Case Study

Tairāwhiti Roads

Collaboration between Gisborne District Council and NZ Transport Agency

2015-07

December 2015
<table>
<thead>
<tr>
<th>Version</th>
<th>Date</th>
<th>Item</th>
<th>Description of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>17/08/15</td>
<td></td>
<td>Initial draft for review by REG Best Practice Asset Management Group.</td>
</tr>
<tr>
<td>2</td>
<td>05/11/15</td>
<td></td>
<td>Revised draft</td>
</tr>
<tr>
<td>3</td>
<td>30/11/15</td>
<td></td>
<td>Revised draft by Joint Governance Group</td>
</tr>
<tr>
<td>4</td>
<td>04/12/15</td>
<td></td>
<td>Final draft</td>
</tr>
<tr>
<td>5</td>
<td>16/12/15</td>
<td></td>
<td>Final Version</td>
</tr>
</tbody>
</table>
Executive Summary

Tairāwhiti Roads is a unique new collaboration that manages the roading assets of the NZ Transport Agency and Gisborne District Council (GDC) under one shared business unit – bringing together the asset management and decision making for the region’s roads in close proximity to the assets, customers and suppliers.

This step-change promises to deliver more effective and efficient maintenance, operations and renewal programmes for the region’s state highways and local roads with a true one-network approach.

The networks are being managed under the Network Outcomes Contract (NOC) framework in two geographic contract areas, each comprising both state highways and local roads and including the professional services function. This will enable the partners to get the best out of the resources, people and roading assets that span one of New Zealand’s most remote and challenging networks.

The benefits from Tairāwhiti Roads go beyond financial savings, with the NZ Transport Agency gaining a greater presence in the region (as previously no staff resided in Gisborne) and GDC gaining exposure to the wider expertise of the NZ Transport Agency in aspects such as procurement, safety, and asset management.

Our customers will benefit from the combined ‘one-stop shop’ interface for local roads and state highways. This will be complemented by the shared Journey Manager approach that will consolidate the thinking, coordination and communications to deliver one-network outcomes.
Kaiti Beach Road, Gisborne: Export logs on the final kilometre of road travel to reach Eastland Port. Gisborne’s local road and state highway networks face significant challenges in accommodating the growth of the forestry industry (along with increases in other primary production). The Gisborne forestry industry is the largest contributor to the region’s economy and represents 14% of NZ’s log exports. The region’s log harvest has grown substantially over the past decade to 1.6 million tonnes p.a. (2014) and is forecast to increase to a sustained level 3.5 million tonnes by 2020 (source: NZTE Regional Investment Profile).
1. Introduction

1.1 Project Outline

<table>
<thead>
<tr>
<th>Project Name:</th>
<th>Tairāwhiti Roads</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Location:</td>
<td>Gisborne Region</td>
</tr>
<tr>
<td>Project Objectives:</td>
<td>Seek improved value for land transport investment to address the unique combination of regional attributes, opportunities, challenges and geography while meeting the demands of national strategic drivers.</td>
</tr>
<tr>
<td>Project Stage:</td>
<td>Implementation</td>
</tr>
<tr>
<td>Value: (cost savings)</td>
<td>The new contact arrangements will provide the Council and NZ Transport Agency with annual savings of approximately 6% ($0.9m) and 21% ($2.4m) respectively, when compared to the average expenditure on Maintenance, Operations and Renewals over the preceding five years (n.b. this includes some programme tensioning, particularly to state highways, reflecting the Network Outcome Contract model). It will also provide downstream efficiency and effectiveness improvements through joined-up thinking, better decision making, and a focus on one-network outcomes.</td>
</tr>
<tr>
<td>Scope of Work:</td>
<td>Develop a collaboration to jointly manage the local roads and state highways of the Gisborne region through utilisation of the Network Outcomes Contract model. (The management function is combined network maintenance and excludes capital)</td>
</tr>
<tr>
<td>Project commenced:</td>
<td>Discussions commenced 2012</td>
</tr>
<tr>
<td>Key Words:</td>
<td>Collaboration; Strategic asset management; One-network approach; Co-managed business unit; Joint Governance Group; Retaining skilled staff; Consistent levels of service (ONRC); Better Business Case.</td>
</tr>
</tbody>
</table>

