

Transmission Gully Interim Review – Terms of Reference

Transmission Gully Interim Project Review – Expert Reviewer

Terms of Reference

Infracom and responsible Ministers have agreed that Infracom will oversee an Interim Project Review of the Transmission Gully Project.

Process

Infracom intends to directly approach and appoint an independent Expert Reviewer to undertake the Interim Project Review. The Expert Reviewer will be overseen by Infracom and supported by a NZ-based, experienced construction industry professional who will provide peer review support.

The proposed scope and approach to carrying out the investigation is described below.

Scope

The investigation will focus on how the Transmission Gully project agreement was awarded for the price agreed, whether this was a realistic price, and whether the risks identified then were appropriate and appropriately considered and taken into account. Following completion of the project, Infracom will also consider the need for a post completion review to investigate how well the project has delivered on its objectives to date, in order to derive lessons that could be applied to future procurement of major infrastructure projects.

The review will consider the following topics.

Project development and procurement process

1. Business Case
 - a. Whether the budget presented was based on reasonable supporting analysis and assessments of costs, including appreciation of the inherent and contingent risks and their associated financial implications. Particular consideration should be given to:
 - i. the development of the public sector comparator; and
 - ii. the commercial case for selection of the preferred procurement model and the rationale for doing so.
2. Risk Transfer
 - a. Whether key risks were appropriately allocated and communicated, with consideration to be given to:
 - i. Whether the affordability threshold was sufficient given the nature of the risks transferred to the Contractor, including how was it set, the decision-making pertaining to that process and the authorising environment, and what can be learned from the influence the affordability threshold had on the procurement; and

- ii. Whether the consenting strategy was appropriate, including the allocation of consenting risk and the impact Consenting Authorities may have had on project outcomes.
3. Governance and timeframes
 - a. Whether sufficient time was allowed for approvals, commencement, and completion of the tender process so as to allow the tendering parties to fully understand and appraise the project risks and Waka Kotahi to understand the nature of the proposals; and
 - b. Whether the project governance structure had the knowledge and experience of delivering PPP construction projects (including the nature of risks transferred to the private sector), to effectively oversee the project and address issues in a timely fashion.

Project implementation and value for money (not in the scope of the Interim Review)

4. Project Implementation
 - a. Identify key events and risks that have adversely impacted on project costs and programme.
5. Value for money
 - a. Whether the selected PPP procurement model has achieved value for money to date, taking into account project outcomes and key risks that have emerged.
 - b. Evaluate the likely value for money outcomes if the project had been delivered through an alternative procurement methodology, including the construct-only, design and build, and competitive alliance contracting models. This evaluation should include benchmarking against the performance of analogous projects in the Waka Kotahi investment portfolio.

Indicative Timeline

It is anticipated that the review will take at least three months from the appointment of the reviewer, with the following indicative timeline (subject to agreement with the selected reviewer):

- Week 0-2 – document review;
- Weeks 2-6 – interviews, gather and review evidence;
- Week 6-8 – prepare draft report for consultation;
- Week 9-10 – consultation and comments; and
- Week 11-12– review comments and finalise report.

The final report will be provided to responsible Ministers for consideration and will then be released publicly.

Expert Reviewer

To ensure objectivity in the process, Infracom intends to procure a suitably qualified international advisor to lead the Transmission Gully Interim Project Review. That individual should have significant experience, at a leadership level, of the following:

- Extensive experience with major capital works business cases;
- Review and evaluation of major infrastructure projects of the scale of (or above) Transmission Gully;
- Experience with a range of major infrastructure delivery models including Public Private Partnerships.

Peer Review

The Expert Reviewer will be supported by a NZ-based, experienced construction professional appointed by Infracom. The Peer Reviewer will:

- Have significant knowledge of NZ major projects' procurement practices; and
- Not have been directly involved in the Transmission Gully procurement process.

The Peer Reviewer will provide peer review support to the expert review throughout the life cycle of the review process, including advice as to standard practices in New Zealand and the construction market in general.

Method

Examination of documentation available from Waka Kotahi, the Treasury and the Ministry of Transport.

Interview of those key individuals involved in the procurement and delivery of the Project, including the Wellington Gateway Partnership, the Builder CPB-HEB, Waka Kotahi, the Treasury and the Ministry of Transport.

Governance

Infracom management will oversee the Interim Project Review and provide direction to the Expert Reviewer and monitor the progress of the review and provide monthly progress updates to its Board. Resources from the Major Projects and Advisory Team will be used to support the Expert Reviewer.

Procurement

Infracom will directly appoint the Expert Reviewer and Peer Reviewer. Infracom has prepared a Procurement Plan, including exemption from open advertising and the all of government panel. The Procurement Plan addresses the process for selection and contract award.