
***Regional Transport
Committee***

Tabled Item

***Wednesday 3 June 2015
at 10 am***

**ISSUE: Tabled Item for the Regional Transport Committee
– 3 June 2015**

ID: A752560

To: Regional Transport Committee, 3 June 2015

From: Chris Powell, Transport Operations Senior Programme Manager

Date: 29 May 2015

Report Type:	<input type="checkbox"/>	Normal operations	<input type="checkbox"/>	Information	<input checked="" type="checkbox"/>	Decision
Purpose:	<input checked="" type="checkbox"/>	Infrastructure	<input type="checkbox"/>	Public service	<input type="checkbox"/>	Regulatory function
	<input type="checkbox"/>	Legislative function	<input type="checkbox"/>	Annual\Long Term Plan	<input type="checkbox"/>	Other
Significance:	<input type="checkbox"/>	Triggered	<input checked="" type="checkbox"/>	Not Triggered		

Executive summary:

The purpose of this report is to place before the committee the tabled item for inclusion in the meeting agenda. The report concludes with the recommendation that the item be received.

- **Tabled Item 4.6: Lifting of Inland Freight Route to State Highway Status and Puhoi to Warkworth Extension Announcements**

This agenda item has only recently come to the attention of council after the preparation of the agenda. Therefore it is recommended that the tabled agenda item be received.

Recommendation:

That as permitted under section 46A(7) of the Local Government Official Information and Meetings Act 1987:

- Tabled Item 4.6: Lifting of Inland Freight Route to State Highway Status and Puhoi to Warkworth Extension Announcement

be received.

ISSUE: Lifting of Inland Freight Route to State Highway Status and Puhoi to Warkworth Extension Announcements

ID: A752350

To: Regional Transport Committee Meeting, 3 June 2015

From: Chris Powell, Transport Operations Senior Programme Manager

Date: 29 May 2015

Report Type:	<input type="checkbox"/> Normal operations	<input checked="" type="checkbox"/> Information	<input type="checkbox"/> Decision
Purpose:	<input checked="" type="checkbox"/> Infrastructure	<input type="checkbox"/> Public service	<input type="checkbox"/> Regulatory function
	<input type="checkbox"/> Legislative function	<input type="checkbox"/> Annual\Long Term Plan	<input type="checkbox"/> Other
Significance Policy:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive summary:

The purpose of this report is to introduce to the Regional Transport Committee recent announcements made on two land transport infrastructure projects that are of importance to Northland. These are:

- The proposal to lift the level of the Inland Freight Route to that of a State Highway Status; and
- The Puhoi – Warkworth Extension project be progressed through a Public Private Partnership.

Ernst Zöllner, Director Auckland and Northland, New Zealand Transport Agency, will be providing an update to the Regional Transport Committee on the announcements pertaining to both projects.

In support of this paper, please find attached:

- Attachment 1:- Copy of the e-mail from Geoff Dangerfield, Chief Executive, New Zealand Transport Agency, to the Mayoral Forum members entitled ‘*Inland Freight Route - State Highway Status*’;
- Attachment 2:- Copy of the statement released by the Minister of Transport in regard to the Puhoi – Warkworth Extension project entitled ‘*Puhoi – Warkworth highway moves closer*’; and
- Attachment 3: - Copy of NZ Transport Agency Media Release entitled ‘*Public Private Partnership (PPP) procurement for Puhoi to Warkworth project*’.

Legal compliance and significance assessment:

In relation to section 79 of the Local Government Act 2002; whilst the report addresses two land transport infrastructure projects that are of significance to Northland, the report seeks no decision other than the information be received. Hence when assessed against council policy it is deemed to be of low significance.

Recommendation:

That the update provided by Ernst Zöllner, Director Auckland and Northland, New Zealand Transport Agency, on the proposal to lift the level of the Inland Freight Route to that of a State Highway Status and the Puhoi – Wellsford Extension project to be progressed through a Public Private Partnership, be received.

From: Geoff Dangerfield [<mailto:Geoff.Dangerfield@nzta.govt.nz>]
Sent: Wednesday, 27 May 2015 10:32 AM
To: mayor@wdc.govt.nz; Bill Shepherd; John Bain; mayor@fndc.govt.nz; jrobertson@kaipara.govt.nz
Cc: simonw@wdc.govt.nz; Malcolm Nicolson; colin.dale@fndc.govt.nz; jmcperson@kaipara.govt.nz
Subject: Inland Freight Route - State Highway status

Dear Mayoral Forum members

At your meeting with the Transport Agency Board in December last year, we undertook to look at the future of the Mangakahia Road and its role as an inland freight route. You requested that the route from Kaikohe to SH1 become part of the State Highway network.

The email is to let you know that the Board has agreed that there is a case designating this route as a State Highway, based on the role it plays in providing the most efficient and effective route to serve key centres of primary industry and processing and connecting them with Northport and routes further south. A more effective route here will also take a proportion of heavy traffic away from the parallel State Highway and provide for a more resilient network across the Northland region. The Board agreed that this change made sense if it occurs as part of a wider package of investment and capability development that can be focussed on improving the asset management and operation of Northland's roads, and that collaboration with and between Northland Councils in this regard is vital.

The Board's decision is as follows:

*"That the NZ Transport Agency Board **supports** the proposal to lift the level of service on Te Pua Road | Mangakahia Road | Otaika Valley Road | Loop Road North (known as the Northland Inland freight Route) to a State Highway, **subject to** the Northland Councils (Far North DC, Kaipara DC, Whangarei DC) entering into formal collaborative agreement with the NZ Transport Agency to joint asset management across the Northland network to achieve improved journey management, better resilience and emergency response, consistency in approach and improved cost effectiveness in delivery of road maintenance activities."*

As you can see from the above, the Board's support for the State Highway status for this inland freight route is conditional on the Councils working together and with us to enter into a formal collaborative agreement on network management and delivery. The Board supports the increased State Highway investment – and it wants to see a closer partnership between the Councils, and with NZTA, to deliver better network management and levels of service.