1.2 Project Team

<table>
<thead>
<tr>
<th>Name</th>
<th>Organisation / Role</th>
<th>Contact Details (Email and Telephone)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dave Hadfield</td>
<td>Tairāwhiti Roads, General Manager</td>
<td><a href="mailto:Dave.Hadfield@gdc.govt.nz">Dave.Hadfield@gdc.govt.nz</a> 06 9864592</td>
</tr>
<tr>
<td>Chuck Dowdell</td>
<td>NZ Transport Agency, Highways Manager, Napier</td>
<td><a href="mailto:Chuck.Dowdell@nzta.govt.nz">Chuck.Dowdell@nzta.govt.nz</a> 06 9865517</td>
</tr>
</tbody>
</table>
2 Case study

“Gisborne has a challenging roading network and we know that the simple things matter - keeping the roads open, keeping them safe and keeping them in good nick. Through Tairāwhiti Roads, we’re working in a more co-ordinated and effective way than ever before, and over the next three years we expect to make encouraging strides in how we look after our roads.” NZ Transport Agency, Central Regional Director, Raewyn Bleakley.

2.1 Background - The vision and strategic drivers

Collaboration in the roading space is nothing new, but its profile has grown in recent years with flat-lining of budgets and imperatives such as the Road Maintenance Task Force and the Road Efficiency Group. There are numerous collaboration initiatives in place or being developed across the country, but Tairāwhiti Roads stands out as a unique, far reaching example. How did that happen?

The staff of the NZ Transport Agency Napier Office and Gisborne District Council (GDC) had developed a relationship of trust and respect, built on good personal relationships and working together on operational activities over a period of time. The coincidence of timing of the NZ Transport Agency Maintenance & Operations Review and an operational review by Council provided an ideal opportunity to explore more formal collaborative activity. Accordingly discussions commenced in late-2012 with both parties rapidly agreeing to be bold both in the level and timeline for developing a partnership.

After a series of facilitated discussions, a preferred solution was developed into a shared business case that reflected a mutual desire to improve the way roading services are managed and delivered across the Gisborne region.

Strategic Case for Change

“Roads are by far the most important infrastructure. For us it is all about roads, roads, roads.” Gisborne District Council Mayor, Meng Foon.

The decision to explore a collaborative solution was built on the unique and wide ranging combination of regional attributes, opportunities, challenges and geography, in addition to the national drivers seeking improving value for land transport investment. The regional drivers can be viewed in three categories:

Operational Drivers

- Council’s financial imperatives and the need for financial sustainability of roading – balancing levels of service with the desire to maintain rates rises at or below the rate of inflation, capped National Land Transport funding and the drive to conform to the GPS.
- Council’s need to meet changing land transport demands and to assist economic development, e.g. heavy commercial vehicles (HCV), high
productivity motor vehicles (HPMV), agriculture, forestry, fishing, port access etc.

- The desire for a ‘one-network’ approach with integrated transport planning between NZ Transport Agency and the unitary local authority and to build on the existing collaborative relationship (AWPTs, HPMV, regional transport planning, etc.).
- The opportunity for NZ Transport Agency to improve customer consultation and relationships in the Gisborne region (as previously no staff resided in Gisborne) and for a ‘one-stop shop’ interface with the public.
- Take advantage of the NZ Transport Agency performance and asset management framework.

**Regional geographic drivers**

- The coastal nature of the region does not have a large volume of flow-through traffic.
- It has a ‘Fish-Bone’ Network, i.e. State Highway key arterial road with few roads running parallel.
- High amount of duplicate engineering and operational time spent travelling on the State Highway to local roads.
- Requires a satellite depot along the upper East Coast to meet contract requirements.
- Major storm and emergency work requirements that affect the co-ordination of resources.

