

In confidence

## East Coast Alliance

ELT owner: Robyn Elston, Acting Group General Manager Transport Services

Issue owner: Neil Walker, National Manager Recovery

### Whāinga | Purpose: For decision

This paper seeks approval to award the East Coast Recovery Programme Alliance Agreement for the recovery and rebuild of road and rail corridors between Opotiki and Hastings following the Cyclone Gabrielle event in February 2023.

### He kupu whakatau | Recommendation

Management recommends the Board:

- **Approves** the award of the East Coast Recovery Programme Alliance Agreement (PAA) alongside Owner Participant KiwiRail to the Non-Owner Participants (Downer New Zealand Limited, Fulton Hogan Limited and Higgins Contractors Limited (NOPs)) to undertake the Cyclone Gabrielle recovery and rebuild work for the East Coast.
- **Delegates** to the GGM Transport Services authority to administer the PAA (including introduction of approved scope packages over time) along with any other arrangements required to give full effect to the PAA.
- **section 9(2)(b)(ii)** [REDACTED]
- **Notes** the Alliance agreement has been negotiated assuming additional funding will be available in tranches (to be confirmed by government). If additional funding is unable the Alliance is flexible enough to be paused or terminated.
- **Notes** that while the scope is Waka Kotahi and KiwiRail corridors, the Alliance has been designed to be adaptable. Once established it can incorporate local road networks should councils wish to for the Alliance to undertake such work.
- **Notes** that KiwiRail is progressing Alliance approvals through its Board (26 June) and the Government for additional funding.
- **section 9(2)(g)(i)** [REDACTED]

### Take matua | Key points

- The East Coast Recovery Alliance is a pure Alliance. The scope covers recovery, rebuild business case design and construction, and maintenance from Opotiki to Hastings. The Alliance

will be responsible for enabling iwi, councils, and other key stakeholders to play a key role in defining and supporting outcomes for their region.

- Having iwi alongside us through detailed designs of recovery and rebuild work is important to ensure we fully explore broader social, cultural, environmental, and economic outcomes.
- Through Te Mātangi, Waka Kotahi is engaging with Te Tairāwhiti and Te Matau a Māui to discuss recovery efforts following Cyclone Gabrielle. Our Strategic Planning work has identified high level transport outcomes. Iwi have been unable to fully engage in the process due to competing priorities and their need for significant additional resource.
- The Alliance will undertake meaningful consultation with iwi and local Māori owned construction companies during the next phase of business case and design work. To support the building of meaningful relationships and ensure an integrated alliance team approach, our Regional Pou Ārahi has established Pou contracts in Gisborne and Hawkes Bay (Iwicoms in Gisborne and **section 9(2)(a)**).
- KPI's with hard targets will be set within three months of PAA commencement as scope and delivery strategy is refined. Key outcomes will include active iwi cultural input to design solutions and enabling growth of Māori owned enterprise. Recent alliances have specified 2-5% of supplier spend for Māori business. We need to assess an appropriate level for the East Coast.
- Significant design and construction capacity is needed. The Alliance has a strong focus on local supply chain capacity and stakeholder engagement, however there will be insufficient industry local capacity alone to deliver the East Coast Recovery programme. Waka Kotahi has issued a detailed procurement strategy which includes targets for use of local contractors (minimum 30%) and contestable direct works being delivered within the Programme region (55%).
- For the East Coast (Tairāwhiti particularly) Māori owned contractors will be encouraged to actively participate early in work planning, develop their management skills maturity and sustainably grow their businesses beyond the rebuild years.
- Assurance will be provided via the governance and management structure, and through adherence to Waka Kotahi and KiwiRail investment decision-making processes and controls.

## He kōrero mō tēnei kaupapa (Background)

The East Coast of the North Island has experienced multiple weather events over recent years which have highlighted the lack of resilience in key lifeline routes servicing Tairāwhiti, Wairoa and Hawke's Bay areas. Given the scale and complexity of the recovery and rebuild required the decision was made to procure a recovery Alliance to undertake the work.

