

NZUP Queenstown Package

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NZUP Governance Group
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Keeping Queenstown Moving

Purpose

To update the NZUP Governance Group on costs for NZUP Queenstown and seek support for additional funding to complete the SH 6/6A (BP) intersection, adjacent bus hub and Howards Drive roundabout.

Recap

In March 2023 the Governance Group endorsed instructing Kā Huanui a Tāhuna (the Alliance) to progress the design to facilitate the Total Outturn Cost and reconciliation for a reduced scope package of works comprising the intersection of State Highway 6/6A (the BP intersection), the Frankton bus hub and the Howards Drive Roundabout.

Update 1/2

- We have re-tested the prioritisation with Queenstown Lakes & the Otago Regional Council. This has reconfirmed the importance of reduced scope package of works.
- Staff have been focusing on reconciling the TOC between the Alliance and our Independent Estimators (BondCM). The cost difference between the Alliance and BondCM for the State Highway 6/6A intersection, the Frankton bus hub and the Howards Drive Roundabout is **\$10.1 M.**
- Staff across the organisations have been working in a collaborative and positive manner to reconcile the difference in costs. The process and likely timeframes for completing this is **4th November 2023**
- Regardless of the ability to reconcile the TOC, the final cost will significantly surpass the allocated budget of \$130M.

Background information & the options assessment is included in **Appendix A.**

Update 2/2

- Queenstown Lakes District Council have significant fiscal challenges (leaky building claims, cost escalation on capital projects) and they cannot afford their component of NZUP (TBC). They will consider this on the 6th November 2023. This means that QLDC will need to undertake these works later, when they are affordable.
- In a recent NZUP workshop with the Waka Kotahi Board there was support to progress delivery of the NZUP Queenstown reduced scope package at the increased cost.
- The RMA approvals are progressing and the decision for the Howards Drive RAB has been released as has a draft decision for the State Highway 6/6A intersection & adjacent bus hub. The appeals close *** 2024.
- To maintain programme momentum, a package of non-designation dependent works has been explored, involving non-abortive work at the BP intersection (primarily inground and service relocations). This would enable work to start early 2024.
- Value engineering has been undertaken
-

Recommendations

We recommend the Governance Group:

Notes the current allocated baseline budget for the NZUP Queenstown programme is \$130M, while the initial estimated budget from the Alliance was ~\$420M.

Notes that a further prioritisation exercise has been conducted with Queenstown Lakes & the Otago Regional Council for a reduced scope package. This has reconfirmed the importance of the SH6/SH6A (BP) intersection, adjacent bus hub, and the Howards Drive roundabout as the priority package.

Notes the cost estimate for this reduced scope package is \$230M, significantly surpassing the allocated budget of \$130M.

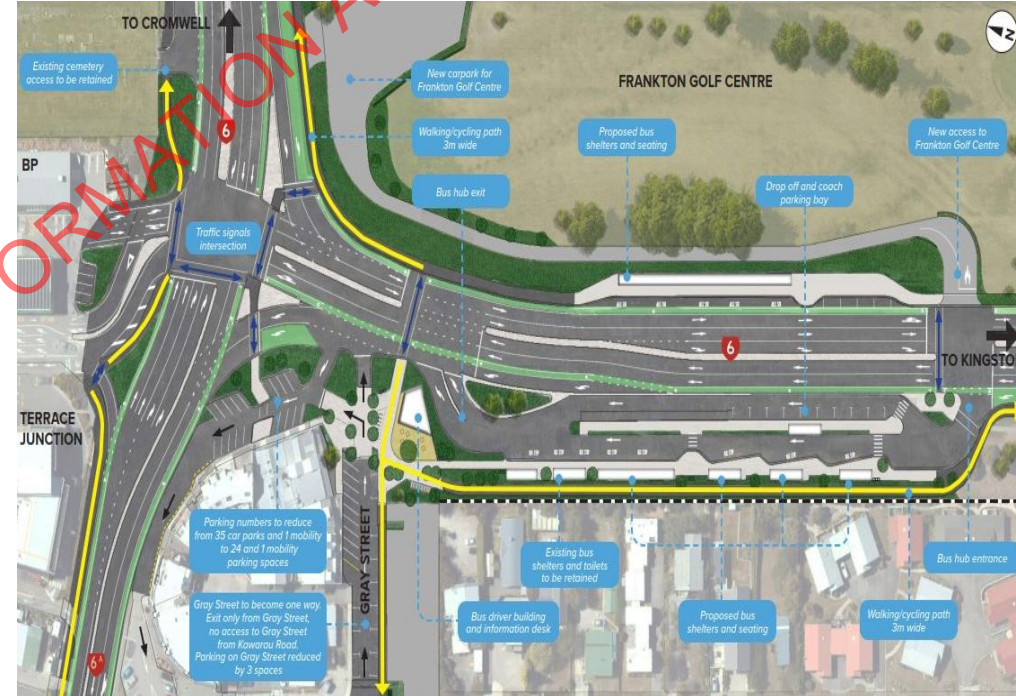
Endorses the reduced scope of work (the SH6/SH6A intersection, the Frankton bus hub and the Howards Drive Roundabout) at a cost of \$230M.