**Regional roading industry drivers**

- Few external contractors moving into the region, limiting market competitiveness and innovation.
- The industry is working with one unitary authority and not multiple territorial agencies.
- Centred on one primary population base.
- Difficult to recruit quality engineering staff for vacant positions. This is a current issue with multiple maintenance contracts in the region.
- Need to import specialist skills that can only be sourced from outside the region.

### 2.2 Development Process

The Better Business Case framework provided a valuable structure for developing, recording, negotiating and communicating the proposed collaboration. This was supported by independent facilitation provided by REG.

The business case process confirmed the strategic case for change, and led to the identification of options for the scope and structure of the collaboration.

GDC were happy to consider adopting the NZ Transport Agency Network Outcomes Contract (NOC) model is based on a primary supplier, performance based contract. Additionally GDC recognised that the state of asset management would benefit from the NOC approach (that incorporates the Professional Services components
within the contract) and from their involvement with the NZ Transport Agency Network Outcomes Group.

The Better Business Case provided financial modelling that gave confidence of the financial benefits that would result from the new fence-to-fence approach, combined local roads/state highway contract areas, integrated Professional Services and shared network management.

It was important that the collaboration satisfied the needs of each principal in terms of governance, operating entity, business unit structure and staffing. A range of options were considered through the Better Business Case in order to reach agreement that equitably represented each principal's interests.

**Timeframe**

<table>
<thead>
<tr>
<th>Date</th>
<th>Milestone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late 2012</td>
<td>Commence formal collaboration discussions</td>
</tr>
<tr>
<td>April 2013</td>
<td>Complete development of Business Case</td>
</tr>
<tr>
<td>May 2013</td>
<td>NZTA Approval of Business Case</td>
</tr>
<tr>
<td>June 2013</td>
<td>Council approval of Business Case</td>
</tr>
<tr>
<td></td>
<td>Establish Joint Governance Group</td>
</tr>
<tr>
<td></td>
<td>Update to suppliers</td>
</tr>
<tr>
<td>July-Dec 2013</td>
<td>Develop governance terms of reference and policy</td>
</tr>
<tr>
<td></td>
<td>Create formal agreement between GDC and NZTA</td>
</tr>
<tr>
<td></td>
<td>Develop position descriptions</td>
</tr>
<tr>
<td>Jan – July 2014</td>
<td>Change proposal for existing Council staff</td>
</tr>
<tr>
<td>Aug 2014</td>
<td>Recruit Business Unit General Manager and other new staff</td>
</tr>
<tr>
<td>Sept 2014 - Feb 2015</td>
<td>Develop draft Network Outcomes Contract tender documents</td>
</tr>
<tr>
<td>Apr-May 2015</td>
<td>Tender period</td>
</tr>
<tr>
<td>Mar 2015</td>
<td>Business Unit commences operation</td>
</tr>
<tr>
<td>June 2015</td>
<td>Tender evaluation</td>
</tr>
<tr>
<td>July 2015</td>
<td>Award Tenders.</td>
</tr>
</tbody>
</table>
2.3 What did we end up with?

“The formation of the business unit is not a matter of necessity, it’s a matter of a better way to do business. We have a very good relationship with Gisborne council, always have had, so it made sense for us to do that.” Chuck Dowdell, Highway Manager Napier, NZ Transport Agency.

Operating Entity
A range of options were considered that ranged from an internal GDC Business Unit (that would provide services to NZ Transport Agency) to the development of shared Council Controlled Organisation (CCO). The preferred solution was to establish a co-managed business unit through a ‘Contractual Joint Venture’ that specifies the terms of the arrangement between the parties, including governance, management, budgeting and operational aspects. This provides the scope for:

- A high level of shared governance and co-management.
- Each party to work together towards a common goal while maintaining their separate assets, employees within the joint venture entity, and legal identities.
- The appearance as a new stand-alone entity, that operates at arms-length from Council or NZ Transport Agency.
- Ease of establishment, without needing to create a new legal entity or the need to meet the governance, administration and reporting requirements specified for a CCO under the Local Government Act.
- Ease of expansion if other RCA(s) seek to join the collaboration in future, without having to reconstitute a separate legal entity.
- Business unit staff to make financial and operational decisions on behalf of the both organisation through appropriate delegation agreements.

