QLDC and Waka Kotahi and ORC – Shaun Hubbard	Maintain contact with levels in QLDC, ORC and Waka Kotahi that are appropriate for team. Update cases to be as realistic as possible for cost/budget profiles. Parties to signal funding priorities as early as possible.
That property(ies) required are not available.	Property owners do not wish to sell, or property costs are prohibitive.	Critical	Waka Kotahi – Tony Sizemore	Early engagement with property owners.
That decision making external to team is poor or slow.	Decision makers are not aligned or not prepared to commit to significant change.	Critical	Way to Go – Shaun Hubbard	Maintain contact with appropriate levels in Waka Kotahi, ORC and QLDC. Reinforcement of requirement for timely decisions, particularly during the collaborative review process.
That decisions made for interface projects (Stage 1 design, Stage 2 and 3 prelim design and designation, and Manawa) are inconsistent with business case recommendations (misalignment).	Interface projects are working to different timelines, and their various constraints are not the same as this project.	High	Way to Go – Shaun Hubbard	W2G maintain observation on interface projects and interaction with this project's requirements. Strong integrated project governance, with a clear agreement of roles and responsibilities.
There is misalignment between Waka Kotahi, QLDC and ORC for the multitude of interdependent projects.	Multiple interdependencies between the projects which are the responsibility of differing agencies.	Critical	Way to Go Board – Shaun Hubbard	Consistent decisions are required across design, operations, approvals, funding, programme and implementation.
There is the threat that the projects lose community support.	Community and individuals progressively understand more about the projects and the impacts on individuals.	High	Way to Go communications – Shaun Hubbard	Comprehensive engagement strategy on-going after business case completion, with frequent touch points with the community and stakeholders.
There are detail design changes required in later stages.	Detail design can identify necessary changes to scope/cost/programme.	High	Way to Go – Shaun Hubbard	Involve the right people early in frequent challenge sessions and peer review.

1.5 Payment allocations (mechanisms)

It is anticipated that standard payment mechanisms will be used across the programme except for possible incentives where an exceptional outcome is required such as completing an activity in an unusually short timeframe. The alternative is a payment (liquidated damages) for late delivery. The appropriateness of these mechanisms needs to be considered during the procurement strategy of each individual project. These would

generally only be considered for large scale construction projects. The shared risk model is used within alliances where alliance members jointly benefit from exceeding KPIs and share costs of not achieving KPIs.

1.6 Contractual and other issues

Contracts will be managed under the guidance of relevant policies and procedures of QLDC and Waka Kotahi. The project manager for each project will be responsible for administering the contract and being the key point of contact for the supplier. Any significant contractual issues will be elevated to the Project Director or through to the governance group.

Supplier performance against the obligations of the contract should be regularly assessed by the project manager following a standardised procedure (such as PACE). Staging of contracts under the traditional approach is an opportunity to ensure that performance is maintained throughout the contract length. Alternatively, direct appointment of future stages of a project may be used as an incentive for good performance.

1.7 Property strategy

The Property Group has delivered a Property Strategy that is contained in Appendix F02. Property is required for a number of projects and is on the critical path for the delivery of the overall programme. The interdependencies between the projects mean that a property acquisition delay on one project will likely have a flow on effect to other projects.

The property acquisition process will follow the Public Works Act process. The first step is to initiate negotiations with owners of property that is required. The strong preference is that deals can be made through negotiation as it is the most efficient process. The alternative is to proceed through compulsory acquisition, however, this is only available after 'all reasonable endeavours to negotiate the sale and purchase of your land in good faith' and can be taken through the courts by appeal.

At best, with all parties willing to negotiate, property purchase will take 18 months but can take much longer. This is therefore a key process that needs to be initiated as soon as possible. It is recommended that negotiations commence for all required property following the approval of the business case.

Table 2 outlines the property requirements, costs, interdependencies and anticipated timing.

