



# NZ TRANSPORT AGENCY BOARD PAPER

<b>Meeting Date</b>	8 May 2019
<b>Agenda item</b>	9.4
<b>Paper No</b>	2019/05/1381
<b>Title of Paper</b>	Penlink Unsolicited Proposal Recommendation
<b>Paper Sponsor(s)</b>	Brett Gliddon, General Manager, System Design & Delivery
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<b>Board function</b>	Significant planning, investment and operational matters
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<b>No of pages</b>	3 + 1 Attachment(s)
<b>Legal Review</b>	Jessica Andrew, General Counsel, Environment & RMA

[In confidence]

## Purpose

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This paper seeks the Board’s endorsement of the Penlink Unsolicited Proposal (USP) Stage 0 Recommendation Report, and approval to inform the submitter of the outcome.

## Recommendations

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It is recommended that the NZ Transport Agency Board resolves to:

- Approve recommendations outlined in the Penlink Unsolicited Proposal (USP) Stage 0 Recommendation Report for:
  - the submitter, China Tiesiju Engineering Group Co Ltd (CTCE) to not progress to Stage 1; and
  - the Proposal Lead to inform CTCE of the outcome, subject to approval from Auckland Transport Chief Executive, Shane Ellison.

## Strategic Relevance

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Through its procurement processes, the NZ Transport Agency seeks to ensure the capture of value which benefit New Zealanders. Procurement for goods, services and projects is predominantly conducted competitively through tendering in order to achieve a value for money outcome in a transparent manner. This business as usual procurement approach is aligned to the Transport Agency’s strategic planning priorities and drives efficient and timely delivery.

From time to time, the Transport Agency will receive market-led proposals. Serious consideration will generally be given only to the exceptional proposals. These should demonstrate unique concepts or benefits that cannot otherwise be obtained in the marketplace, or that are only able to be provided by a single supply source.

## Background

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### Unsolicited Proposal Submission

On 19 September 2018, the Transport Agency received a letter from the Auckland Chamber of Commerce setting out the basis of a request by China Tiesiju Engineering Group Co Ltd (CTCE) to submit an unsolicited bid to undertake the Penlink Toll Road Project (Penlink), as a Build, Own, Operate and Transfer (BOOT).

Penlink is part of the Auckland Transport Alignment Project (ATAP) programme, with the Transport Agency a part funder for this project. In addition, Penlink is viewed as strategically important, given the wider context for the whole of Auckland network.

In 2016, the designation was confirmed, and resource consents approved. Current funding constraints have tentatively consigned the project to the second decade of the ATAP 30-year investment programme. However, Auckland Transport has been actively investigating financing options in order to bring this project forward whilst balancing other project priorities.

### Treatment of Unsolicited Proposals

With the respect to the treatment of unsolicited proposals, the Transport Agency follows the guidelines as set out by the Ministry of Business, Innovation and Employment (MBIE) in order to ensure unsolicited proposals are managed in a way that:

- is transparent and fair to everyone; and
- encourages business to put forward good ideas.

The evaluation process follows a robust stage gate process. Proposals are assessed against key criteria, and depending on the nature of the proposal, submissions can stop or continue at any of the gates depending on the assessment outcome.

The stage gates are as follows:

- Stage 0: Pre-submission review
- Stage 1: Initial Submission and Strategic Assessment
- Stage 2: Detailed Proposal
- Stage 3: Negotiation of Final Binding Offer

### CTCE Proposal Evaluation

CTCE were invited to enter Stage 0 Pre-submission Review on 9 November 2018. It was agreed the Transport Agency were best placed to lead the assessment of the unsolicited proposal on behalf of local and central Government partners. This Stage required CTCE to submit an Initial Submission of Requirements. This submission is intended to provide key information for a Proposal Evaluation Team to assess the concept to determine whether it meets the criteria for moving to the next stage.

The basis of the submission was an 85% CTCE funded project, recovered by a 50-year toll concession period, which could be constructed some 2 years earlier than currently planned.

A Procurement Evaluation Team (PET) comprising of representatives from the Transport Agency, Auckland Transport, Treasury and Auckland Council, reviewed the proposal against its ability to satisfy each of the seven (7) evaluation criteria, required for the proposal to progress to Stage 1.

The proposal review by the PET unanimously concluded the CTCE submission failed to meet the minimum requirements across a number of criteria in order to satisfy the PET for it to move forward to Stage 1.

A summary of the high-level evaluation outcomes is as follows:

- Uniqueness – Failed, largely driven by the ability of competitors to deliver the project under a similar model
- Acceptable risk allocation – Failed, whilst patronage risk would be taken on by CTCE, insurance would be taken on this risk. In addition, the proposal remained silent on project related risks
- Affordability, Value for money, Capability and capacity, Social – Inconclusive, further detailed work would be required to determine CTCE's ability to deliver the project within an agreed budget, and establish new local construction relationships

Overall, given the nature of the proposal is largely untested with the market, it is not recommended to proceed under a sole source process unless this is undertaken.

A copy of the detailed Evaluation Report is provided in Attachment One.

## Key issues

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Penlink has attracted local and business community attention, with appetite for this project to proceed over an extended number of years.

Whilst it is not recommended to proceed further with this unsolicited proposal submission, there remains an opportunity to conduct a broader market engagement to further test the accelerated delivery of the Penlink project.

Auckland Transport has advised it will consider whether it will conduct further engagement at this time with industry with respect to this project. This will take into account balancing this activity against other procurement priorities.

## Health & Safety, Customer & Other Stakeholder and Environment Impact

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The impact of this decision is considered by the Transport Agency to be negative with respect to the public and local business stakeholders.

It is imperative communications are managed effectively between the Transport Agency and Auckland Transport given the public attention with respect to this project and the potential for media attention.

## Related Documents

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### Attachment One

1001 Penlink USP - Stage 0 Evaluation Report Recommendation – Mar 2019