Governance Structure
The business case agreed the creation of a Joint Governance Group (JGG) to jointly monitor the performance of the business unit, while still allowing each party to determine the programme of works and funding of their respective roading responsibilities. The preferred option was for a 50:50 ratio of Council and NZ Transport Agency members and voting rights, as this best reflected the co-management principles and the underlying spirit of collaboration. However this may have triggered the need for a CCO, so it was agreed that the structure would comprise two members from Council and three from NZ Transport Agency, while noting that any decisions would be by consensus.

The five members of the JGG, were selected to meet the local needs and comprise the Chief Executive and Deputy Chief Executive from Council and the Highway Manager Napier, a National HNO manager and a HNO senior maintenance contract manager from NZ Transport Agency.
Staffing and location
The business unit comprises eleven full time staff with eight (including the Business Unit General Manager) employed by Council and three senior staff employed by NZ Transport Agency. All staff work for the common goals of Tairāwhiti Roads, as shown in Figure 1.

The business unit is hosted in a separate office and utilises support services provided by Council to deliver a high level of customer service and save on overhead costs.

Key roles and responsibilities:

- **General Manager**: the link between Tairāwhiti Roads, the Joint Governance Group, Transport Agency and Council.
- **Journey Manager**: responsible for customer and media interface, lifelines, civil defence, efficient movement of freight, overview of state highway and local roads coordination.
- **Contract Managers**: oversee the network outcomes contracts and contractual relationships with suppliers.
- **Asset Planning Manager**: responsible for Council asset management plans, valuations, drafting transport policy and reporting.
- **Capital Manager**: responsible for Council projects that arise from the long term plan and national land transport programme.
- **Roading Cadet**: assists the capital manager and is responsible for passenger transport.
- **Safety Coordinator**: takes on the education role for all our road safety programmes.
- **Network Managers**: responsible for activities on the network, resource consents, annual planning and resilience projects.
- **Administration Officer**: processes corridor access requests, is responsible for financial processing and assists the entire team.
Joint Governance Group
Three NZ Transport Agency staff and two Gisborne District Council staff

Tairāwhiti Roads

Figure 1 Tairāwhiti Roads Business Unit Structure
2.4 The Network Outcomes Contracts

NOC Contract Areas
The combined 2,220 km of state highway and council roads are divided into two contract areas that, rather than a straight kilometre split, take into account the network challenges including heavy traffic demand, emergency response and subsidence site management and the ability for the contractor to respond to these. In broad terms, the western area is a larger but less volatile network compared to the northern area:

- Western contract – 137 km of state highway and 1,208 km of Council roads which encompass the wards of Gisborne city, Taruheru-Patutahi and Waipaoa wards (1,345 km).
- Northern contract – 194 km of state highway and 678 km of Council roads and includes the wards of Tawhiti-Uawa and Matakaoa-Waiapu (872 km).

NOC Contract Form
The NOCs follow the NZ Transport Agency contract format that bundles transport activities into a single document, however the state highway and council activities are itemised into different schedules.

The scope of works aggregates state highway and local road maintenance work and the inclusion of renewals and resurfacing. The scope of works in the Council programme includes the maintenance of sealed and unsealed roads, lighting, mowing, chemical controls, street lighting and additional items like the maintenance of reserve car parks.

The Gisborne NOCs commenced on 1 October 2015 for a term of five years and potential performance related extension of two additional years. The contracts contain a combination of lump sum and measure and value scheduled items, with a reward mechanism for Contract Tenure and monthly at-risk payment linked to a performance framework.

The procurement arm of the NZ Transport Agency held early discussions with council and state highways staff in regards to transparent pricing. The risk for staff to mitigate was the potential for tenderers to load costs to the detriment of either party. This would be resolved by separate contract schedules and benchmarking tenders against other provincial network outcome contracts.

