

MINISTERIAL BRIEFING NOTE

Subject	Southland regional transport visit
Date	23 October 2024
Briefing number	BRI-3204

Contact(s) for telephone discussion (if required)				
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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- Withdrawn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

PROACTIVELY RELEASED

23 October 2024

Hon Simeon Brown – Minister of Transport

SOUTHLAND REGIONAL VISIT

Purpose

1. This briefing provides transport related information to support your visit to Invercargill.
2. You will be meeting with HW Richardson on Thursday, 24 October 2024 and attending the Southland Mayoral Forum on Friday, 25 October 2024.
3. This briefing also provides information related to a recent request from Southland District Council (SDC) Mayor, Rob Scott, for the SDC National Land Transport Programme (NLTP) allocation to be reconsidered.

HW Richardson

4. Formed in the 1980s, HW Richardson (HWR) is one of New Zealand's largest privately owned transport businesses, with over 2500 employees across New Zealand and Australia.
5. The group includes 48 companies that span across six sectors including, concrete, petroleum, transport, contracting, quarrying and environmental.
6. In 1996, HWR purchased contracting company, SouthRoads – the preferred roading contractor of the Southland District Council.
7. HWR is currently owned by Shona Richardson, s 9(2)(a) and the Governing Director is Jocelyn O'Donnell, s 9(2)(a)
8. HWR is investing in dual-fuel hydrogen technology, and after introducing the first hydrogen-diesel dual-fuel truck in the Southern Hemisphere, now has multiple truck and trailer units operating throughout the country to test the performance and efficiency of dual-fuel technology.
9. The dual-fuel system injects hydrogen into the existing diesel combustion engine, enabling the truck to run without compromising existing operations, routes, distances, or payload, while reducing carbon emissions by up to 40%.
10. In order for the heavy transport industry to readily access hydrogen, there needs to be a refuelling network. HWR plans to use the Allied Petroleum (one of HWR's companies) network to distribute hydrogen as an alternative fuel by adding the refuelling capability to existing and new sites.

Otago/Southland National Land Transport Programme investment

11. Investment in the Otago/Southland region under the 2024-27 NLTP is targeted at creating a more efficient, safe, and resilient roading network to support economic growth and prosperity.

12. The forecast investment includes:

- \$313m forecast maintenance operations investment
- \$562m forecast to prevent potholes investment
- \$333m forecast improvements investment
- \$125m forecast public transport investment
- \$2.4m forecast safety investment
- \$28.5m forecast walking and cycling investment

13. Funding allocation comparisons between the 2021-24 and 2024-27 NLTPs at adoption for the Otago/Southland region are provided in the table below.

14. Please note that these figures are not risk adjusted and this does not include funding that has yet to be allocated to regions and councils such as emergency works provisions and the Low-Cost Low-Risk (LCLR) fund:

Activity Class	Allocated expenditure at NLTP 2021-24 adoption (\$)	Allocated expenditure at NLTP 2024-27 adoption (\$)
Investment management (including transport planning)	8.83m	8.50m
Local road improvements	72.94m	51.96m
Local road maintenance	406.83m	-
Local road operations	-	155.43m
Local road pothole prevention	-	348.71m
Public transport infrastructure	17.45m	11.00m
Public transport services	79.05m	113.73m
Road to Zero	78.13m	-
Safety	-	2.4m
State highway improvements	49.59m	186.78m
State highway maintenance	227.58m	-

State highway operations	-	159.12m
State highway pothole prevention	-	213.04m
Walking and cycling improvements	69.01m	32.69m
Total (NLTF share plus local share)	1.01b	1.28b

15. Further information, including the NTLF regional summary and map of investment for the Otago/Southland region can be found in Appendix 1.

Southland maintenance and resilience

16. Funding to maintain and operate the state highway network in Southland includes:

- \$62m will be invested to maintain state highway assets.
- \$79m ringfenced for state highway pothole prevention.

17. For the local road network in Southland:

- \$40m will be invested in operations
- \$134m is ringfenced for local road pothole prevention.

The Queenstown Package

18. The Queenstown Package is a Road of Regional Significance currently in construction which includes:

- SH6A corridor improvements
- SH6 and 6A Frankton Intersection improvements
- SH6 improvements, including a bus-hub.

19. Otago Regional Council is increasing frequencies on core bus routes in Queenstown, focusing on the key growth areas of the southern corridor and Kelvin Heights. The terminus for the southern corridor route will also extend from Frankton to the town centre. The improvements will unlock benefits for the Queenstown package and address immediate capacity issues in the short term.

20. There are no Roads of National Significance currently planned for the Otago/Southland region.

SH1 and SH93 Matura Intersection Improvements

21. Located in Matura, a small town northeast of Invercargill, this project addresses a long-standing safety concern for the community due to short stacking and queueing issues at the intersection,

including trucks queueing over the main south rail line and difficulties turning right on to State Highway 1 (SH1).

