

**MINISTERIAL BRIEFING NOTE**

Subject	New Zealand Upgrade Programme SH1/29, SH58, Canterbury Package and Queenstown Package project updates
Date	2 November 2022
Briefing number	BRI-2571

Contact(s) for telephone discussion (if required)				
Name	Position	Direct line	Cell phone	1 st contact
Brett Gliddon	Group General Manager, Transport Services Waka Kotahi	s 9(2)(a)	s 9(2)(a)	✓

Action taken by Office of the Minister

- ☐ Noted
- ☐ Seen by Minister
- ☐ Agreed
- ☐ Feedback provided
- ☐ Forwarded to
- ☐ Needs change [please specify]
- ☐ Withdrawn
- ☐ Overtaken by events

2 November 2022

Hon Grant Robertson – Minister of Finance

Hon Michael Wood – Minister of Transport

NEW ZEALAND UPGRADE PROGRAMME (NZUP) SH1/29, SH58, CANTERBURY PACKAGE AND QUEENSTOWN PACKAGE PROJECT UPDATES

Purpose

1. This briefing provides Joint Ministers with visibility of project changes to the NZ Upgrade Programme State Highway 1/ 29 (SH1/ 29) Intersection, SH58, Canterbury Package and Queenstown Package and notes additional funding is required to support implementation of these projects.
2. Te Manatū Waka and The Treasury were provided with an opportunity to provide feedback, but due to competing priorities they were unable to provide comments in the timeframe available.

Key points

3. The SH1/ 29 intersection upgrade project is experiencing schedule delays and is at risk of further delays due to property acquisition. In addition, the volatile cost escalation environment has had an impact on the overall cost to deliver the project, which is now expected to cost \$56 million to \$61 million (funding allocation is \$40 million).
4. The SH58 project has been impacted by the volatile cost escalation environment and is now expected to cost \$114 million to \$134 million to deliver (funding allocation is \$105 million).
5. The Canterbury Package is experiencing both schedule delays, scope change and increased costs to deliver the projects in the package. The updated estimate to deliver the Canterbury Package is \$355 million (funding allocation is \$300 million).
6. The Queenstown Package is experiencing both schedule delays and increased costs to deliver the package. In addition, scope changes are required as a result of a change to the categorisation of Frankton North land use. The updated estimate to deliver the Queenstown Package is \$180 million to \$210 million (funding allocation is \$115 million).

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Queenstown Package

Background

48. The NZUP Queenstown Package is part of a wider suite of interventions and programmes being implemented to sustainably manage growth, reduce reliance on private motor vehicles, enable land use and enhance liveability and safety. The transport issues are significant. On SH6A,

capacity was exceeded more than 140 days in 2019, resulting in high levels of congestion and delay.

49. The NZUP Queenstown Package includes bus priority measures on SH6/ SH6A, bus lanes on SH6, improvements to the existing Frankton bus hub, improvements to the SH6A/ SH6 intersection and pedestrian access improvements across SH6 and SH6A.
50. Kā Huanui a Tāhuna (the Queenstown Alliance) was set up to deliver the Queenstown Package of works which includes town centre streetscape improvements, Stage 1 of the Arterials Project, and the NZUP package.

Cost pressures

51. The Queenstown Package was allocated its March 2021 baseline P50 cost estimate of \$115 million by Cabinet in May 2021².
52. Since the March 2021 baseline cost estimate, a combination of design updates to achieve the original scope, expansion of original scope, property costs and increased escalation has led to an estimated increase in costs of \$65 million (P50) to \$95 million (P95). This is detailed below:

Item	(\$m)	Reason for change
March 2021 baseline cost estimate	115	
Escalation variation	9	Increases in material and labour costs since March 2021 plus significant future cash flow escalation above the baseline estimate.
Scope change	23	Frankton North Project - required adaptations due to land use changes
Property	7	Increased property costs and land requirements
Other cost changes, development & delivery costs	26	Refinements to design and specification alterations, the cost of running Kā Huanui a Tāhuna.
Current P50 cost estimate	180	
Contingency	30	Additional contingency and escalation
Current P95 cost estimate	210	

53. Key influences behind this change in costs relate to a scope change in response to the Frankton North Structure Plan (see below), increased design awareness of what's involved in constructing the original scope or works and additional property requirements.
54. Kā Huanui a Tāhuna is preparing a more detailed cost estimate based on more detailed design information, which will become available in early 2023.
55. The Queenstown Package has submitted a claim for \$95 million through the Treasury Escalation Claim process.

² The March 2021 baseline P95 cost estimate for the Queenstown Package was \$145 million.

Schedule changes

56. Presently, the works comprise: design, consenting, land acquisition, survey and field testing. Commencement of the main physical works is expected to occur in August 2023 and will progress contiguously across the programme sites to achieve the last of the project practical completions by August 2026. This extended programme, over the baseline programme, is influenced by achieving critical land requirements, RMA – designation requirements, and extensive utility relocation and three waters installation works. The timeframe and costs assume there are no Environment Court appeals.

Scope changes

57. In November 2020, at the conclusion of the Queenstown Business Case, a District Plan review and an Environment Court order resulted in Frankton North land use changing from Rural General to Business Mixed Use, High Density and Medium Density Residential.
58. An assessment of the land use change has been undertaken as part of the NZUP pre-implementation work, which shows that the plan change will significantly impact the operation of the NZUP proposals at SH6/ Hawthorne Drive and SH6/ Grant Road.
59. The NZUP proposal was for minor works and signalisation of the existing two roundabouts. Now a conventional signalised intersection is the preferred solution to manage the additional Frankton North demand. This will require additional land, as more lanes and a wider corridor are needed to meet the operational outcomes for the network.
60. The scope change is therefore needed to address the additional demand from the land use change that has occurred since the business case was developed. If the additional scope is not approved and we implement the original design, there would be capacity and safety issues soon after the construction finished.
61. The cost of this scope change is \$23 million.

Key risks

62. The project is managing two key risks:

Key risk	Management
Reputational risk to NZ Upgrade Programme and Way to Go partners, particularly Waka Kotahi locally as there are expectations that the full NZUP scope of works fits together to manage high growth and to reduce reliance on private cars.	Continue to engage in a partnership approach with Queenstown Lakes District Council and Otago Regional Council, and provide timely, clear communication on any scope change, or potential scope change.
Cost and programme certainty as a 30% design is only due to be complete in early 2023.	- Strong governance oversight via the Project Steering Committee and the NZUP Governance Group - Kā Huanui a Tāhuna (Alliance) to continue to explore opportunities for cost and programme savings.

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Minister of
FinanceMinister of
Transport*Queenstown Package*

7. **Note** that the current cost estimate for the Queenstown Package is \$180 million (P50) to \$210 million (P95).
8. **Approve** the scope change as a result of the Frankton North land use change.
9. **Note** the programme schedule changes.

YES/NO

YES/NO



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Brett Gliddon

Group General Manager Transport Services
 Waka Kotahi

Date: 2 November 2022

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