

QUESTIONS & ANSWERS - 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 led to the project being procured as a Public Private Partnership (PPP)?

A: In May 2015, Cabinet 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).

Q: What was 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 met 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, maintain and manage 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, maintenance and management of the motorway. Full ownership of the motorway 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.
- 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 has the benefit of experience from the PPP procurement of the Transmission Gully motorway project in Wellington. A PPP contract for the Transmission Gully motorway project was awarded to the Wellington Gateway Partnership in July 2014. The motorway 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 be completed and the new road 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 designation and resource consent conditions laid down by the Board of Inquiry for the Pūhoi to Warkworth project.

Q: How will the PPP contract for the Pūhoi to Warkworth project 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, maintenance and management of the motorway. In return, the Transport Agency will commit to making debt payments for up to 25 years once the motorway is available to traffic and continues to meet the prescribed outcomes. 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 on the Pūhoi to Warkworth project?

A: A PPP contract will likely see the PPP consortium maintain and manage 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 negotiations that will occur between the Transport Agency and Preferred Bidder, and the Transport Agency will ensure that value-for-money is achieved on the project. The cost for delivering the project under a PPP will be known when the contract is awarded (currently expected, subject to successful negotiations, by late 2016).

Q: How will the Transport Agency ensure the motorway 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, predictable journeys, health and safety, customer satisfaction and environmental performance.

Q: Is there any difference between the PPP model to be used for the Pūhoi to Warkworth project and that used on overseas PPP highway infrastructure projects?

A: Many overseas PPP highway infrastructure projects have passed patronage risk back to the private sector (i.e. revenue from patronage is used to pay for the private finance). However an availability PPP model was chosen by the NZ Transport Agency for the Pūhoi to Warkworth project (and similar to that adopted for the Transmission Gully motorway project) which means that the PPP consortium will be paid for making a safe road open and available to traffic. Payments are not linked to the volume of traffic using the road - with incentives for the private sector to achieve quality levels of service through commercially-incentivised performance targets.

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 step will see the Preferred Bidder and the Transport Agency will enter into contract negotiations and if those negotiations are successfully completed, will lead to the awarding of the PPP contract for the project by late 2016. The Preferred Bidder will then finance, design, construct, maintain and manage the new Pūhoi to Warkworth motorway for the 25 years that will follow the expected six-year period to build it.

Q: When can construction of the Pūhoi to Warkworth motorway be completed and when can the motorway be open?

A: Tentatively, construction of the Pūhoi to Warkworth motorway, under a PPP arrangement could possibly be completed and the motorway 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.