22. The project includes signalling the existing state highway intersection at SH1 and State Highway 93 (SH93), providing safe pedestrian crossings on SH1, removing the existing pedestrian zebra crossing and adding safety upgrades for the existing pedestrian and rail level crossing.
23. Rail track and rail signal design will be completed by KiwiRail and need to be completed ahead of the state highway works.
24. The pre-implementation phase is complete and is awaiting release of construction funding.

SH1 Bluff Highway

25. There has been ongoing commentary and media interest in the condition of the SH1 Bluff Highway, a 25km stretch of SH1 that runs from Invercargill to Bluff.
26. The route is the only roading connection to the port in Bluff and a vital stretch of road for Invercargill and the wider region's economy.
27. NZTA has 4kms of pavement rehabilitation planned for this section of highway over the next three years, in addition to our general maintenance.

SH1 Bluff Highway Elles Road Intersection Improvements

28. This project includes improvements to two high risk rural intersections towards the southern end of Invercargill.
29. The intersection of Elles Road and SH1 has been identified as one of NZTA's top 200 high-risk intersections.
30. There were several safety issues with the previous intersection, that connected to nearby residential and industrial areas, resulting in it being identified as high-risk due to the number and frequency of crashes. In the last 10 years, 12 people have been injured in crashes at this intersection with three sustaining serious injuries.
31. The chosen solution was to construct a new roundabout. Work on the roundabout, the largest in Invercargill, started in February 2021 and was fully completed in March 2022. This increased the safety of the intersection, which has resulted in fewer crashes at this intersection. There have been no fatal or serious injury crashes at this intersection since completion of the roundabout.
32. The second intersection is the Lake Street and SH1 intersection, about 200m south of Elles Road. This intersection provides access to an industrial site used by a high volume of large trucks.
33. This intersection is no longer fit for purpose. The combination of the high heavy vehicle volumes, the separation of the main trunk rail and the rail siding on Lake Street and the short stacking

distance between the main trunk rail line and the state highway result in frequent near misses between trucks and trains.

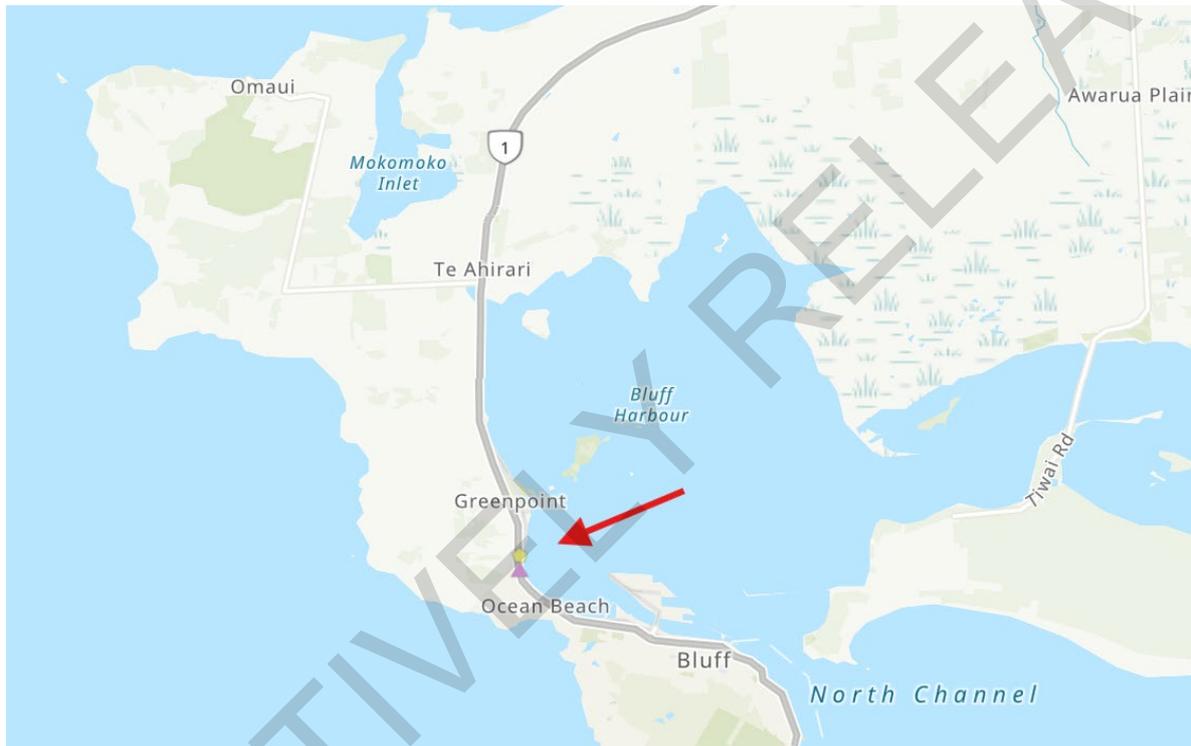
34. The Lake Street/SH1 intersection will eventually be closed, with access to the industrial area being provided via a new fourth leg added to the roundabout. The fourth leg is almost complete (highlighted orange in image below), with all works outside of the rail scope having been completed.



