

Transmission Gully project – Public Private Partnership (PPP)

FAQs

29 July 2014

What is a Public Private Partnership (PPP)?

A Public Private Partnership (PPP) is a long-term contract between the public and private sectors covering the financing, construction and operation of a public infrastructure and services. Full ownership of the public infrastructure remains with the public sector.

What are the benefits of PPPs?

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 - design, build, maintenance and operational management. PPPs are typically used for large-scale infrastructure projects where risks can be effectively identified and transferred to the private sector. The NZ Transport Agency aims to use successful ideas and innovations that come out of the Transmission Gully PPP across other highway projects and the wider transport network.

Why did the NZ Transport Agency choose a PPP procurement model to deliver the Transmission Gully motorway?

The 27-km Transmission Gully motorway project had the size and complexity which made it a good candidate for a PPP. The project met the government's value-for-money criteria, and offered opportunities for private sector innovations in design, construction, maintenance and operation that the NZ Transport Agency can then apply across the wider transport network. Specifically, this project has a significant number of structures and geotechnical challenges where private sector innovation can drive greater value for money than is possible by traditional public sector procurement. Financing and building Transmission Gully highway as a PPP has allowed the NZ Transport Agency to move ahead with certainty to begin construction in 2014 and open the road by 2020, thus delivering the economic, travel and safety benefits to New Zealanders sooner.

Under the PPP, who will own the Transmission Gully motorway?

Full ownership of the Transmission Gully motorway will remain with the public sector. While a private sector consortium will be responsible for financing, designing, building, maintaining and operating the motorway for up to 25 years, the motorway will remain a public asset – it is never owned by the PPP consortium.

How confident is the Transport Agency that the PPP contract is the best way to deliver the Transmission Gully project?

The Transport Agency is confident that the Wellington Gateway Partnership will deliver the Transmission Gully project outcomes in terms of safety, travel time, reliability of that travel time and customer satisfaction to a level as good, if not better than what the Transport Agency could expect to deliver through traditional procurement at a comparable cost.

Is there any difference between the PPP model used for the Transmission Gully project and that used on overseas PPP highway infrastructure projects?

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 Transmission Gully 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.

What is the final contract price arrived at for the Transmission Gully project?

The net present contract price for the Transmission Gully project is \$850 million - which is \$25 million less than if the project was procured through conventional means.

How has value been achieved on the Transmission Gully project?

The PPP procurement process has seen a competitive tendering process which has resulted in the net present contract price for the Transmission Gully project being less than if the project was procured through conventional means.

In addition, value for the project has also been achieved in many other ways:

1. The Wellington Gateway Partnership 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 has also incentivised the Wellington Gateway Partnership to further minimise safety risks once the Transmission Gully motorway is operational.
2. The Wellington Gateway Partnership is commercially incentivised to deliver consistent outcomes over the 25-year concession period. These include:
 - High and sustained safety
 - Reduced travel time
 - Travel time reliability
 - Route resilience
 - High and sustained customer satisfaction.

3. Transfer of innovative solutions and better ways of working across the wider transport network.

Can you elaborate on how the Wellington Gateway Partnership will be incentivised to further minimise safety risks once the Transmission Gully motorway is operational?

The Wellington Gateway Partnership will be incentivised to continually invest in and adopt international best practice to ensure the safety of road users through the imposition of considerable financial penalties in the event that a safety issue is identified.

Are there any other incentivisation provisions in the PPP contract?

Yes. Under the PPP contract's 'Performance Regime', the NZ Transport Agency's quarterly payments to the Wellington Gateway Partnership will be linked to the performance specification criteria which includes:

minimising the time that the Transmission Gully motorway (or specific lanes) is not available, including measures of the free flow of vehicles on the road

service performance outcomes such as safe travel, the performance of key interchanges, environmental performance and customer satisfaction.

Are there any benefits from the Transmission Gully PPP project that can be applied to the wider NZ Transport Agency or local authorities' roading network?

There are expected to be benefits to the wider transport network from sharing innovations applied on the Transmission Gully motorway. Examples of these include:

New approaches to overall design and construction to optimise capital and operating costs, and incentives to incorporate 'best practice' throughout the life of the project.

Developing a better understanding of whole-of-life risks, and appropriate allocation and management of these risks.

Adoption of technology solutions such as the proposed speed telemetry system that uses radar incident detection and seismic monitoring. This application of technology is expected to set a new benchmark in monitoring state highways of strategic importance.

What is the status of the Porirua link roads to the Transmission Gully Motorway?

The Porirua City Council link roads to Waitangirua and Whitby are to be delivered under a separate design and construction contract. Negotiations between the Council and the Wellington Gateway Partnership are on-going and expected to be concluded in late 2014.

What is the status of a proposed road from Grenada to the Transmission Gully Motorway as part of the Petone to Grenada Link Road?

No decision has been made regarding options to address the need for additional capacity north of Tawa as part of the Petone to Grenada Link Road. The NZ Transport Agency continues to work with its partners and the recently-formed Council Chief Executive's Group to develop a suitable proposal to address transport needs north of Tawa. The Transport Agency expects to make a decision about this later in the year once further investigations have been completed and community feedback has been analysed.

