

In confidence

NZUP Governance Group update

ELT owner: Brett Gliddon, Group General Manager Transport Services
Issue owner: Mark Ratcliffe, NZUP Governance Group Independent Chair

Whāinga | Purpose: For decision

This paper provides the Investment and Delivery Committee with an update on the New Zealand Upgrade Programme (NZUP) from the NZUP Governance Group Chair's perspective.

He kupu whakatau | Recommendations

Management recommends the Board:

- **Approves** the reduced scope for the NZUP Queenstown Package comprising the State Highway 6/6A intersection, the Frankton bus hub and the Howards Drive Roundabout at an estimated cost of \$250 million.
- **Approves** additional funding of \$120 million to deliver the reduced scope NZUP Queenstown Package, bringing the total funding of the package to \$250 million.
- **Endorses** seeking Joint Minister endorsement for delivery of the reduced scope Queenstown Package, given its impact on remaining choices across the NZUP.
- **Approves** the delegation of authority to the Group General Manager Transport Services to approve a variation to the alliance contract for delivery of the NZUP Queenstown Package along with any other arrangements required to give full effect to the contract variation, up to the funding limit of \$250 million.

Take matua | Key points

- The reduced scope Queenstown Package requires additional funding of \$120 million to be delivered. Provided the Board approves the reduced scope and additional funding, a further decision will be required to vary the alliance contract to deliver the reduced scope. It is recommended approval of the contract variation be delegated to the Group General Manager Transport Services.
- The additional funding for the Queenstown package will reduce remaining choices across the NZUP and noting this implication, it is recommended that Joint Minister endorsement is obtained before committing this funding.

Out of Scope

Kia mōhio mai koe | What you need to know

Queenstown Package

As previously advised, cost estimates for the Queenstown Package significantly exceed the current funding allocation of \$130 million. The project is progressing, as per NZUP Governance Group and Waka Kotahi Board direction in April 2023, to produce a complete design, total outturn cost and reconciliation for a prioritised package comprising the intersection of State Highway 6/6A, the Frankton bus hub and the Howards Drive Roundabout.

Waka Kotahi has undertaken an assessment and these elements are the most critical parts of the package in achieving the strategic priorities for the Queenstown transport network. The Queenstown Lakes District Council and Otago Regional Council have agreed these prioritised package elements are the most important to achieve the mode-shift, active travel and safety outcomes sought in the business case.

The reduced package is estimated to cost \$250 million, exceeding the funding allocation by \$120 million. An independent reconciliation process has been undertaken to ensure that the estimate delivers value. This reconciliation of the estimate is at an advanced stage and it is clear the final cost will require additional funding to deliver the reduced scope Queenstown Package.

The main reasons for the cost increase include design development and better understanding of the specific constraints and complexities of delivery in Queenstown. For example, not being able to carry out lengthy night works because of the surrounding urban environment, the lack of a viable long-term detour route meaning high traffic volumes need access through the State Highway 6/6A intersection, and limited resource pool requiring workers to be brought into the region.

As presented to the Board in September 2023, given the significant transport need in Queenstown, and that Waka Kotahi has a live alliance mobilised for delivery, the programme team recommends (and Governance Group supports) the additional funding of \$120 million being approved and the package being progressed on the basis of the reduced scope.

Queenstown Lakes District Council has signalled it has fiscal challenges which will impact its ability to fund upgrades to three waters infrastructure at the State Highway 6/6A intersection. The project team is continuing discussions with council around funding options for this work.

The existing programme funding allocation is not sufficient to progress all NZUP projects. The additional funding for Queenstown will need to be drawn from the remaining projects where there are choices (see graphic below). While decisions on these other projects are not required at this time, approval of the Queenstown Package funding will impact on the choices available, and essentially require one of these other projects to be stopped. For these reasons it is recommended that endorsement be received from the incoming Joint Ministers before the reduced scope Queenstown Package is awarded to the alliance (as Waka Kotahi is required to).

It is recommended the Board delegates authority to the Group General Manager Transport Services to approve the alliance contract variation for delivery of the reduced NZUP Queenstown Package once the reconciliation process is completed provided that the total package cost is within \$250 million. The approval of the alliance contract variation is subject to the endorsement by incoming Joint Ministers (given the revised scope and funding impact on remaining choices for other NZUP projects),

While progressing the reduced scope Queenstown Package within NZUP is recommended, the remainder of the package in Queenstown remains a priority for further investment. Waka Kotahi will provide advice to Joint Ministers on this at an appropriate time.

Prioritising in flight delivery: overview

