WAKA KOTAHI
NZ TRANSPORT AGENCY

MINISTERIAL BRIEFING NOTE

Subject	NZ Upgrade Programme: Queenstown Package way forward
Date	1 February 2024
Briefing number	BRI-2973

Contact(s) for telephone discussion (if required)				
Name	**Position**	**Direct line**	**Cell phone**	**1st contact**
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Action taken by Office of the Minister

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- ☐ **Withdrawn**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

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1 February 2024

Hon Simeon Brown – Minister of Transport

Hon Nicola Willis – Minister of Finance

NZ UPGRADE PROGRAMME: QUEENSTOWN PACKAGE WAY FORWARD

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Purpose

1. This briefing seeks Joint Minister endorsement to deliver a reduced scope Queenstown Package at an estimated cost of $250 million as per the NZ Transport Agency Waka Kotahi (NZTA) Board's decision on 11 December 2023, noting the additional cost and funding impacts.

2. The Ministry of Transport and the Treasury have been consulted on the contents of this briefing and provided with the opportunity to comment.

Key points

3. Joint Minister endorsement of an NZTA Board decision is required to deliver a reduced scope Queenstown Package at an estimated cost of $250 million.

4. A decision is required by mid-February 2024 to enable the construction to begin in March 2024 and utilise the current construction season. The impact of decisions made beyond February 2024 would have cost implications and delay completion time for the project by at least one year.

5. Given the fast pace of growth and ongoing transport challenges in Queenstown, NZTA considers the remainder of the Package remains a priority for future investment outside of the NZ Upgrade Programme (NZUP).

Context

6. On 28 November and 6 December 2023, briefings on the NZUP Queenstown Package were provided [BRI-2886 and BRI-2919 refers]. NZTA advised that the Queenstown Package is unaffordable within the funding allocation of $130 million.

7. In April 2023, NZTA began to progress a design, total cost and reconciliation for a reduced Package of the most important elements to achieve the travel choice and safety outcomes sought. The reduced Package comprises the intersection of SH6/6A (BP intersection), the Frankton bus hub and the Howards Drive roundabout.

8. These were assessed by NZTA to be the most critical parts of the Package in achieving the strategic priorities for the Queenstown transport network.

9. The Queenstown Lakes District Council and Otago Regional Council have agreed these prioritised Package elements are the most important.

10. The full scope of the Queenstown Package includes bus priority measures on SH6/6A, bus lanes on SH6, improvements to the existing Frankton bus hub, improvements to the SH6A/SH6 intersection, pedestrian access improvements across SH6 and SH6A and a new roundabout at

Howards Drive. A map of the Package area and the prioritised elements is included as Attachment 2.

11. Queenstown has a significant transport infrastructure need, with growth projections in 2021 showing the peak day population is expected to increase from 103,000 (41,000 residents and 62,000 visitors) in 2021 to 204,000 (78,000 residents and 126,000 visitors) in 2051.

12. The projections highlight the NZUP infrastructure is critical to provide greater transport choice and public transport reliability to keep Queenstown and the local economy (including tourism) moving.

13. As noted in the 2020 detailed business case, it is expected that without investment in the Queenstown transport network the Queenstown economy will sustain estimated losses of between $670 million and $1.2 billion over 40 years through visitors travelling elsewhere.

Queenstown Package reduced scope and expected costs

14. The reduced Package (comprising the intersection of SH6/6A (BP intersection), the Frankton bus hub and the Howards Drive roundabout) is estimated to cost $250 million. This is based on a P50 estimate and includes a risk adjusted contingency of $20 million.

15. An independent cost reconciliation process has been undertaken to ensure that the estimate delivers value. As part of the reconciliation process all elements of the project were interrogated on time, cost, and quality. Value engineering to identify potential cost savings has also taken place regularly.

16. The reasons why this reduced Package costs $250 million to deliver is:

    - a shorter construction season than most of New Zealand given the lower temperatures from May onwards.

    - a limited resource pool requiring workers to be brought into the region. Similarly, materials (i.e. concrete and bitumen) also need to be brought in from other regions.

    - the lack of a viable long-term detour route meaning high traffic volumes of 36,000 vehicles per day needing access through the SH6/6A intersection.

    - not being able to carry out lengthy night works because of the surrounding urban environment.

    - The upgraded intersection enables new provision for bus priority, pedestrians and cyclists, increased capacity for all vehicle users, and new bus hub facilities (see Attachment 3). Relative to the existing roundabout, this requires a substantially enlarged intersection footprint. This intersection design also needs to tie in with several immediately adjacent local roads with the Frankton town centre.

    - The construction involves significant and disruptive work above and below ground, such as the complex relocation or replacement of multiple underground utility services and large-scale stormwater system upgrades.