Table 2: Property acquisition

Project	Property cost	Interdependency	Timing
SH6/6A Intersection	\$4,507,250	Old Frankton to prevent rat running and breakdown of network due to courtesy stopping on SH6A inbound	2019/20
Interim Frankton Hub	\$965,100		2020/21
SH6/Hansen Road	\$1,341,000	SH6/6A Intersection	2020/21
SH6 Frankton-Ladies Mile to SH6/6A Intersection	\$4,648,950	1. SH6/6A Intersection 2. SH6 Hawthorne Drive Intersection 3. SH6 Grant Road Intersection 4. SH6 Hansen Road New Intersection 5. SH6 Joe O'Connell Drive Intersection	2020/21
Ladies Mile West Bound Bus Lane	\$1,608,943		2020/21
SH6 Howards Drive Roundabout	\$2,682,145		2019/20
SH6A New Marina/Perkins Road Intersection	\$242,061	SH6/6A Intersection	2020/21
SH6A Battery Hill Intersection	\$20,699	SH6/6A Intersection	2020/21
SH6A Oaks Club Eastbound Bus Stop and Pedestrian Signals	\$17,428	SH6/6A Intersection	2021/22

Project	Property cost	Interdependency	Timing
Stanley Street Public Transport Hub	\$17,997,000	Project Manawa, Arterials route stage 2	2024/25
Arterials route - Stage 1 - Melbourne and Henry Street upgrade and connections includes intersection at SH6A	\$32,274,063		2019/20
Arterials route - Stage 2 - Gorge Road to Hay Street. New link and upgrades Excludes Man/Camp and Man/Brecon.	\$82,346,503	1. Project Manawa (relocation of community hall) – the property costs associated with the Memorial Hall are excluded from the economic analysis as it is a QLDC owned property. 2. Brecon Street steps (relocation)(TC15)	2022/23

1.8 Consenting strategy

Overarching preliminary consenting strategies have been developed for three key areas of the project and are contained in Appendix C13. More detailed strategies will be developed in the next stage of the project.

1.8.1 Frankton to Queenstown

This corridor, delivered through NZUP, has 37 locations with consenting requirements. The key planning requirements and complexities are highlighted in the following table. The traffic light system identifies the planning complexity of each site (red = complex, amber = some challenges, green = straightforward). This demonstrates that approximately half of the sites have some consenting challenges.

Table 3: Frankton to Queenstown planning complexity

Intervention reference	Location	Planning matters	Complexity
1	SH6 McDowell Drive pedestrian/cycle underpass	Requires potential alteration to designation and outline plan. Possible additional land requirement	Yellow
2	SH6 Howards Drive roundabout	Requires potential alteration to designation and outline plan (additional land for drainage may be required)	
3	SH6 Howards Drive pedestrian/cycle underpass	Requires potential alteration to designation and outline plan (additional land for drainage may be required)	
4	Ladies Mile westbound priority bus lane	Requires potential alteration to designation and outline plan (additional land for drainage may be required)	
5	SH6 Stalker Road pedestrian/cycle underpass	Requires potential alteration to designation and outline plan (additional land for drainage may be required)	
6	SH6 Hawthorne Drive Intersection	• Requires alteration to designation • Requires outline plan <u>Note:</u> Land is required to be taken on all four quadrants of the intersection	
7	SH6 Frankton-Ladies Mile to SH6/6A Intersection priority bus lane	• Requires alteration to designation • Requires outline plan	
8	SH6/Grant Road Intersection	Outline plan waiver	Green
9	SH6/Hansen Road intersection	• Requires alteration to designation • Requires outline plan	Yellow
10	SH6/Joe O'Connell Drive intersection (Events Centre)	• Requires alteration to designation • Requires outline plan	
11	SH6/6A intersection	• Requires new designation • Requires alteration to designation • Requires outline plan	
12	Old Frankton/ Frankton Village	Outline plan waiver	Green

