

Way to go

Challenge team issues for discussion



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Purpose

The purpose of the challenge group was to review the emerging preferred option from the Frankton to Queenstown and Queenstown Town Centre Business Cases, and provide the Way to Go Board with an independent assessment of:

- The methodology used to develop the preferred option - is it robust and has it followed best practice?
- The preferred option - does it reflect value for money and address the problems and opportunities highlighted by the strategic case?
- Integration with spatial planning – is the preferred option integrated with the spatial planning currently underway?
- Highlight areas (if any) that should be improved on before finalising the preferred option.

Challenge Group Members

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2. s 9(2)(a), Chief Economist PwC
3. Peter Clark, NZTA

Key issues

1. Problem definition
2. Transport model and mode shift assumptions
3. Land use change evaluation
4. Land value capture and uplift
5. Link to spatial planning and housing affordability
6. Economic evaluation
7. Arterial improvements
8. Other issues

1

Problem definition

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Have we lost sight of the problem?

- The investment story needs to highlight the problems and the result of doing nothing. Material presented at challenge session set out investment objectives, but there was not a clear articulation of the problems that need to be addressed. This is important when significant investments (e.g. gondola) are proposed
- Recommend including better information on the current (and future) problems: This should include information on the relative importance of:
 - Capacity constraints and congestion on SH 6A, SH 6 and town centre
 - Town centre amenity
 - Limits on Queenstown's growth potential
 - Housing affordability
- More detail on these issues would help in determining whether proposed investments are likely to be effective.
 - E.g. a more detailed breakdown of SH congestion by time and travel segment would be helpful: what types of travel are responsible for the problems, and how are these changing over time?
- Is the PT-based strategy an appropriate response to the problems?

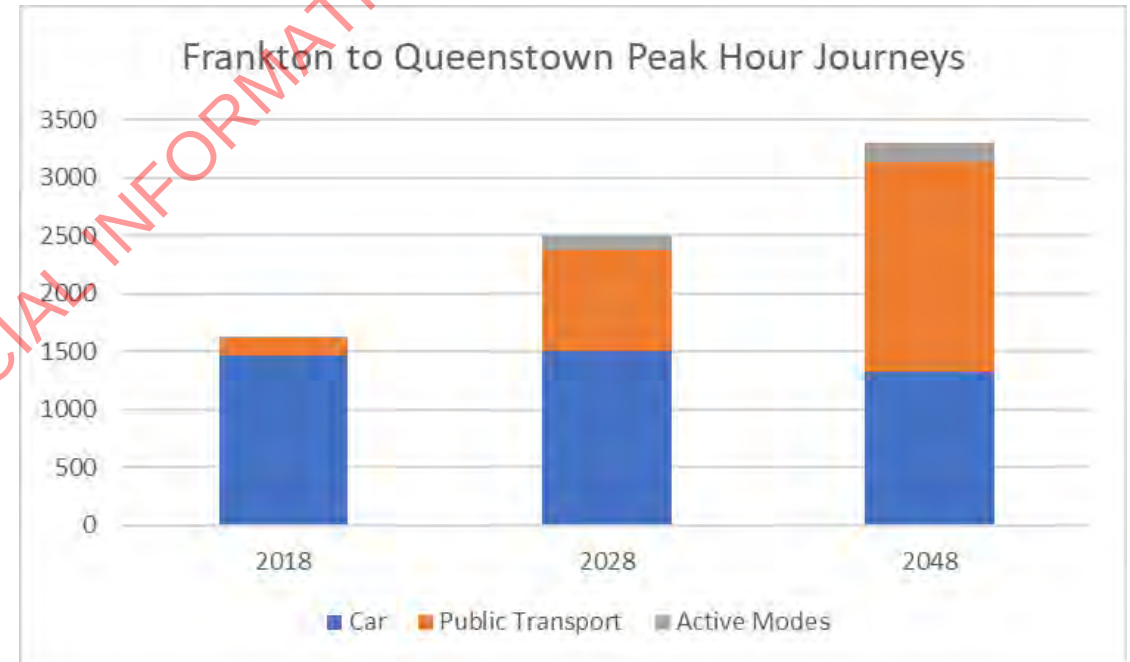
2

*Transport model and
mode shift assumptions*

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Mode shift forecasts appear extremely optimistic