Levels Of Service
The state highway Levels Of Service (LOS) in the NOCs are derived from the One Roading Network Classifications (ORNC). The Council’s LOS specifications followed the ONRC philosophy but was also influenced by a recent Contract Performance Review that recommended clearly defining the scope of additional works, future traffic volumes, and a refocus on drainage and auditing regimes.
**Contract Outcomes**
The overall contract objective is to drive improved performance outcomes, with a particular interest in the following key areas:

1) **Safety** – Safety is of paramount importance on the journey to zero harm. Measure achievement and commitment to health and safety outcomes. Measure opportunities to improve safety outcomes for customers.

2) **Customers** – Customers’ access needs are always considered. Respond to customers’ requests and manage their expectations.

3) **Sustainability** – Maintain a sustainable and engaged contracting market. Contribute to a transport system that adds positively to New Zealand’s economic, social and environmental welfare by adopting good practice and acting in a responsible manner.

4) **Assurance and Value** – Quality outcomes underpinned by accurate network information and knowledge. Make sound investment recommendations and decisions based on reliable, robust and proven evidence.

5) **Network Performance** – Ensure the physical indicators of service quality have been provided. Demonstrate that promises made during tendering add value and are delivered. Give customers timely and accurate information so they can make informed choices, and schedule works to minimise disruption.

**Contract Risk**
Risks on the network have been defined so the contractors and principals clearly understand future demands that may occur on the network over the term of the contract. These risks were discussed with tenderers in group and individual interactive meetings prior to prices being submitted to preclude variations to the submitted tender price based during the term of the contract.

The major risks for the Gisborne network are:

- Projected forestry volumes over the next 7 years of the contract.
- Subsidence sites and performance measures on unsealed roads.
- Increasing traffic volumes along SH35, Tauwhareparahe, Mata, Kopuapounamu, Horehore, Waingake, Kanakania, Parikanapa and Whakarau roads.
- Poor quality aggregates and long haulage distance.
- Pavement deterioration during winter.

**Contract Supervision**
The contract performance data for the northern and western contract areas will be measured each month by Tairāwhiti Roads maintenance contract managers. The results for the state highways will be delivered to the Asset Management Group within NZ Transport Agency for their audit, benchmarking and reporting on national trends.
The performance reports on the local roading network will be provided by Tairāwhiti Roads to Council’s Infrastructure Services Committee.

**NOC Procurement Process**

The following steps are undertaken prior to advertising each NZ Transport Agency NOC contract throughout the country, and this was followed in the case of Tairāwhiti Roads:

1) A procurement strategy is prepared to detail the scope of works, release of contracts to the market, and a full explanation of risks and how these will be mitigated.

2) A report on the existing contracting supply market is prepared to indicate the proportion of work that should be sub-contracted by the primary NOC contractor in order to sustain a healthy market within the district. This identified that a minimum 23% value of average annual works should be sub-contracted.

3) The Information for Tenderers document is distributed to pre-qualified tenders to set out the terms of the tender, including the standard NOC evaluation criteria that are weighting 55% for contract price and 45% for non-price attributes (which differs from the traditional 30% non-price attributes weighting). The non-price attributes comprised:
   - Sustainable Market Resource (Weighting 11%)
   - Relevant Skills (Weighting 10%)
   - Methodology (Weighting 15%)
   - Maintenance Management Plan (Weighting 9%)

2) Consultation with the industry at a national and local level prior to the contracts being let.

4) The total process is supervised by Audit NZ, including group and individual interactives with tenderers. Audit NZ will report on the procurement process and suggested improvements to Council and NZ Transport Agency.

**Engineer’s Estimates**

The engineer’s estimates for the local roads and state highways components of the NOCs were drafted by Tairāwhiti Roads. These were benchmarked against schedule rates provided by the NZ Transport Agency Marlborough Roads office (that also manages local roads and state highways) and were peer reviewed by NZ Transport Agency staff in Napier.

An independent assessment was then undertaken by Bond Ltd using costs from tenders received across New Zealand. The two estimates were compared, any differences clarified and the final estimate confirmed for the NOCs.