35. The Lake Street/SH1 intersection remains open as the new rail crossing on the new fourth leg has not been completed yet.
36. Key stakeholders are dependent on the completion of this level crossing – HW Richardson Group have purchased and are developing land that is accessed off the new fourth leg. They are currently constructing a hydrogen site as part of a shift to fuel the future of New Zealand's heavy transport industry (further information on this below).
37. We expect the project to be completed by mid-2025. The remaining work is managed by KiwiRail.

SH1 Ocean Beach

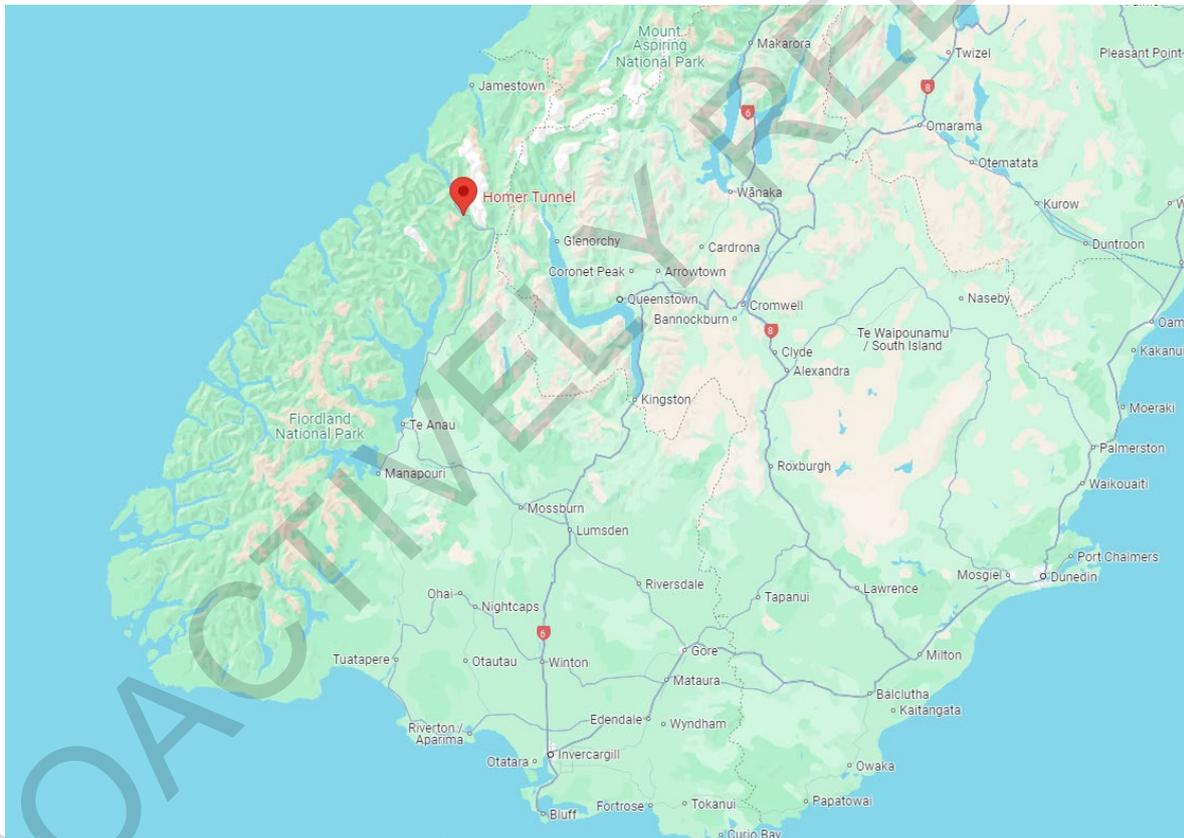
38. This project is located on SH1 between Invercargill and Bluff, adjacent to the Bluff Harbour. This is the only route to the Port for heavy vehicles.
39. The site has had recurring issues with surface flooding which has led to the regular implementation of temporary traffic management to notify road users of flooding. This project is funded through the Crown Resilience Programme. It will raise the road level to provide resilience against sea level rise and the effects of climate change.
40. A concept design is in development, with detailed design and consenting planned to commence in early 2025.