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Funding for the reduced scope Queenstown Package

17. In August 2023, the NZTA Board received delegations from the then Minister of Transport to make scope decisions for most NZUP projects (including for Queenstown Package) where they cannot be fully delivered within approved funding, and to reallocate funding between projects to stay within approved programme funding. The Board does not have delegation to stop a project.

18. The NZUP funding available for NZTA projects is $6.54 billion. This comprises project specific allocations, as well as $116 million which was set aside for contingency across the programme (this contingency was initially intended as additional funding for the Queenstown and Canterbury Packages).

19. NZTA provided advice to you in December on options to progress delivery of the programme within the $6.54 billion funding envelope, which includes project specific allocations and contingency funding [BRI-2919 refers]. The in-principle approach to the programme (summarised in Attachment 1) is to prioritise and complete projects in construction and significant projects in procurement.

20. The reduced scope Queenstown Package is included in the 'significant projects in procurement' group with a funding allowance of $250 million, which aligns with the cost requirements of the Package.

21. On this basis, the $250 million funding required for the Queenstown Package is affordable within the $6.54 billion funding allocation. To enable this approach, the additional funding above the current Queenstown allocation of $130 million will be drawn from existing contingency allocations within the overall NZUP programme (principally the $116 million programme contingency).

22. NZTA notes that the approach to managing the $6.54 billion, including the allocation of $250 million for the reduced Package, will impact the choices available for other NZUP projects which are less advanced. NZTA therefore seeks Joint Minister endorsement to complete the reduced scope Queenstown Package.

23. As shown in Attachment 1, based on current cost information, South Auckland Package – Drury urban arterials and Canterbury Package – Rolleston and Brougham projects are affordable within the $6.54 billion NZUP funding allocation.

24. Once negotiations on other significant NZUP projects in procurement (i.e. Papakura to Drury and Melling) are complete in mid-2024, the affordability to deliver the existing Canterbury Package and South Auckland Package – Drury urban arterials will be clearer. We will provide you with a further briefing at that point. Options remain to make changes and for example, not to complete Brougham to support affordability for Rolleston, which we can assess in the briefing.

25. In accordance with the Board's delegation on the NZUP Queenstown Package, the Board considered the reduced Package on 11 December 2023 and:

    - Approved the reduced scope for the NZUP Queenstown Package comprising the SH6/6A intersection, the Frankton bus hub and the Howards Drive Roundabout at an estimated cost of $250 million.

    - Approved additional funding of $120 million to deliver the reduced scope NZUP Queenstown Package, bringing the total funding of the Package to $250 million.

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- Endorsed seeking Joint Minister endorsement for delivery of the reduced scope Queenstown Package, given its impact on remaining choices across the NZUP.

- Delegated authority to the Group General Manager Transport Services NZTA to make changes to the current alliance contract to deliver the Queenstown Package up to the funding limit of $250 million.

Timing of decisions and implications

26. Queenstown has a significant transport infrastructure need and NZTA has an existing live alliance contract with industry mobilised to deliver the project. Detailed design for the project has been completed and it has the necessary consenting approvals.

27. A decision is required by mid-February 2024 to avoid impacts to current project schedule and costs. Construction on the project is scheduled to begin in March 2024 and be completed in 2028.

28. Decisions beyond February 2024 would delay project completion by at least a year as the current construction season would be unable to be fully utilised. A major contributor to the delay is the limited opportunity to lay bitumen given seasonal temperatures in Queenstown. Additional cost impacts include escalation as costs to deliver the works are likely to increase over time as well as ongoing alliance and management costs of $900,000 per month.

29. While progressing the reduced scope Queenstown Package within NZUP is recommended, the remainder of the Package in Queenstown remains a priority within the region for further investment which NZTA can provide further advice to Joint Ministers on.

Ministry of Transport and Treasury comments

30. The Ministry of Transport provided the following comment for inclusion in this briefing.

    "The Ministry supports the delivery of a reduced scope Queenstown Package. In accordance with the August 2023 Delegation Letter, NZTA is able to develop options that are 'affordable' within the funding envelope and requires that NZTA advise Joint Ministers of the proposal and the components of scope of outcomes that would not be delivered. The proposed approach is in line with the delegation. We note that:

    - There is lack of clarity on whether the cost of $250 million is a P50 or P95 estimate and therefore, it is difficult to ascertain the risk level of this cost to increase further in the future.

    - NZTA appears to have appropriate mitigation measures to manage costs. These include a shared cost risk mechanism with Queenstown Package contractors that creates incentives for them to come in or under budget. However, we have not reviewed or had access to the Alliance contract and therefore cannot provide further comment on this.

    - The NZUP programme will be fully subscribed as there will be no contingency for further cost escalations across NZUP. This poses delivery risks particularly as there are projects within NZUP experiencing affordability challenges."

31. Treasury reviewed an earlier draft of this briefing and provided feedback. The briefing was updated in response to this feedback and provided to Treasury officials who did not have time to provide a substantive comment here.

