

27 May 2015

Questions & Answers (Q & As) - Pūhoi to Warkworth project

Q: What is the Pūhoi to Warkworth project?

A: The Pūhoi to Warkworth project seeks to improve the safety, reliability and resilience of the state highway between Northland and the upper North Island freight triangle of Auckland, Waikato and Tauranga. The overall aim is to deliver a motorway that will provide a better connection from Northland southward for freight, tourism and motorists.

Q: What has the Government given approval to the NZ Transport Agency for?

A: The Government has approved an application from the NZ Transport Agency to finance, design, build, manage and maintain the Pūhoi to Warkworth motorway through a Public-Private Partnership (PPP). In September 2014, a Board of Inquiry confirmed approval of the Transport Agency's application for designation and resource consents for the project.

Q: What is the basis for Cabinet's decision to approve the Transport Agency's application?

A: The Transport Agency determined, following an extensive business case analysis, that the project meets Treasury's criteria to be procured as a Public-Private Partnership (PPP). On that basis, Cabinet gave the Transport Agency approval to finance, design, build, manage and maintain the Pūhoi to Warkworth motorway through a PPP.

Q: What is a Public Private Partnership (PPP)?

A: A Public Private Partnership (PPP) is a long-term contract between the public and private sector covering aspects which may include the design, finance, construction, management and maintenance of the highway. Full ownership of the highway remains with the public sector at all times.

Q: What are the benefits of a PPP?

A: PPPs allow large and complex projects to benefit from private sector innovation and funding which can increase certainty of delivery and drive better value-for-money. There are also savings to be had on all aspects of the project. PPPs are typically used for large-scale infrastructure projects where risks can be effectively identified and transferred to the private sector.

Q: Why is the Pūhoi to Warkworth project a strong candidate for a PPP?

A: Key factors that support using a PPP to deliver the Pūhoi to Warkworth project include:

- The project has the size and complexity that makes it a strong candidate for a PPP. It also meets the government's value-for-money criteria and will offer opportunities for private sector innovations in design, construction and maintenance.
- An outcomes-based PPP for the Pūhoi to Warkworth project will allow great flexibility within the designation to achieve optimised innovative outcomes.
- The outcomes required from the project can be captured in a performance-based contract.
- Incentives can be included to encourage the PPP contractor to deliver innovative design and construction techniques.
- The Transport Agency has the capability and resources to manage the PPP procurement process effectively.
- A well-run procurement process should be able to produce PPP bids that are lower than the cost of delivering the project through traditional procurement processes.

- The Transport Agency will have the benefit of experience from the successful PPP procurement of the Transmission Gully project in Wellington. The Transmission Gully project was procured as a PPP project with a PPP contract awarded to the Wellington Gateway Partnership in July 2014. Work is underway on the Transmission Gully motorway and it is scheduled to be open for traffic in 2020.
- Delivering the Pūhoi to Warkworth project through a PPP will allow the Transport Agency to move ahead with greater certainty. Under a PPP arrangement, construction can possibly begin as early as late 2016 and the new road can be opened by 2022 thus delivering the economic and improved travel benefits to motorists sooner.

Q: How will stakeholder interests be addressed under a PPP model?

A: The Transport Agency is committed to engaging with stakeholders on all of its projects and that commitment will not change under a PPP. The PPP contract will stipulate the required engagement for the PPP contractor to undertake, and stakeholders can also always engage with the Transport Agency at any time and on any matter pertaining to the project during the duration of the PPP contract.

Q: How will the conditions laid down by the Board of Inquiry be met under a PPP?

The PPP contractor will be contractually bound to adhere to and undertake all conditions laid down by the Board of Inquiry for the Pūhoi to Warkworth project.

Q: How will the PPP contract be structured? When does the Transport Agency make payments, and where do these payments come from?

A: Under a PPP, a private sector consortium will finance the design, construction, management and maintenance of the highway. In return, the Transport Agency will commit to making debt payments for up to 25 years once the highway is available to traffic and has met all specified standards. These payments will be made through the National Land Transport Fund.

Q: What is the duration of the Public Private Partnership (PPP) contract likely to be?

A: A PPP contract will likely see the PPP consortium manage and maintain the motorway for the 25 years that will follow the anticipated six-year period to build the motorway.

Q: How much will the Pūhoi to Warkworth project cost?

A: This will depend on the outcome of the competitive PPP tendering process. The Transport Agency has an estimate of the likely cost of the project if it was procured through traditional procurements means (i.e. other than a Public Private Partnership). This 'likely cost', known as the 'Public Sector Comparator', must be kept confidential to allow for a robust and competitive PPP tendering process which will ensure that value-for-money is achieved on the project.

Q: How will the Transport Agency ensure the highway meets the required safety and performance standards? What safeguards will be written into the PPP contract?

A: The PPP contract will stipulate the level of performance that the PPP consortium must achieve. The consortium will only be paid for the services delivered. Full delivery to the prescribed performance standards will result in full payment; services delivered below the required performance standards will result in a reduced payment.

Key performance indicators will also be developed to provide the basis for measuring achievement of required standards. These indicators will cover such outcomes as safe travel, reliable journeys, health and safety, customer satisfaction and environmental performance.

Q: Using the Transmission Gully project as an example, how has value been achieved with the PPP procurement for that project?

A: The PPP procurement process has seen a competitive tendering process which has resulted in the net present value contract price for the Transmission Gully project being less than if the project was procured through conventional means.

In addition, value for the project is also being achieved in many other ways:

- 1) The PPP contractor has designed a motorway that is flatter, wider, straighter and more resilient than the Transport Agency's previous scheme. The conditions of the PPP contract have also incentivised the PPP contractor to further improve safety once the Transmission Gully motorway is operational.
- 2) The PPP contractor for the Transmission Gully project is commercially incentivised to deliver consistent outcomes over the 25-year concession period. These include providing:
 - High and sustained levels of safety
 - Reduced travel times
 - Travel time reliability
 - Route resilience
 - High and sustained customer satisfaction.

Q: Will the Pūhoi to Warkworth route be tolled?

A: *No decision has been made on tolling for the Pūhoi to Warkworth route. The public would be fully consulted on any tolling proposal which must also obtain Ministerial approval. Should the motorway be tolled, the Transport Agency would retain responsibility for tolling.*

Q: What are the next steps in the PPP procurement process for the Pūhoi to Warkworth project?

A: The next steps in the PPP procurement process for the project will see a shortlist of PPP consortia expected to be identified by the third quarter of 2015, which will be followed by the selection of a 'preferred bidder' by mid-2016, and the awarding of the PPP contract in the last quarter of 2016. These timeframes are indicative only and may be subject to change.

Q: When can construction of the Pūhoi to Warkworth motorway start?

A: Tentatively, construction of the Pūhoi to Warkworth motorway, under a PPP arrangement, could possibly start in late 2016 with the road completed and open by 2022.

Q: Will PPPs be used to deliver other key NZTA projects?

A: The Transport Agency will consider PPPs for other large-scale and complex infrastructure projects which could potentially benefit from the innovation and value for money which can be achieved by using a PPP approach.