## Kia mōhio mai koe | What you need to know

### East Coast Recovery Alliance Overview

The Alliance consists of Waka Kotahi and KiwiRail as Owner Participants and Fulton Hogan, Higgins and Downer NZ as Non-Owner Participants (NOPs). The Alliance model enabled the NOPs to work with Waka Kotahi and KiwiRail through the Interim Project Alliance Agreement (IPAA) phase to establish a PAA proposal. Primary professional services will be procured via a sub-alliance, with a performance framework and commercial incentives aligned with the PAA.

### Alliance scope

The Alliance scope covers business case development, design, build and maintenance of recovery and rebuild work from Opotiki to Hastings (SH2, SH35, SH38, SH5, SH50, SH51 and the KiwiRail network from Wairoa to the south of Hastings). The initial scope development and design begins

immediately with the first rebuild project likely to start within the first 9 months (Attachment 1). Work will only start once we have meaningful (and then ongoing) iwi and community engagement.

### Capacity and Capability

There will be inadequate local professional services and construction resources. The Alliance's task is to leverage and optimise available local and national resources. Full work programme resourcing estimates suggest 1200 construction and 400 professional services team members may be needed.

A primary objective of the East Coast Recovery programme is to leave an enduring legacy for local communities of Tairāwhiti and Hawkes Bay regions, Waka Kotahi, KiwiRail and local councils by supporting and developing the depth and capability of the local supplier market. This will be achieved by giving preference to local sub-contractors and suppliers and providing wrap around services to lower tier contractors to assist them to build their capability, gain higher pre-qualification levels, increase access for direct contracting opportunities with Waka Kotahi, KiwiRail and TLAs and improve their track record for work with Waka Kotahi and KiwiRail.

### Alliance Structure

The Alliance will be governed by a Programme Alliance Board (PAB) of senior representatives from Owner Participants and NOPS. A senior Waka Kotahi Sponsor has been appointed to support the PAB with direction and decision making required over the life of the Alliance. An appointed Waka Kotahi Programme Director will report into the PAB. This position may be filled by a NOP employee seconded to Waka Kotahi for their time in the role.

Waka Kotahi will have a greater presence of people engaged within the Alliance than previous alliances. This is due to the significant geographic scope, level of business case work required, and comprehensive programme of work to be managed cohesively during recovery and rebuild phases.

### Professional services sub-alliance

Resource estimates indicate that local consultant resources will be insufficient to meet expected workload. The Alliance is targeting to have 30% of professional services resources regionally based, with the sub-alliance capable of undertaking the remaining 70%. The Alliance is expecting to access consultant resources from Canterbury and Auckland in addition to available local capacity.

### Commercial Construct

The IPAA was entered into on 12 April 2023 to allow NOPS to work with the Owner Participants to develop and agree commercial, business and financial arrangements for the PAA.

### The PAA is complete and ready for signing

NOPs have prepared a Proposal addressing the specific requirements outlined in the IPAA together with identified Management Plans for submission and formal approval from Waka Kotahi and KiwiRail procurement personnel.

section 9(2)(b)(ii)

[REDACTED]

[REDACTED]

section 9(2)(b)(ii)

The Alliance will be established as a programme Alliance allowing Owner Participants to instruct Alliance Participants to prepare Proposals for Work Packages as and when required.

section 9(2)(b)(ii)

section 9(2)(b)(ii)

### Waka Kotahi Alliance Obligations

Waka Kotahi has collective and specific obligations under the PAA. Collectively Alliance Participants are required to perform the Work under the Alliance in respect of each instructed Work Package and handover the respective Alliance Works on or before the defined Target Completion Date and ensure the works:

- meet the Minimum Requirements, reflect the approved Proposal, are in accordance with Waka Kotahi health and safety policies and procedures and with the Health and Safety at Work Act 2015, are delivered in a manner that takes into account the Construction Sector Accords' principles and guidelines, are free from Alliance Defects by the respective Date of Final Completion, and do not infringe any patent, copyright, registered design, trademark or name or other protected right
- are undertaken in a diligent skilful workmanlike manner
- are in compliance with all Statutory Requirements
- achieve Best for Programme outcomes, pursuit of Alliance Objectives and Broader Outcomes.