Until this is achieved, the Board's decision on the Inland Freight Route is "conditional". The change to State Highway status also needs to be formally agreed by the Secretary of Transport.

I have asked Ernst Zollner to work with your Chief Executives to help bring that collaboration agreement together, and to report back to the Board so that they can confirm their decision. He will be in touch shortly. We have developed collaborative approaches in other regions so have some ideas to draw on, but this will need to be developed to suit the specific circumstances of Northland and be something that you are all comfortable with. I am keen

that the Board's conditionality is met as soon as possible so that we can start on the Inland Freight Route.

Happy to discuss. We are currently bringing together the 2015-18 National Land Transport Programme, to be ready for 1 July 2015. Along with some Board members, I look forward to presenting that national programme to you and the specific Northland programme in early July.

Kind Regards

Geoff Dangerfield
Chief Executive

Simon Bridges

27 May, 2015

Pūhoi – Warkworth highway moves closer

The construction of the Pūhoi - Warkworth Highway that will connect Northland and Auckland has moved a step closer, Transport Minister Simon Bridges says.

“Cabinet has approved the NZ Transport Agency (NZTA) to move to the next stage of procurement as a Public Private Partnership (PPP) to finance, design and build the project,” Mr Bridges says.

NZTA will invite private sector companies to put forward proposals for financing, designing and constructing the highway, with a view to awarding a PPP contract in October 2016.

“The private sector will have the opportunity to bring innovative design, operation and risk management to deliver the project more effectively than traditional procurement methods.

“If, however, the private sector can’t offer value for money, NZTA would instead revert to a more traditional procurement model. Construction without a PPP would likely begin around two years later than under a PPP,” he says.

“The Pūhoi to Warkworth project is the first section of the Ara Tūhono – Pūhoi to Wellsford Road of National Significance. This critical link will provide opportunities for economic and social development in Northland, providing a better connection for freight, tourism and motorists.

“The Pūhoi – Warkworth project is the second Road of National Significance section to be considered for a PPP. The first, Transmission Gully, will open in 2020, with the PPP model allowing its construction to commence while freeing up around \$1 billion of Crown funding for investment in other transport projects,” Mr Bridges says.



Media release



27 May 2015 | NZ Transport Agency – Auckland

Public Private Partnership (PPP) procurement for Pūhoi to Warkworth project

The NZ Transport Agency has welcomed the Government's decision to allow the Agency to finance, design, build, manage and maintain the Pūhoi to Warkworth motorway through a Public Private Partnership (PPP).

Transport Agency Chief Executive Geoff Dangerfield said it was a significant step towards improving the safety, reliability and resilience of State Highway 1 between Northland and the upper North Island freight triangle of Auckland, Waikato and Tauranga.

In September 2014, a Board of Inquiry confirmed approval of the Transport Agency's application for designation and resource consents for the project.

Mr Dangerfield said the Pūhoi to Warkworth project seeks to procure a PPP contract that would deliver a value-for-money motorway which will assist economic growth in Northland.

“The imperative is to achieve this and deliver a motorway that will provide greater resilience, improved road safety and journey time reliability, and a better connection for freight, tourism and motorists.

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

He said PPPs are a particularly suitable procurement method for delivering great results for large-scale and complex infrastructure.

“Using a PPP for key infrastructure projects will open the door for private sector innovations that are not always achievable under traditional public sector procurement methods.

“PPPs allow specific outcomes to be established and measured - and for risks to be identified and transferred to the private sector.

“An outcomes-based PPP for the Pūhoi to Warkworth project will also allow great

flexibility within the designation to achieve optimised innovative outcomes.”

Mr Dangerfield said that under a PPP, full ownership of the motorway will always remain with the public sector.

“The nature of the contract to be used will provide a strong incentive for the successful PPP consortium to deliver the best possible results for road users.”

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.

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.

Mr Dangerfield said no decision has been made on tolling for the Pūhoi to Warkworth route but should the motorway be tolled, the Transport Agency would retain responsibility for tolling.

“The public would be fully consulted on any tolling proposal which must also obtain Ministerial approval,” he said.

He said the Transport Agency would continue to consider PPPs for other large-scale and complex infrastructure projects which could potentially benefit from the innovation and value-for-money that can be achieved through a PPP approach.

The first state highway in New Zealand to be delivered through a PPP is the Transmission Gully (MacKays to Linden) project in Wellington.

In July 2014, the Transport Agency signed a PPP contract with the Wellington Gateway Partnership (WGP). Work on Transmission Gully began in September last year, and the motorway will be open for traffic by 2020.

In late 2014, the Transmission Gully motorway project was named the ‘2014 Asia-Pacific PPP Deal of the Year’ by two international project finance publications (Project Finance International [PFI] and IJ Global).

In addition, the project was highly commended at the Infrastructures Partnerships Australia (IPA) National Infrastructure awards in March 2015.

For more information please contact:

Anthony Frith
Media Manager
NZ Transport Agency
T: 04 8945251
M: 027 213 7617
E: anthony.frith@nzta.govt.nz

W: www.nzta.govt.nz



The NZ Transport Agency works to create transport solutions for all New Zealanders - from helping new drivers earn their licences, to leading safety campaigns to investing in public transport, state highways and local roads.

Follow us



[New Zealand Government](#)

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, operate 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, operation 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, 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 operate 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.