SH94 Homer Tunnel

41. The SH94 Homer Tunnel Improvements project seeks to improve resilience and safety at the Homer Tunnel, given the increasing numbers of visitors passing through the tunnel to visit Milford Sound are projected to increase from approximately 900,000 to 1.6million visitors per year by 2050.
42. The approaches to the tunnel from east (Te Anau side) and west (Milford side) are avalanche and rockfall risk areas, with queues to cross through the Homer Tunnel extending into rockfall and avalanche zones at peak times. Risk of vehicle fire within the tunnel, while very low in likelihood, poses a high risk to road users if an incident were to occur.
43. The improvements options have focused on three aspects of resilience and safety at the tunnel and its approaches: avalanche, rockfall, and vehicle fire.

44. A single stage business case is in development and is scheduled to be completed by the end of 2024. Both the pre-implementation and implementation phases have been included in the 2024-27 NLTP as “probable” activities.
45. Subject to funding approval, detailed design and consenting for the recommended programme of work can begin next year. A new tunnel is not part of the emerging preferred option given the high cost, relatively low traffic volumes and because lower cost interventions demonstrate similar benefits in terms of reducing the risks.
46. A new avalanche shelter on the Te Anau side of the tunnel was completed in June 2024, in time for this year’s avalanche season. Delivered by NZTA and Crown Infrastructure Partners, the tunnel improves safety for road users queuing for the tunnel and protects them from rockfall.
47. Alongside the new shelter, the tunnel’s power, sound and lighting systems were overhauled and a new plant and equipment room built into the foot of the mountain. A 1.2km duct protects cabling in a fire, and a solar-powered communications tower upgrade delivers better coverage in this remote area.



SH94 Te Anau Downs to Milford Sound

48. The State Highway (SH94) Te Anau Downs to Milford Sound project will improve the resilience of the corridor. Milford Road is a complex corridor with multiple ongoing resilience challenges that cause the road to close (fully and partially). These challenges include flooding, rockfall, landslips and avalanche. The project is taking a whole of corridor view to understand the extent of the issues and how they can be addressed.

49. A single stage business case is in progress which has identified the resilience risks and prioritised locations for investment. The project has developed a short-list of two programme options for addressing the risks.
50. Further onsite investigations are underway to assist with decision-making on the recommended investment programme. The single stage business case is scheduled for completion in the first quarter of 2025, with design and consenting to follow. Both pre-implementation and implementation funding have been included as “probable” activities in the 2024-27 NLTP.

Southland state highway maintenance and renewals programme

51. NZTA has a large pavement renewals programme to deliver over the next three years to meet the Government Policy Statement on land transport 2024 targets. We are working with our suppliers to build up capabilities to meet these quantities shown below.
52. Our surfacing programme is similar to the last 3-year programme; however, we are delivering approximately 90% of our thin asphalt as one large package this season in Invercargill. This is due to all the sites being adjoining so we are optimising efficiency and working with Downer as it has established a mobile asphalt plant to meet the delivery requirements. This was done successfully in the 2023/24 season as well.
53. A summary of the Southland Network Outcomes Contract (NOC) is provided below:

Lead Supplier – Southland NOC	SouthRoads
Alliance Partner – Milford Road	Downer
Network Length	674km Southland, 120km Milford Road
2024-27 Allocation - SNOC	\$82.05m
2024-27 Allocation – Milford Road	\$33.68m