### Waka Kotahi Specific Obligations

Specifically, Waka Kotahi must provide the Alliance Participants with sufficient possession of relevant Sites to enable the Alliance Participants to perform the Work under the Alliance and pay the NOPs each in accordance with the terms of the PAA.

### Statutory Responsibilities

Alliance Participants recognise that Waka Kotahi and KiwiRail have certain statutory powers, functions and/or regulatory roles, and are bound by particular statutory responsibilities and the Alliance Participants agree that the PAA does not derogate from such statutory functions.

### Ngā tūruru matua | Key risks and how we will manage them

Strategic Risk	Mitigation
<b>Funding certainty:</b> Alliance associated overhead costs will be significant and require certainty of future works to ensure it scales itself efficiently and maximises supplier productivity	Work with MoT and central government to achieve as much funding certainty for pipeline as possible and ensure commercials can scale to variable work programmes.
<b>Lack of genuine lwi partnership:</b> Moving at pace may mean that genuine partner	Early identification of lwi with interests in the area; pro-active and planned inclusive

Strategic Risk	Mitigation
engagement is misaligned and affects support for the rebuild.	engagement; potential for full inclusion in project governance and management including a cultural advisory group.
<b>Macro and/or micro economic impacts and consequences:</b> risk of inflating local and national construction and engineering market and property and other service industries in region.	Balance need for pace for early priorities with a sustainable pipeline of work that may extend to seven or more years. This brings additional risk of public opinion that the rebuild is taking too long.

## Ā muri ake nei | Next steps

On approval of the request to enter the PAA, the Alliance team will undertake:

- ongoing recovery
- transition of the NOC network M&O teams
- upon a positive rebuild funding from government, commence the rebuild business case and design process (including appropriate community and iwi engagement)
- anticipated start of construction of the first significant rebuild projects by nine months.