**NOC Tenderers**
Tenderers were only allowed to win one contract to ensure the retention of two major roading contractors within the district. The tender process identified two tenders for the northern contract and a sole tender for the western contract.
Northern contract

The price envelopes revealed both tenders for the combined northern contract were below the engineers estimate. Services South East (SSE) was second ranked on non-price attributes, however the price-quality disadvantage was offset by their lower price to position them as the favoured supplier.

The tender procurement rules require the tender evaluation team to address any points of clarification and risks in a pre-letting phase, prior to obtaining approvals from the respective NZ Transport Agency and Council governance bodies.

The SSE proposal has sub-contracted a considerable portion of work to the local industry, which is expected to prove positive for the regional economy. They are focused on developing the skill base across the district, and aim to improve response times by building an increased presence in local depots, including Tolaga Bay, Te Puia, Ruatoria and Hicks Bay.

The award of the contract to SSE introduces a new contractor into NZ. SSE intends to utilise innovative techniques and equipment that are currently used in Australia but have not previously been seen in NZ. In addition SSE brings expertise in Australian Health and Safety legislation that preceded similar regulations in NZ.

Western contract

The sole tender price provided by Downer for the western contract exceeded the engineer’s estimate amount. Negotiation was initiated with Downer that achieved a reduction in price to meet the tender estimate, without reducing the contract levels of service. If this had not been achieved, the western contract may have been re-tendered which would have caused timing conflicts with other national NOC rollouts and required the two existing contracts for the City/Western areas to be extended by negotiation (which would have eroded the potential savings from moving to the NOC model).

Downer determined the need for a major depot at Matawai to meet the contract response times, with the existing roadmen at Motu and Te Wera and other support staff to be relocated to this depot. The rest of the western region will be supported primarily by the Gisborne office with assistance from the Matawai depot. The previous roadman roles at Wharekopae and Hangaroa will no longer be required as the contract response times will be met with equipment transported from Gisborne, given the improvements in transportation methods, equipment and network resilience.

Downer response time performance is a formal measure within the contract that will be reported to the Joint Governance Group.

Value for Money

Tairāwhiti Roads is expected to provide cost efficiencies for both principals and will also improve effectiveness through joined-up thinking, better decision making, and a focus on one-network outcomes.
The new contract arrangements will provide the council and NZ Transport Agency with annual savings of approximately 6% ($0.9m) and 21% ($2.4m) respectively, when compared to the average expenditure on Maintenance, Operations and Renewals over the preceding five years. These savings reflect the improved delivery efficiencies (from the bundling of activities and the aggregation of local road and state highway work) and the tensioned approach to asset management that is provided through the NOC model.

2.5 Performance Monitoring

Performance monitoring is occurring at two levels; the performance of the business unit and NOC contracts. The JGG also receives information on other activities that fall outside the NOC scope, such as capital projects.

Business Unit Performance

The General Manager provides the JGG with a quarterly report on the business unit that includes the performance measures for:

- Staffing – including FTE numbers, loss time injuries etc.
- NOC Contract Performance (Northern and Western) – financial tracking, Operational Performance Measure compliance, etc.
- NOC Implementation – milestones and forward workload of business unit.
- Risks – prioritised risks and mitigation strategies.
- Capital Projects (GDC and NZ Transport Agency) – delivery schedule and risks.
- Network Metrics – Safety, Forestry Tonnage throughput, Road Closures, Customer Service Requests
- Future Opportunities/Issues – investigations and business case developments.

NOC Contractor Performance Monitoring

The performance of the contractors is monitored with a framework that is common to all NOC contracts throughout the country and is linked to Performance Rewards (of additional contract tenure and financial rewards). The framework comprises six Key Results Areas (KRAs) that are measured through 22 Key Performance Indicators (KPIs) summarised in Table 1. A seventh KRA, ‘Health of the Relationship’, is reported as an enabler to evaluate how well the parties are interacting and working together, but is not used in assessing for tenure or financial rewards.