- More evidence is required to substantiate mode shift assumptions
- Patronage growth is presented as a forecast but is it more accurate to refer to it as a target (i.e. what level of mode shift is needed to retain SH6A level of service and town centre amenity)?
- What happens if the forecast patronage growth is not achieved?
- There appears to be a degree of “circularity” in the evidence relating to future PT patronage growth & road congestion
- Need to be more open about whether the patronage estimates are forecasts or aspirational targets



Mode shift forecasts appear extremely optimistic

- Patronage forecasts are presented as model outputs, and the preferred strategy is heavily dependent on these outputs.
- There is limited information on how the model works. We need greater transparency on model parameters, how it determines mode choice, and what its limitations are.
- Mode choice appears to be driven by road capacity constraints, rather than relative attractiveness of the modes: question whether this is realistic
- Insufficient focus on how competitive the proposed PT option is relative to private vehicle alternatives, both now and in the future. For example:
 - the information presented did not establish a significant travel time advantage for PT, so hard to understand how such a dramatic mode shift will occur
 - Gondola has higher patronage than alternatives, but is slower, has few pick-up points, and requires more transfers. This suggests a very high mode attractiveness factor: is that realistic?
- Recommend an independent review of the Queenstown Transport Model to determine if it is fit for purpose for decision making.

Market segments likely to generate different demands

- The three main market segments have different demand profiles and are likely to respond very differently to the transport initiatives being proposed:
 - Local residents
 - International visitors
 - Domestic visitors
- More information is needed on the characteristics of these segments: there was some data on their relative size and growth characteristics (and their likely reaction to transport constraints), but not on their likely response to different PT options
- Some proposed solutions may work well for one market but not others (e.g. gondola may be attractive for visitors, but probably less so for residents needing to commute)
- We question whether some segments (e.g. visitors) will find the bus sufficiently attractive to generate patronage at the levels required to achieve the mode shift. Is there evidence that would support this?

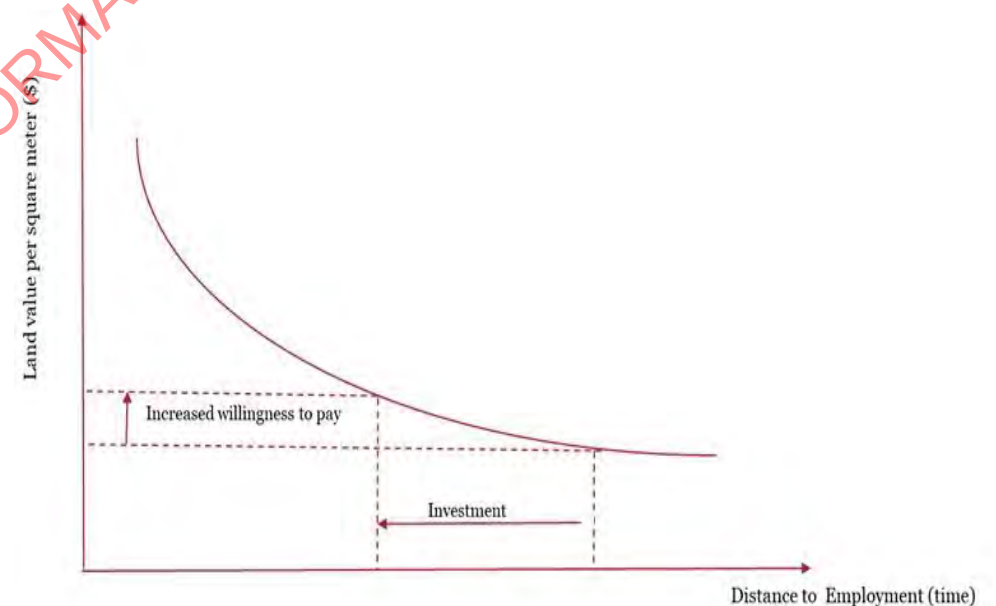
3

*Land use change
evaluation*

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How will Queenstown's land use change as a result of the transport investment?