Notes that Queenstown Lakes District Council cannot fund their component of the NZUP cost share and these works (upgrades to 3 waters infrastructure to provide for future growth) will need to be done later.

Notes that staff recommend that the Queenstown Business Case programme, which includes QLDC and ORC interventions, is reconfirmed given the changes to growth forecasts through the Spatial Plan, affordability concerns, and the need to accelerate other policy levers such as road pricing mechanisms.

Why deliver the SH6/6A intersection?

- The problem definition and investment objectives have been reviewed and tested by the project team. There are still considered appropriate for assessing the transport options for Queenstown.
- The SH6/ SH6A is the cornerstone of public transport improvements as the key node in the transport system. Given this and the significant growth forecast it remains the priority for NZUP Queenstown Package investment.
- The importance of prioritizing the the SH6/SH6A (BP) intersection, has been confirmed with Queenstown Lakes & the Otago Regional Council.
- The proposed design has been independently peer reviewed and is considered fit for purpose.

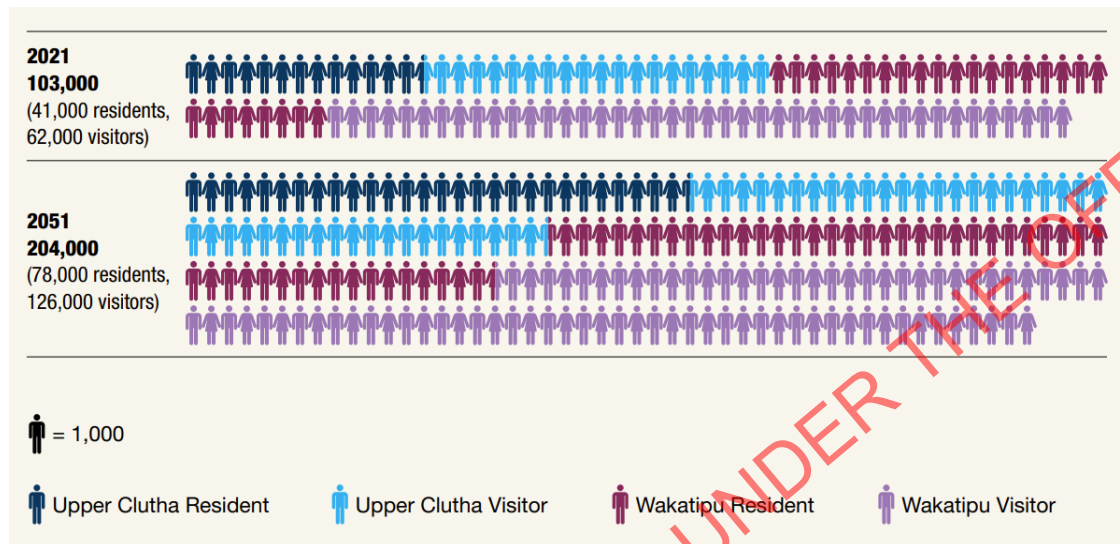


Appendix A - Background information & Options Assessment

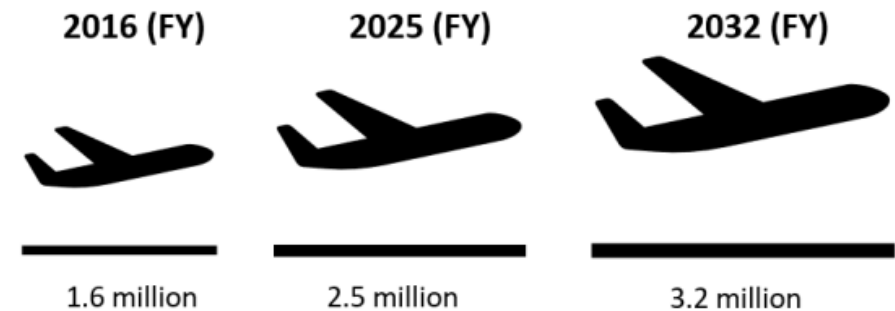
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The Case for Change: Queenstown is one of the fastest growing areas in NZ

Peak population growth **will double by 2051**



More than **one million additional passengers** will arrive/depart at Queenstown Airport in the **next ten years**



Source: *The Queenstown Lakes Spatial Plan, July 2021*

The Case for Change: the network is already congested and requires a significant and rapid mode shift to keep the transport system moving

Non-car mode share required to keep the transport system operating (AM peak hour)