Delivery programme for Southland

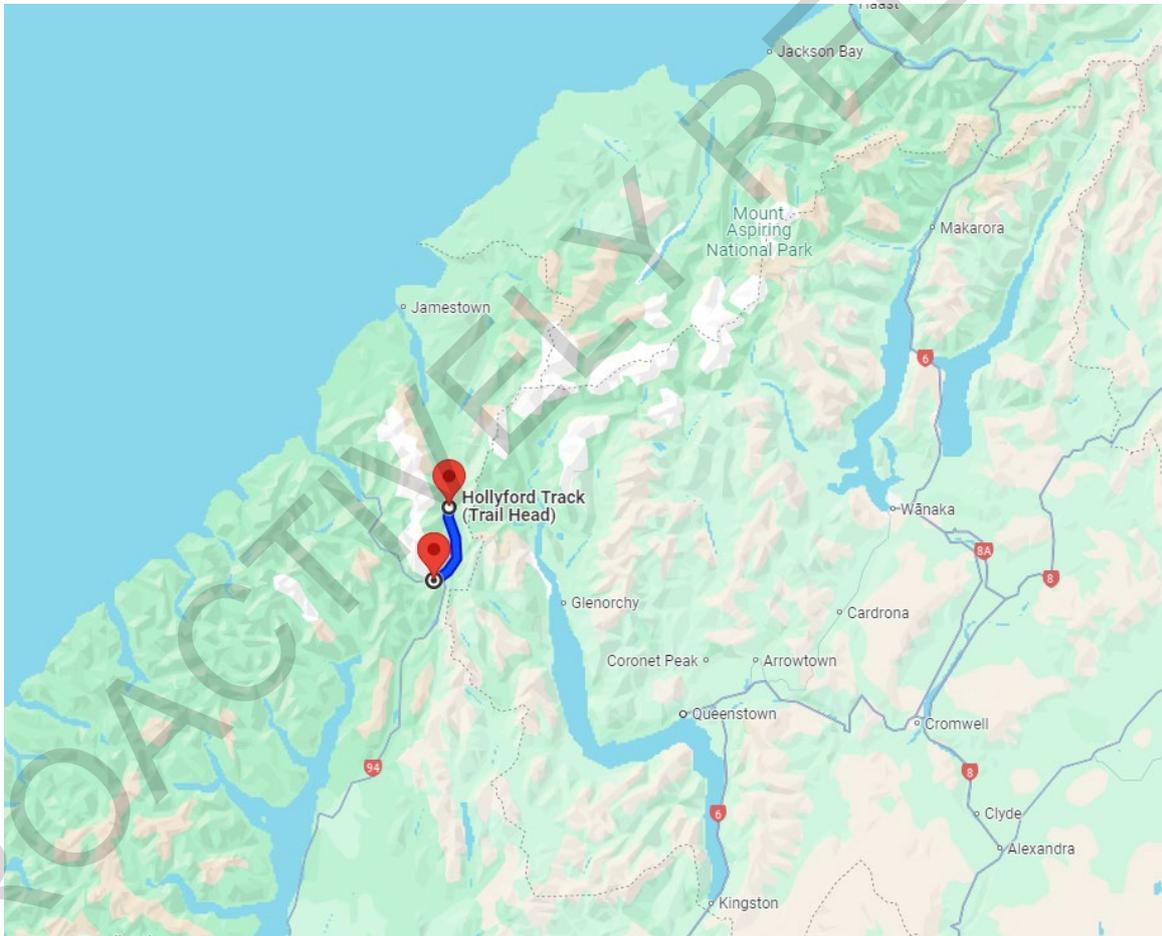
Renewal type	2024/25 Season	2024-2027 NLTP forecast
Chipseal	107 lane km	237 lane km
Thin Asphalt	11.7 lane km	12.9 lane km
Rehabilitation	17.2 lane km	74.8 lane km
Structural Asphalt	0.3 lane km	2.9 lane km

Delivery programme for Milford

Renewal type	2024/25 Season	2024-2027 NLTP forecast
Chipseal	23.9 lane km	62 lane km
Thin Asphalt	0 lane km	0.5 lane km
Rehabilitation	0 lane km	2.3 lane km

Southland District maintenance and renewals programme and Special Purpose Road (Lower Hollyford)

- 54. SDC has expressed concerns about aspects of its 2024-27 NLTP maintenance and renewals allocation and having to fund the former Lower Hollyford Special Purpose Road through their maintenance and renewals programme at the normal funding assistance rate.
- 55. SDC’s local roads maintenance programme bid for 2024-27 period was \$143m. NZTA approved \$125m for this programme, an increase of 36 percent from the amount approved for the 21-24 NLTP at Adoption. All councils are expected to prioritise their maintenance programme allocation to achieve the best value for money return on this investment.
- 56. While the Lower Hollyford Road is 83km from the nearest Southland District Road, there are no ratepayers on this road, and it is wholly within Fiordland National Park.
- 57. Previous spend on maintenance for this road amounted to approximately 0.5% of total Council spend, excluding frequent emergency works events. This road access is important to Kāi Tahu as it holds cultural significance.



Southland District Council requests relating to NLTF allocation

- 58. On 11 October 2024 Southland Mayor, Rob Scott, wrote to you requesting that you reconsider the SDC NLTF allocation and meet the Councils request of \$147m, remove ringfencing of budgets, and undertake a review of the Funding Assistant Rate (FAR) model. NZTA has prepared a draft to this letter on your behalf (MI-1975 refers).