- The evaluation of transport options should include evidence of how the distribution of households, residents and employment in the Queenstown-Lakes area will change. This analysis needs to focus on areas that benefit from improved transport accessibility. Appropriate catchment areas should be defined.
- This is important for understanding how the options will impact spatial planning. It will also help inform other complimentary policies that may be required to maximise the transport return on investment.
- This work is an input into the economic evaluation. If Way To Go expects the transport project to create land use changes, then the business case should include an evaluation of dynamic impacts (including dynamic transport, agglomeration and wider economic benefits). It would also benefit wider spatial planning efforts.



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*Land value uplift
and capture*

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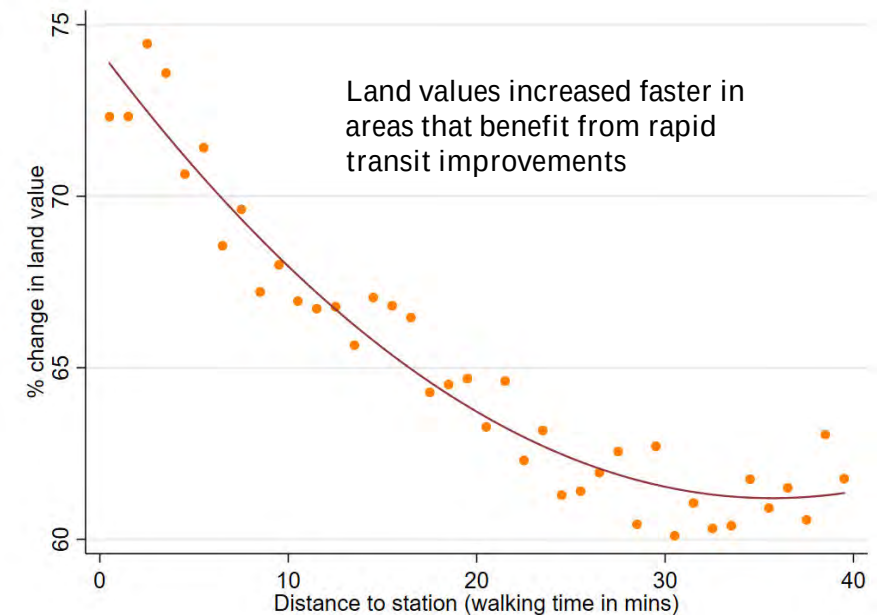
Distribution: Where do the benefits fall?

- Transport improvements often result in higher land values. Further work could help identify the catchment areas for the transport options and which properties stand to benefit from accessibility improvements.
- A comprehensive land value evaluation can help establish which land owners will benefit from different options. This should be a spatial analysis to inform how the effects change across the city.
- The land value analysis informs what land use change opportunities exist.
- It can also inform opportunities for development and land value capture. This can inform a land development strategy (property acquisition opportunities for instance) and the financial strategy (for instance how the benefit pays principle can be applied through targeted rates). It is also an input into spatial planning and requirements for the Future Development Strategy.

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Recent example of transport induced land value uplift

Announcement Effect from Auckland's City Rail Link



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*Link to spatial plan
and housing
affordability*

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Linking transport outcomes to spatial planning decisions and the emerging National Policy Statement on Urban Development

- **The project may benefit from further consideration of transport and land use interactions.** Currently, few of the options appear to integrate well with existing spatial planning. In the absence of complimentary spatial planning policies, the transport investment could have perverse impacts on housing affordability and mode shift opportunities.
- **If the project is to maximise mode shift opportunities, there may be important spatial planning policies that need to change.** These should be identified. For instance, policies that allow for greater intensification around rapid transit. If it takes too long to get to areas of rapid transit, mode shift assumptions will be more challenging.
- **We understand that some of these issues may have arisen due to timing differences between the spatial planning process and W2G.**
- **Way To Go would benefit from consideration of emerging policy in the National Policy Statement on Urban Development (NPS-UD).** These include changes to minimum car parking requirements and up zoning around rapid transit. How would these possible policy requirements impact each of the options? We understand that the spatial planning team intends to incorporate these as they become clearer – but they likely have direct implications for the W2G program as well.
- **We note that many of these issues fall outside of the existing scope.** This appears particularly applicable to housing affordability issues.