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Next steps

32. Subject to Joint Minister endorsement, NZTA will:

- Make changes to the current alliance contract to deliver the reduced scope Queenstown Package up to the funding limit of $250 million.
- Communicate with the public about the updated project scope and cost to deliver.

Recommendations

It is recommended that you:

	Minister of Finance	Minister of Transport
1. **Endorse** the decision by the NZTA Board to complete the reduced scope 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.	**Yes / No**	**Yes / No**
2. **Note** that progressing the reduced scope Queenstown Package will require additional funding of $120 million from the wider NZUP (the project has a funding allocation of $130 million and the current estimate for this option is $250 million).		
3. **Note** the additional funding required for the Queenstown Package is affordable within the $6.54 billion funding allocation for NZTA, and will be drawn from existing contingencies but that that this will impact choices available for other NZUP projects.		
4. **Note** decisions made beyond February 2024 would impact the ability for the alliance to utilise the 2023/24 construction season delaying the project completion date and have cost impacts.		
5. **Note** the public will be informed of the updated project scope and cost once a decision on the Queenstown Package is confirmed.		
6. **Note** given the growth and transport challenges in Queenstown, NZTA considers most of the remaining scope remains a regional priority for transport investment outside of the NZUP.		

Brett Gliddon
Group General Manager Transport Services
Date: 1 February 2024

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Hon Nicola Willis, Minister of Finance	**Hon Simeon Brown, Minister of Transport**
Date: 2024	Date: 2024

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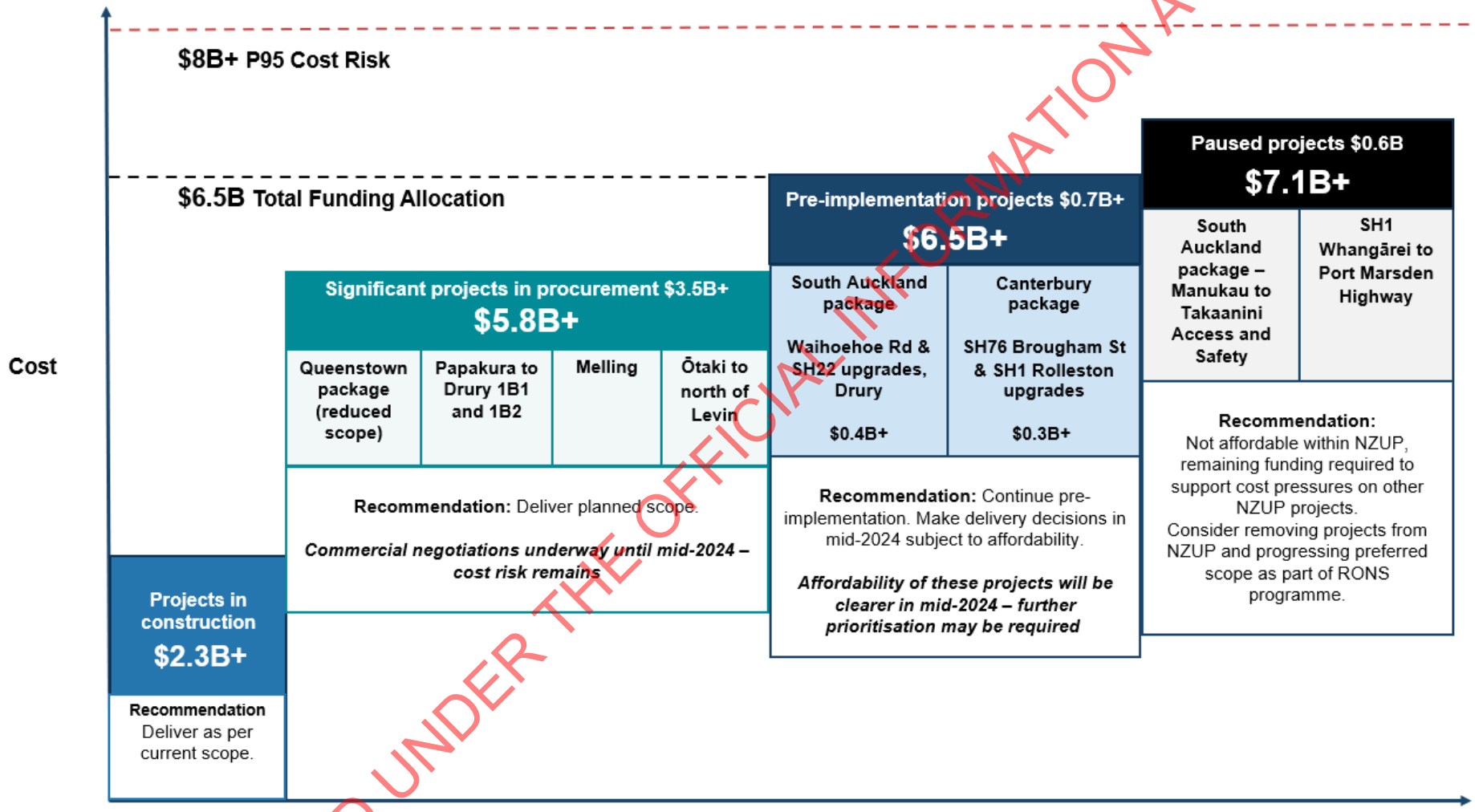
Attachment 1 Proposed way forward for delivery of NZUP projects from BRI-2919 NZUP: options to progress delivery