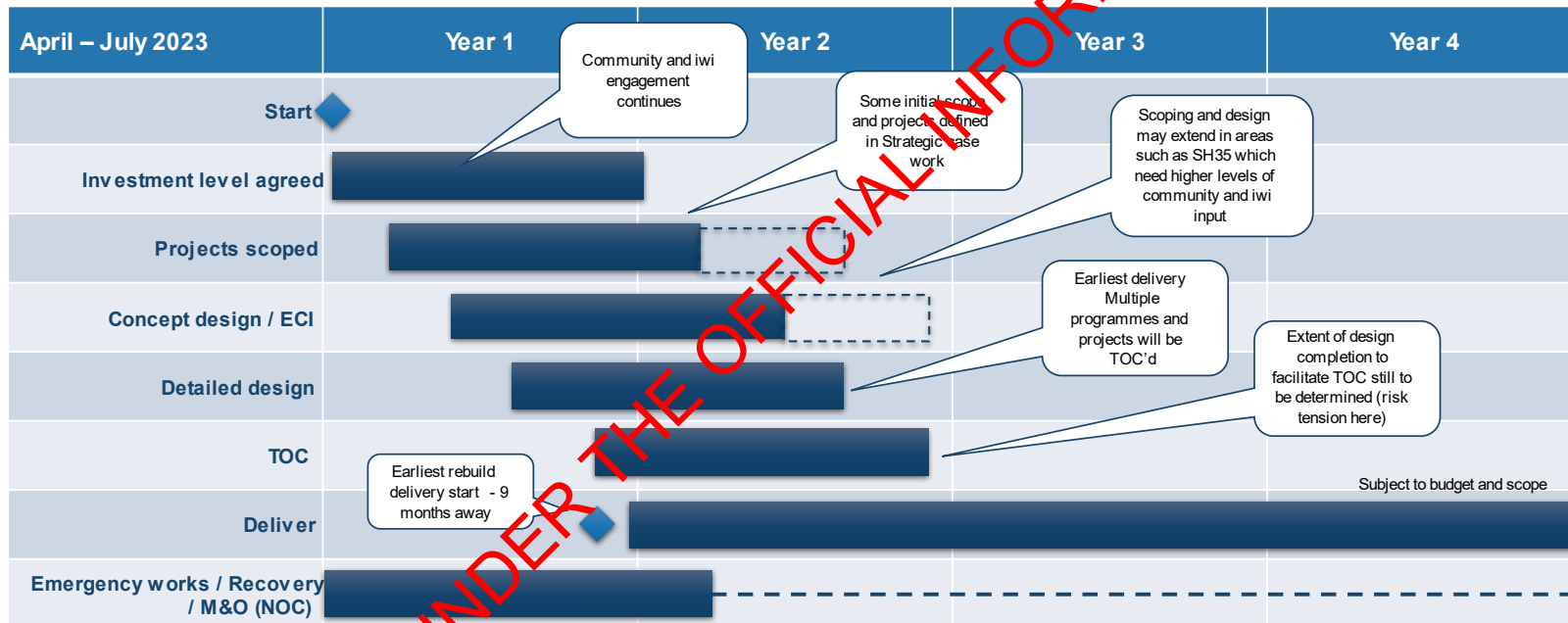
## Ngā whakapiringa | Attachments

Attachment 1	Indicative road map
Attachment 2	Balanced score card approach to outcomes

## Attachment 1

### Indicative road map

#### An integrated approach to East Coast – what will happen



WAKA KOTAHI

## Attachment 2

### Balanced score card approach to outcomes

Mission	To rebuild the East Coast's road and rail transport network so it is resilient to future weather events, ensuring access can be restored for East Coast communities within a couple of days (exact level of service to be determined).				Enablers
Key outcomes sought	<b>Agility at pace</b> Flexible to changing priorities, scope and community needs	<b>Enhanced capability</b>	<b>Enduring</b> More resilient critical corridors and the legacy we leave	<b>Demonstrated value</b>	Stakeholder and change management
	<ul style="list-style-type: none"> <li>Build back at pace</li> <li>Flexible, scalable and prioritised resources, including support for other asset owners should they wish</li> <li>Scope and resilience aspiration will shape delivery model</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced asset owner and supplier capability</li> <li>Healthy market with principled access to work over time</li> <li>Pipeline of work for consultant industry and Tier 2/3/4 suppliers (not just Tier 1 contractors)</li> </ul>	<ul style="list-style-type: none"> <li>More resilient lifelines based on a system approach</li> <li>Local community is supported, with an enduring positive legacy</li> <li>Model becomes part of our long-term approach to readiness</li> </ul>	<ul style="list-style-type: none"> <li>Value for money is demonstrated with cultural, social and environmental gains</li> <li>Efficient rebuild of infrastructure (to clear standard of improved resilience)</li> </ul>	Communication and engagement
Principles	<b>Community outcomes</b> Central to recovery approach	<b>Safety</b> At the heart of everything we do	<b>Client-led</b> Waka Kotahi is the integrator	<b>A regional approach</b> Early engagement with local market, Councils and Iwi	Procurement and commercial capability and experience
Delivery model objectives	<b>Market opportunity</b> Mix of T1 capability and local supplier engagement	<b>Best in class capability</b> Slopes, structures, pavements, drainage etc	<b>International best practice</b> Innovation, pace and value for money	<b>Optimised delivery and supply chain</b> Aggregates, steel and bitumen	Transport and environmental planning capability
					Programme and project management design and build capability
					Engineering standards ownership
					Maintenance and operations capability
					Digital

NB: The detailed underpinning KRAs are developed within the first 3 months of signing the Alliance Agreement.

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