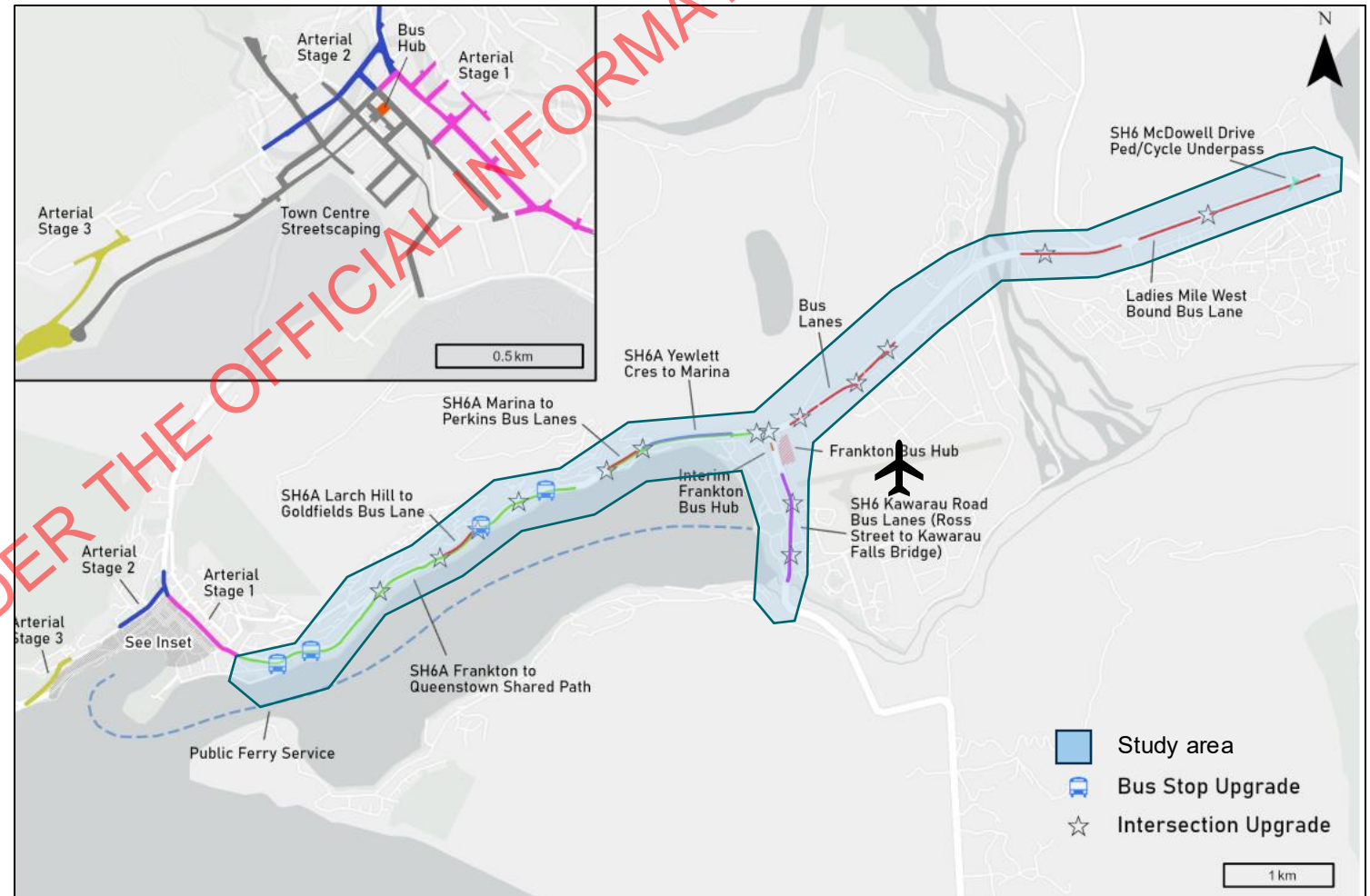
SH6A		Shotover Bridge		Kawarau Falls Bridge	
27%	2027	18%	2027	11%	2027
40%	2039	25%	2039	40%	2039
47%	2053	34%	2053	53%	2053

The current non-car mode shift is x

Source: Tracks model, based on the Spatial Plan, July 2021

A package that focuses on mode shift

NZUP Queenstown is a suite of transport interventions of **bus priority, active travel and safety improvements** on SH6 and SH6A.