Will the Transmission Gully Motorway be tolled?

The potential for tolling the Transmission Gully motorway to offset some of the cost of the project has previously been signalled. However this is being treated as separate to the PPP project and no decision has yet been made in this regard.

Will PPPs be used to deliver other key NZTA projects?

The NZ Transport Agency will consider PPPs for other projects that have characteristics such as large scale and complexity that will permit superior value-for-money to be achieved by using a PPP approach.

How will stakeholder interests be catered for under a PPP procurement model?

The NZTA remains committed to the effective management of its relationships with stakeholders of the Transmission Gully project. That commitment will not change under a PPP and the NZ Transport Agency will be taking an active role in ensuring that the PPP consortium effectively manages stakeholder relationships during the duration of the PPP contract.

At what point can local businesses get involved in the PPP?

Local businesses are encouraged to approach the consortium and show interest in being involved in the project as the consortium members may need to hire local people or acquire local services as part of the construction phase.

Have PPPs been used before in New Zealand?

PPPs have been used on two other occasions to date – in Auckland for the Wiri Prison and for the Hobsonville Point primary and secondary schools. Both projects involve 25-year PPP contracts. Construction of the Wiri Prison is expected to be completed by early 2015, and the Hobsonville Point primary school was opened in February 2013 while the secondary school opened in February 2014. Consideration is also being given by the government to other projects in New Zealand as possibly being potential future PPPs.

When will construction start and when will the Transmission Gully motorway be open for traffic?

Construction is expected to start shortly after the signing of the PPP contract for the project and the Transmission Gully motorway is expected to be open for traffic in 2020.

About the Transmission Gully project

What is the Transmission Gully project?

The Transmission Gully project is a project to build a 27-km four-lane (two in each direction) motorway from MacKays Crossing to Linden (through Transmission Gully). There will be interchanges connecting the route to State Highway 58 and Kenepuru with a connection to Kenepuru Drive. In addition, there will be two link roads from the eastern Porirua suburbs of Whitby and Waitangirua to the route. The Porirua City Council will be the authority responsible for the Whitby and Waitangirua link roads. The project entails protection or relocation of utilities including transmission towers.

Why build the Transmission Gully highway?

The Transmission Gully project will provide:

- A safer road and a four-lane route with central median barrier and additional crawler lanes on the steepest section.
- Reduced likelihood of landslides, floods and damage to the highway from a major storm or earthquake.
- Quicker reinstatement than the existing State Highway 1 in the event of a major earthquake.
- Peak period travel time savings estimated at around 10 minutes per vehicle for Kapiti to/from Wellington, 15 minutes Kapiti to/from the Hutt Valley, five to seven minutes Porirua to/from the Hutt Valley.
- Easier access from State Highway 1 to Porirua and the Hutt Valley with shorter and more efficient freight movements to and from Seaview/Gracefield, Wingate and the Wairarapa.
- Important arterial connections for residential and light commercial areas in Porirua East to the State Highway network.

How will the Wellington region benefit?

The Transmission Gully route will:

- Provide an alternative strategic link for the Wellington region which will improve regional road network security.
- Assist in remedying the safety concerns and projected capacity problems on the existing State Highway 1 by providing a safe and reliable route between MacKays Crossing and Linden in an environmentally responsive manner.
- Assist in enabling wider economic development by providing a cost-optimised route that better provides for the through-movement of freight and people.
- Assist in the integration of New Zealand's land transport system by enabling the existing State Highway 1 route to be developed into a safe multi-functional alternative to the Transmission Gully highway.

What has been the background to the Transmission Gully project?

The chronological history of the Transmission Gully project has been as follows:

- There has been documented public interest in a state highway route through Transmission Gully going back as far as 1919. However it has only been in the last decade that public views have been canvassed formally.
- Two major public consultations were undertaken to ascertain the views of residents of the greater Wellington region whether a route through Transmission Gully should be progressed with. Both public consultations showed overwhelming support for a motorway through the Gully.
- In June 2012, regulatory consent applications for the project were heard and approved by an independent Board of Inquiry.
- In November 2012, the Cabinet gave the NZ Transport Agency approval to finance and build the Transmission Gully motorway through a Public Private Partnership.
- In April 2013, the NZ Transport Agency short-listed two consortia to each prepare a proposal for the design, construction, financing, maintenance and operation of the Transmission Gully motorway for 25 years.
- These proposals were received in October 2013 and underwent an evaluation process which saw the announcement in December 2013 of the Wellington Gateway Partnership as the consortium that the NZTA will enter into Preferred Bidder negotiations with.
- Successful completion of contract negotiations between the NZ Transport Agency and the Wellington Gateway Partnership led to the signing of the PPP contract for the Transmission Gully project in July 2014.
- Construction is to start in the third quarter of 2014.
- The Transmission Gully motorway is expected to be open for traffic in 2020.