The contract documentation sets out the parameters for each KPI that are self assessed by the contractors on a monthly and quarterly basis and combined to report on KRAs on a quarterly and annualised basis. KPI 6.1.1 ‘Overall OPM Score’ relates to the network Operational Performance Measures that are set out by the NOC Maintenance Specification.
### 3 What does the future hold?

Tairāwhiti Roads has gone through an initial ‘start-up’ phase similar to any new business. This has involved a wide programme of activities from establishing the business unit and appointing staff, through to managing the NOC tendering process (in conjunction with the NZ Transport Agency Tender Evaluation Team).

#### Start-up challenges

The major initial challenge has been the procurement and implementation of the two NOC contracts in a tight time period. There has been a need to understand and manage the staff workload to strike the right balance between the local road and state highway assets. This will be better understood after the bedding in period of the business unit and the NOC contracts.

There will also be a need for the prioritisation of contactors work between the local road and state highway assets at times when demand may exceed immediate supply of resources, for example during emergency response. The ONRC will provide a useful and transparent tool for this prioritisation.
Management of the business unit has involved particular challenges of learning to deal with two sets of systems (Council and NZ Transport Agency) for aspects such as HR, financial, IT, customer service, etc.

**Asset Management**
Tairāwhiti Roads expects to make savings not only through the bundling of physical works contracts but by smarter management, better decision making, regional efficiencies, and in-sourcing the council and the Transport Agency professional services functions (with additional support from the agency’s network outcomes group). The asset management approach of council is expected to improve with the focus on the performance based NOC model and the exposure to the Transport Agency asset management tools and techniques.

While the NOC model has tensioned the initial renewals programme, further DTIMs modelling is being carried out to identify other resurfacing and rehabilitation work that may be deferred by an additional one or two years.

**ONRC**
As the new contracts are bedded down and asset management progresses, it is expected that the ONRC will see a rebalancing of levels of services within the District. This is most likely to be felt on rural local roads and on the conversion of AC into chip seals within Gisborne city.

**One-Network Outcomes**
Our customers will benefit from a greater NZ Transport Agency presence in the district (as previously no staff resided in Gisborne) and the combined ‘one-stop shop’ interface for local roads and state highways. This will be complemented by the shared Journey Manager approach that will consolidate the thinking, coordination and communications to deliver one-network outcomes.

**4 Key Lessons**
The successful development of the Tairāwhiti Roads collaboration can be attributed to the following important factors:

a. A **shared vision** built around respect and trust between the participants to develop Tairāwhiti Roads from the ground up, **by the region for the region**.

b. Willingness to invest **time and effort** to work through complexities of setting up a new operating model with a new collaborative partner, revised contract areas, new contract form, new procurement process, new contractors, along with a new approach to asset management and professional services.

c. **Understanding the technicalities** and recognising that nobody knows everything but that working with others expands our knowledge, ability and performance.

d. Being **prepared to compromise** in the belief that we can achieve better results and better value together than separately.
e. Following the defined **Better Business Case process** that provided a structured, transparent framework to help in finding alignment between the participants and identifying the reasons and benefits of working together.
## 5 Recommendations

<table>
<thead>
<tr>
<th>Specific Recommendations</th>
<th>Suggested Action to be Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review Tairāwhiti Roads initial results following establishment of NOC contracts (1\textsuperscript{st} Oct 2015) to assess success.</td>
<td>GM to supply an annual report</td>
</tr>
<tr>
<td>Monitor success of Tairāwhiti Roads Business Unit through performance metrics including staff turnover.</td>
<td>Record through reporting channels.</td>
</tr>
<tr>
<td>Sharing key learnings with other regions that may benefit in following a similar model. Local authorities and state highway managers may wish to discuss the opportunity to incorporate local roads into NOC contracts, which may be possible at the point of NOC renewals or during the term of existing contracts.</td>
<td>Take opportunities to discuss with other RCA’s</td>
</tr>
</tbody>
</table>
6 Appendix

Appendix 1 Existing and new contract areas

Three existing Council Contract Areas

One existing State Highways Contract Area
Two new Network Outcomes Contract areas, comprising local roads and state highways.