The partners view: priority should focus on the BP intersection & bus hub

The partners (Waka Kotahi, ORC and QLDC) joint MCA assessment prioritised the programme as:

Prioritisation

BP intersection and Frankton bus hub

1

Howards Drive roundabout

2

SH6 Hardware Lane to Hansen Road

3

SH6A Marina Drive intersections

4

SH6A improvements excluding Marina Drive intersections

5

Kawarau Road Corridor improvements

6

Ladies Mile Corridor improvements

7

Programme evaluation criteria



Contributes to achieving mode shift outcomes

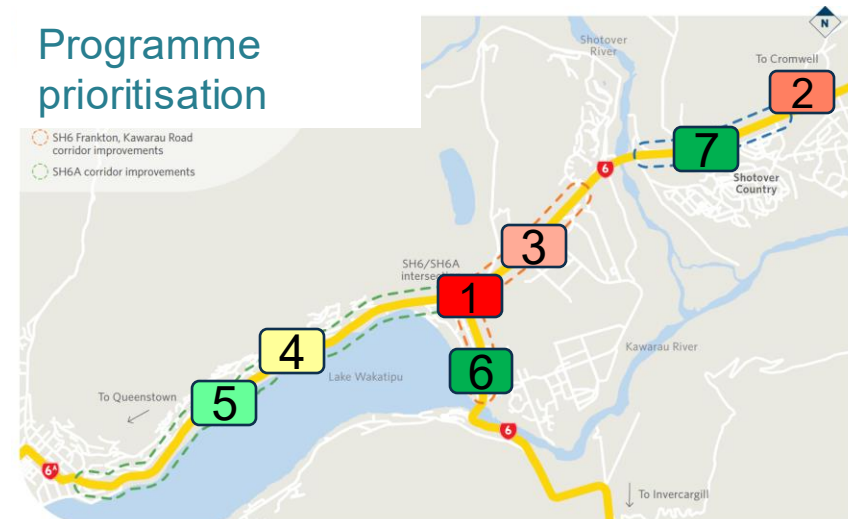


Contributes to achieving safety outcomes



Contributes to providing access to new development

Programme prioritisation



Why is Queenstown so expensive for capital delivery?

- No surfacing or pavement construction from 1 May to 31 August
- Build the pavement twice at each stage
- Lengthy night work not possible
- Need to keep 36,000 vpd moving through an intersection with no detour. Motorway volume traffic on single lane carriageway.
- No viable long term detour route
- No ability to get road closures of any consequence
- Limited resource pool – extremely high FIFO costs, esp. accommodation
- Very linear programme. Very slow due to heavily constrained site
- SH6 from Frankton to Queenstown is like SH1 along Kaikoura coast, but can't work nights.

Options Assessment (1/2)

Scenarios	Budget issues	Pros	Cons
1. Complete total scope	~ \$420 m Unlikely to be affordable. \$270 m - \$300 m extra budget required.	- Completes work based on the baseline report, the Alliance expectations, and the Queenstown Business Case requirement. - Helps achieve desired mode shift outcomes.	- Time frames for sign-off and delivery will further escalate the forecast final cost. - Long construction time with major disruptions to the community. - It is unlikely to be funded due to overall cost.
2. Reduced scope for critical programme element BP intersection, adjacent bus hub (TOC 4) and Howards Dr RAB	There is an expected shortfall of \$100 m – \$120 m.	- Achieves the key elements of the programme with associated network improvements. - Provides continuity of Alliance works from design, etc. - Progress programme based on priority sequencing.	- Reputational risk due to lack of overall advertised perceived improvements. - It has a higher P&G if time frames push out. - Provides only partial benefits realized from the business case.
3. Disband the Alliance and undertake a traditional tender approach based on the completed design through an M&V contract.	The process is likely to cost \$10 million due to Alliance obligations, demobilisation, and the process for tendering and engaging new contractors. This relates to cost share obligations with QLDC management plus TOC and demobilisation costs, etc.	- It could be less expensive than currently forecast. - We may be able to break the work into smaller components to allow Tier 2 contractors to be involved and possibly obtain better pricing as a result.	- Subcontract resources may not engage. - There is a risk that we won't get competitive bids or any bids. - This will likely push completion dates out. - We will need to re-engage consultants and novate out of the Alliance (which may incur a premium cost). - There is no guarantee we will get a better TOC price after this process. - This may result in relationship damage with current Alliance suppliers.

Options Assessment (2/2)

Scenarios	Budget issues	Pros	Cons
4. Stop the programme and return later. This could include relooking at the Queenstown Business Case from an affordability perspective.	Substantial, e.g., cost escalation.	Completed Design.	• Significant reputational risk. • It will be more expensive the longer we wait. • Questions around performance and money spent to date will be difficult to defend. • The transport problems will get worse and remain unresolved.
5. Investigate alternative funding options, such as BOOT, road pricing etc		Alternative funding sources may help contribute to the funding shortfall	• Alternative funding through concession grants like Boot (Build, Own, Operate & Transfer) is unlikely to be feasible due to the relatively low budget and establishment costs. • Road pricing work is being progressed in Queenstown, using the learnings from Tauranga. However, even if successful is many years away from implementation