Intervention reference	Location	Planning matters	Complexity
13	Frankton offline PT Hub	- Requires new designation - Site subject of existing QLDC designation, which has priority - Displacement of recreational land	
14	SH6 Kawarau Road (Ross Street to Kawarau Falls Bridge)	Outline plan waiver	
15	SH6/Lucas Place	- Requires alteration to designation - Requires outline plan	
16	SH6/Humphrey Street Intersection	Outline plan waiver	
17	Humphrey Street Link (SH6 to Lucas Place)	Notice of Requirement required for new Humphrey Street link	
18	SH6A/McBride Street Intersection	Outline plan waiver	
19	SH6A Yewlett to SH6/6A priority bus lane	Outline plan waiver	
20	SH6/6A to Marina intersection	- Requires alteration to designation - Requires outline plan - Land required for the new western intersection, plus some minor widening east of Sugar Lane and between Sugar Lane and the new intersection.	
21	SH6A Frankton to Queenstown shared path	- Requires alteration to designation - Requires outline plan - Potential land requirement	
22	SH6A/Marina Intersection	Outline plan waiver	
23	SH6A Marina to Perkins Road priority bus lanes	Outline plan waiver	
24	SH6A/New Marina/Perkins Road Intersection	- Requires alteration to designation - Requires outline plan	
25	SH6A Middleton Road eastbound bus stop	Outline plan waiver	
26	SH6A/Battery Hill Intersection	Outline plan waiver	
27	SH6A/Goldfield Heights intersection	Outline plan waiver required <u>Note:</u> there is a protected gum tree (Council Ref. 240) on NW corner of intersection	
28	SH6A Goldfields eastbound bus stop	Outline plan waiver	
29	SH6A Goldfields Heights priority bus lane	Outline plan waiver	
30	SH6A Larch Hill Place to Goldfields Heights priority bus lane	Outline plan waiver	
31	SH6A Larch Hill Place intersection	Outline plan waiver	
32	SH6A Hensman Road Intersection	Outline plan waiver	
33	SH6A Oaks Club pedestrian signals	Outline plan waiver	

Intervention reference	Location	Planning matters	Complexity
34	SH6A Oaks Club eastbound bus stop	Outline plan waiver	Green
35	SH6A Pounamu eastbound bus stop expansion	Outline plan waiver	
36	SH6A Suburb Street to Frankton/Stanley Street intersection priority bus lane	- Requires alteration to designation - Requires outline plan - Land requirement	Yellow
37	SH6A Dublin Street intersection	Outline plan waiver	Green

1.8.2 Queenstown Town Centre

Resource Management Act approvals required:

- Alteration of Designation
- Outline Plan(s).

Other approvals potentially required:

- Resource consent for any drilling associated with geotechnical investigations
- Resource consent under the NES National Environmental Standard for Assessing and Managing Contaminants in Soil to Protect Human Health
- Archaeological Authority.

The following technical assessments will be required for the consents:

- Archaeological/Heritage Impact Assessment
- Arboricultural Assessment for those protected trees in proximity to the route
- Cultural Impact Assessment (potentially – may be avoided through engagement with Iwi)
- Noise impact assessment – current and future noise environment, mitigation
- Potential Social/Recreational Impact Assessment associated with the loss of part of the Manawa Community Centre site (despite this site being used only for public car parking at present)
- Preliminary Site Investigation/Detailed Site Investigation with regards to potentially contaminated sites along the non-arterial route
- Landscape/Urban Design Assessment with regards to the impacts of the project on the existing streetscape, as well as potential impacts on Outstanding Natural Landscapes
- Lighting Impact Assessment (both in terms of street-lighting but also in relation to the light spill from vehicles).

Additional to this, other likely technical assessments required include:

- Geotechnical assessment – retaining structures, cuts and fills
- Economic assessment (economic benefits of the project).

1.8.3 Arterial routes

Resource Management Act approvals required:

- Alternative of designation
- Outline plan

- Resource consent from ORC.

Other approvals potentially required:

- Resource consent for any drilling associated with geotechnical investigations
- Resource Consent under the NES National Environmental Standard for Assessing and Managing Contaminants in Soil to Protect Human Health
- Archaeological Authority.

The following technical assessments will be required for the consents:

- An ecological assessment will be required with regards to the activity in proximity to/within Horne Creek and Lake Wakatipu
- Archaeological/Heritage impact assessment
- Arboricultural assessment on those protected trees in proximity to the route or to be removed as part of the project
- Cultural Impact Assessment (potentially – may be avoided through engagement with Iwi)
- Noise impact assessment – current and future noise environment, mitigation
- Social/Recreation Impact assessment associated with the loss of Memorial Hall/Sports Club Buildings/part of Recreation Ground, as well as any community severance issues. Consultation on these matters is considered essential
- Preliminary Site Investigation/Detailed Site Investigation with regards to potentially contaminated sites along the arterial route
- Landscape urban design assessment with regards to the impacts of the project on the existing streetscape as well as impacts on Outstanding Natural Landscapes
- Lighting impact assessment (both in terms of streetlighting but also in relation to the light spill from vehicles).