	Do Min	Bus Max	Trackless Tram	Trackless Tram Max	Gondola	Ferry
Operational Flexibility	-1	2	0	2	0	2
Affordable (capex)	2	-2	-1		-2	0
Affordable (opex)	1	2			1	-2
Resident/Visitor experience	-2	1	2		1	1
Urban design and development			2		1	0
Environmental Impact	1	1	1	1	2	
Access for local communities	-2		2	2	1	-1
Construction impacts		-1		-2		
Alignment with Masterplan and spatial plan		1	1	2		-1

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*Economic
evaluation*

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Consistency with emerging NZTA guidance

- NZTA is currently undergoing a significant revision for how transport projects are evaluated. The current economic evaluation should meet this emerging guidance. For instance, the discount rate should be 4% with an evaluation period of 60 years.
- Need to check that the methodology used for tourism benefits is in line with emerging guidance from NZTA. This is important given some of the findings on tourism benefits for the project. Might also consider work on the benefits to pedestrians, as per emerging guidance.
- Tourism is expected to benefit from the project. However, the work would benefit from further evidence required to substantiate the claim that tourist numbers will be materially impacted by congestion and that they are currently impacted by congestion.
- Agglomeration benefits need to be calculated. More importantly, a better understanding of how (or if) this project will lead to productivity gains for workers should be articulated.
- This requires a deeper understanding of existing supply rigidities in the Queenstown Town Centre. If these are overly rigid or binding on development, then transport benefits may be impacts, alongside the strategic importance of this employment area relative to Frankton.



Arterial Improvements

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Arterial improvements

- The status of the proposed arterial improvements is unclear. While they are presented as part of the package, their economic case does not appear to have been clearly established, and the timetable for implementation is vague: some time beyond 2027.
- However, the arterial improvements appear to be highly anticipated by the community, and have already been factored in to other decisions, e.g. PC 50 and Project Manawa. This means there is a risk to acceptance of the overall package if the arterials are not included.
- The economic assessment appears to have considered arterials in isolation from the other elements, with a focus on incremental BCRs for different programme elements, rather than looking at the package as an integrated whole. This requires consideration of whether the package still makes sense from a strategic perspective if one or other of the key elements was removed; or whether it only works if all of the key elements are included.
- Recommend looking for opportunities to re-package the arterials. For example:
 - The capacity of the Camp/Man intersection appears to be a major constraint on the effectiveness of the arterials package: has the full range of options been explored?
 - Are there opportunities to stage or reduce the scale of the arterials programme, to reduce cost whilst retaining most of the benefits?

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Other issues

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Airport constraint, congestion charging, quick wins

- We understand that QLDC and Queenstown Airport are continuing work evaluating expansion options. This thinking needs to be reflected in Way To Go generally. The project team might consider evaluating how airport growth options would impact modelling growth assumptions for each of the options.
- The project would benefit from considering whether congestion charging could play a role in the overall programme. The level of mode shift required suggests that some form of “hard” travel demand management will need to be part of the mix. An assessment of congestion charging (or other pricing initiatives) could occur either alongside the options (to encourage mode shift) or independently.
- More detail on short term improvements would be useful. The focus seems to be on the medium-long term improvements, but there is little detail on what will be done to the existing bus system to achieve the continued growth in base PT patronage.
- The existing service has some shortcomings which can and should be addressed to deliver some quick wins. This would help provide confidence that patronage growth can be achieved. Examples: increased frequency on high demand routes; improved facilities at airport and other key locations; better information to make the bus a more obvious choice