59. The NZTA Board reviewed the FARs for the 2024-27 NLTP in June 2023. At that time, you had not set out any specific criteria for the setting of FARs for the 2024-27 NLTP. When released in June 2024, GPS 2024-34 signalled an expectation for the NZTA Board to consider options for the Walking and Cycling activity class to deliver value for money; including amending the FAR for the relevant maintenance activities funded from that activity class.
60. NZTA practise is to review and provide early notification (usually one year prior) of the applicable FAR for all Approved Organisations (AOs) for the relevant NLTP based on the NZTA FAR policy. Setting FARs in advance provides AOs with the basis for NLTF income assumptions as they commence their local transport planning and budget preparation for the relevant Regional Land Transport Plan (RLTP).
61. In SDC's case, the 2023 FAR review resulted in an increase in their normal FAR of 3%, from 52% to 55%. This reflects that there was a case for an increase in NLTF share to SDC relative to most other Councils. The review's input parameters did account for a relative decline in local affordability (the deprivation factor being one input– providing a measure of relative wealth of communities).
62. NZTA will in the normal course of preparing for the 2027-30 NLTP undertake a review of the FARs for each AO by applying the current methodology. This review is reliant on updated data for each of the input parameters (usually available late 2025 – early 2026) for the review to be completed June / July 2026, with the AOs notified immediately thereafter.
63. Allocations are set by the NZTA Board. A robust moderation process was carried out by NZTA staff to ensure that the available funding was allocated across the country fairly and in line with the Government Policy Statement on land transport 2024-34.
64. SDCs maintenance, operations and renewals (MOR) request was \$143.1M (total cost). The approved allocation was \$125.0M, which is a 35% increase from the 21-24 allocation at NLTP adoption (\$92.7M). Detail of SDCs requests and approved allocations for the previous two NLTP periods (split by activity class) can be found at Appendix 2.
65. SDC also put in a bid for seven LCLR activities at a total cost of \$1.56M. Funding constraint in the Local Road Improvements and Public Transport Infrastructure Activity Class meant that a significant majority of Councils did not have any LCLR projects rated sufficiently high to be included within the funding amount available. An additional \$100m (NLTF) of Local Road Improvements LCLR has been included in the 24-27 NLTP that is yet to be allocated.

Other matters

66. SDC and other councils in Southland have also expressed concern they do not receive their fair share of Government transport funding given the size of their roading network, what they pay in road user charges, fuel excise duty and GST, and their contribution to Gross Domestic Product.
67. NZTA has previously responded that the NLTF is allocated based on a needs priority, not regional shares. NZTA has also pointed out that Southland-registered vehicles (especially freight vehicles) utilise the roading network outside of Southland.
68. For regional comparisons, NZTA combines Otago and Southland given they combine their Regional Transport Committee meetings and produce a combined Regional Land Transport Plan.

69. Otago and Southland represent 6.86% of the population and 6.35% of Gross Domestic Product and receive just under 5% of the NLTF funding in this NLTP.

It is recommended that you:

1. **Note** the contents of this briefing



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Vanessa Browne

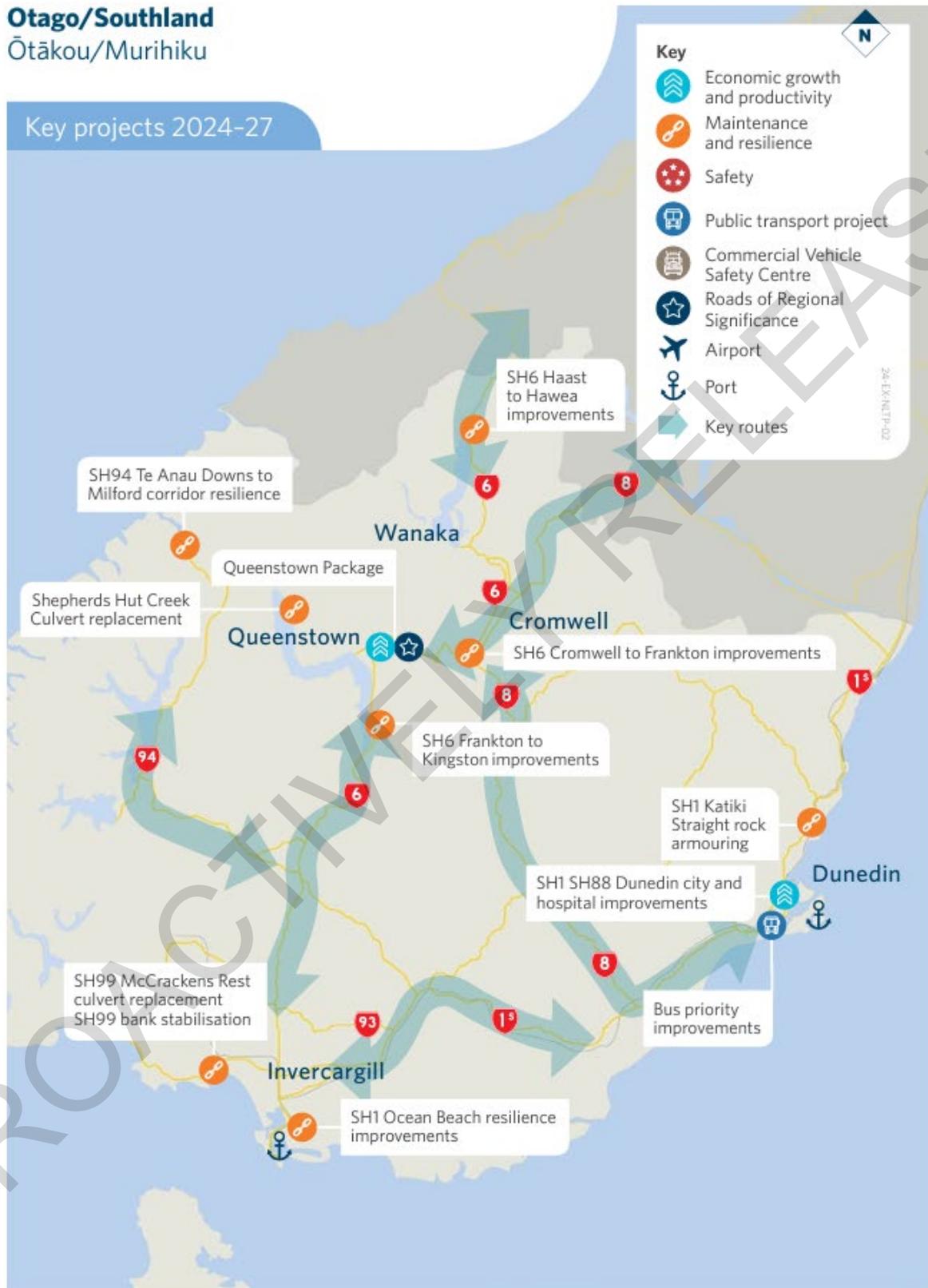
Interim Group General Manager – Transport Services