Note: this diagram includes a funding allowance for the Queenstown Package of $250 million.

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Attachment 2 Queenstown Package location map with prioritised elements shown

	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

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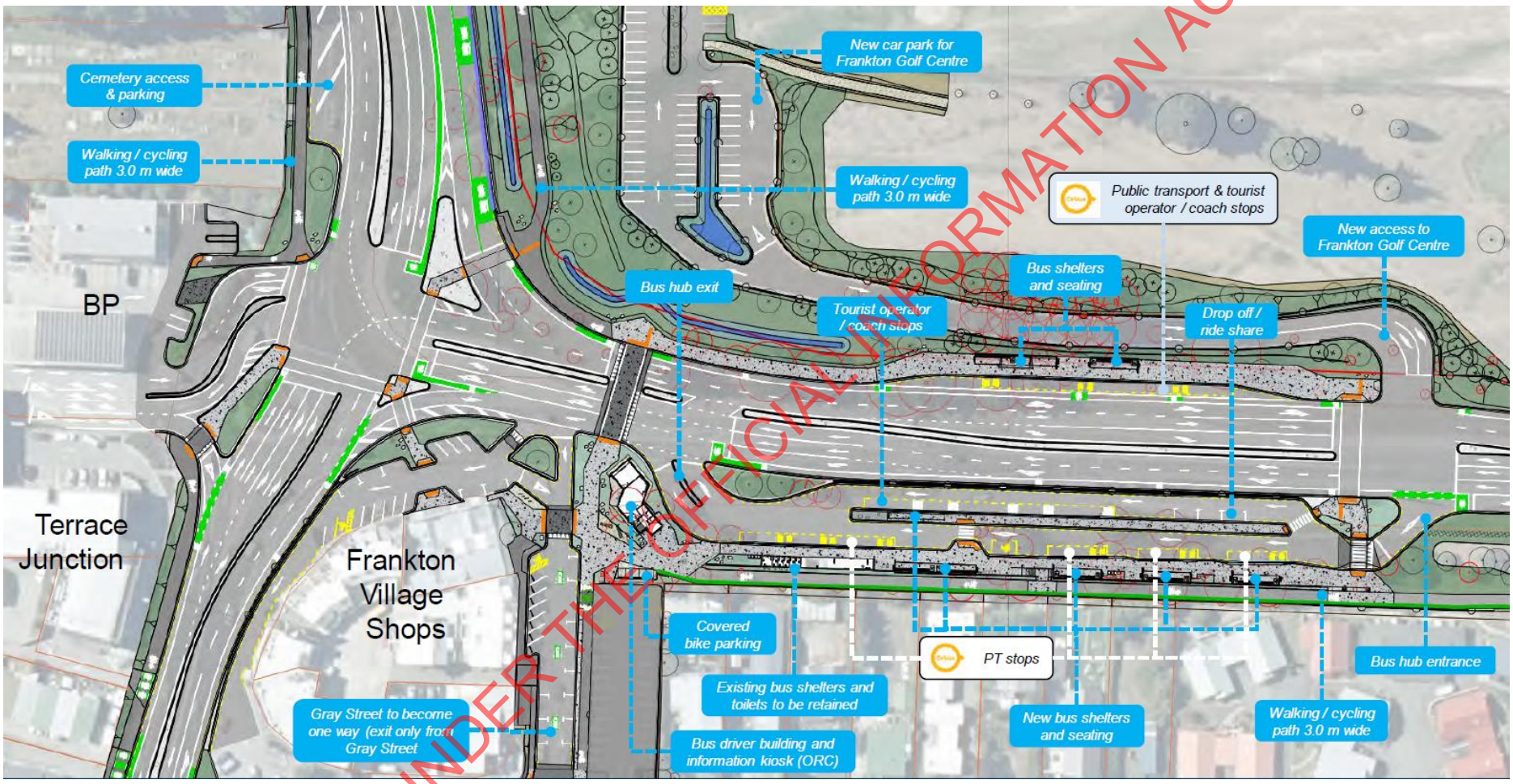
Attachment 3 Updated SH6/ SH6A intersection and Frankton Bus Hub



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