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Hon Simeon Brown, Minister of Transport

Date: 2024

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Appendix 1 – Otago/Southland NLTP summary and map of investment



Regional summary

Otago/Southland Ōtākou/Murihiku



With its large land area and diverse communities, Otago/Southland relies on a resilient transport network to support population growth, to ensure the regions prosper and to keep a buoyant economy. Safe and reliable access to Port Otago and airports in both regions are necessary to support the economy.

While Dunedin is the largest city in Otago where the transport system needs to adapt to changes with central city development, the fastest growing district is Queenstown Lakes. Queenstown's popularity as a holiday and tourist destination and the resort town's housing crisis has placed severe pressure on the town's infrastructure, including transport.

Southland's rural-based economy relies on the roading network to provide essential services to surrounding communities and get goods to market. It is also a gateway to the area's tourism hotspots of Fiordland National Park and Stewart Island.

Resilient roads are needed for rural production and tourist movement around the region. Low population growth is forecast in Southland, growing from 97,400 to 108,000 by 2048. As a result, there is unlikely to be the same pressure on infrastructure and urban development as in parts of Otago.

Both regions are battling ongoing resilience challenges triggered by weather events, as well as erosion and seismic risks, including from the Alpine Fault. Network closures impact road users significantly as detours can be lengthy.

Economic growth and productivity

Most of the region has enough capacity to meet current and future demand. However:

- Dunedin's transport system needs to change to reflect the changes in central city development and future growth:
 - We'll complete business cases for **SH1 and SH88 Dunedin City and Hospital**, and get these projects underway to accommodate additional traffic, including freight movement to the port.
 - We'll start planning ways to ensure **SH1 and SH87 around and in Mosgiel** can support significant planned housing development. This will make travel times more reliable and improve safety outcomes.

\$1.4 billion

Forecast total investment

\$313 million

Forecast maintenance operations

\$562 million

Forecast pothole prevention

\$333 million

Forecast improvements

\$125 million

Forecast public transport

Roads of Regional Significance

Investment in Queenstown's transport infrastructure will accommodate growth and address congestion. During this NLTP period, we'll progress:

- **The Queenstown Package** a Road of Regional Significance which includes
 - SH6A corridor improvements
 - SH6 and 6A Frankton Intersection improvements
 - SH6 improvements, including a bus hub.

Increased maintenance and resilience

Maintenance

Increased funding to maintain and operate the state highway and local road networks will enable significant road and drainage renewal work this NLTP period. Maintenance of existing assets ensures roads are safe and accessible for everyone to drive on.

State highways

This \$371 million investment includes 934 lane kilometres of works:

Otago

- \$95m will be invested to maintain state highway assets.
- \$134m is ringfenced for state highway pothole prevention.
- 422km of chipseal.
- 100km of rehabilitation.
- 4km of structural asphalt.
- 29km of asphalt resurfacing.

Southland

- \$62m will be invested to maintain state highway assets.
- \$79m is ringfenced for state highway pothole prevention.
- 286kms of chipseal.
- 77kms of rehabilitation.
- 3kms of structural asphalt.
- 12kms of asphalt resurfacing.

Local roads

With road controlling authorities in Otago and Southland we'll invest a total of \$504 million over this NLTP period.

Otago

- \$115m will be invested in operations.
- \$215m is ringfenced for local road pothole prevention.

Southland

- \$40m will be invested in operations.
- \$134m is ringfenced for local road pothole prevention.

Resilience

During this NLTP period, NZTA and the Crown are investing in and completing resilience improvements on:

- **SH1 Katiki Straight** rock armouring (crushing and stockpiling rocks between tides) to prevent coastal erosion affecting the state highway will continue. This is more cost effective that realigning the highway away from the beach.
- **Kakanui River and SH1 Waikouaiti** flood mitigations, drainage and slope stabilisation addressing rockfall sites on SH8, SH83 and SH85.

- We'll start work on increased resilience for these corridors:
 - **SH6 Cromwell to Frankton**
 - **SH6 Frankton to Kingston**
 - **SH6 Haast to Hawea.**
- Complete the **SH94 corridor resilience business case** for between Te Anau Downs and Milford, and start work on the improvements by the end of this NLTP period.
- We've completed the Crown-funded safety and resilience improvements to the **SH94 Homer Tunnel**. Additional funding will be used to explore if further improvements are required.
- Crown funding will be available to:
 - relocate the road inland on the **SH94 Shooting Rail slip site**
 - raise the road at **SH1 Ocean Beach near Bluff**
 - install a new, larger capacity culvert at **SH99 McCrackens Rest**
 - Stabilise the bank at **SH99 Rileys Slip.**

Bridges and culverts

Replacing ageing bridges is one of the biggest roading challenges facing Otago and Southland. The two regions have more than 1000 bridges - many built before 1970. In response:

- 17 bridges and culverts will be replaced by councils throughout the region.
- With Queenstown Lakes Council we'll replace the culvert at **Shepherds Hut Creek** between Queenstown and Glenorchy.

Rail

Rail network investment in this NLTP will be targeted to parts of the rail network where the most significant economic benefits and opportunities for boosting the productivity of freight movement exist. The Rail Network Investment Programme (RNIP) sets out planned network maintenance, management, renewal, and improvement work on the national rail network over a 3-year period. The next RNIP will be approved later in 2024 following further analysis.

Public transport

Implementation of the **National Ticketing Solution** allowing public transport users to tag on and off with their contactless debit or credit card will be completed within this funding period.

Safety

Deaths and serious injuries remain high in Otago – particularly in high-risk rural areas and at busy intersections. Southland has a relatively poor safety record, with issues around run-off road and head-on crashes at intersections.

Delivery of an enhanced maintenance programme in 2024-27 will ensure funds are prioritised and ringfenced for road resealing, road rehabilitation and drainage maintenance which will help make our roads safer.

A scaling up of our road renewal work will provide skid resistant surfaces; improve the maintenance of guardrails, barriers and signs; and allow for value for money safety retrofits at high-risk locations.

Other safety improvements

- Work will be completed this NLTP period on the design and consenting for safety improvements on **SH1 Hampden to Palmerston** and **SH1 Herbert to Hampden**.
- We'll spend \$4 million on roading improvements on **Princes Street** in Dunedin.

Value for money

Value for money isn't always about seeking the lowest initial cost for a project - it must also take into consideration the whole-of-life costs and benefits of a project.

We're taking steps to make sure that all our work this NLTP provides good value for taxpayers. In Otago and Southland, this will include reducing expenditure on temporary traffic management, increased investment in road maintenance and a focus on whole-of-life costs.

We'll improve the productivity of maintenance and improvement works, by considering the way works are:

- scoped
- planned
- procured
- undertaken.

Appendix 2 – Southland District Council NLTP requested allocation vs approved

Activity Class	SDC 18-21 requested allocation	NLTP 18-21 actual spend*	SDC 21-24 requested allocation	Approved allocation at NLTP 21-24 Adoption	SDC 24-27 requested allocation	Approved allocation at NLTP 24-27 adoption
Local road pothole prevention	\$52.9m	\$52.3m	\$64.5m	\$62.5m	\$94.6m	\$85.2m
Local road operations	\$17.7m	\$17.9m	\$21.9m	\$20.0m	\$28.1m	\$24.1m
Walking and Cycling - Footpath and cycleway maintenance and renewals	\$2.3m	\$1.5m	\$2.9m	\$1.2m	\$3.6m	\$0.7m
Local Road Improvements - Bridge and structures renewals	Under improvements in 18-21	Under improvements in 18-21	\$10.9m	\$9.0m	\$16.8m	\$15.0m
TOTAL	\$72.8m	\$71.6m	\$100.3m	\$92.7m	\$143.1m	\$125.0m

* Approved at adoption figures for 18-21 are not held, figures provided in this column are actual spend.