Pacific Highway Upgrade:
The use of a new industry partner model to drive better public value

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Bob Higgins, GM Pacific Highway
Pacific Highway Office
NSW Roads and Maritime Services

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Setting the scene

- Current status of duplication (657 km)
  - 60% complete
  - 123 km (19%) under construction
  - remaining 155 km (21%) ‘shovel ready’
- Open a duplicated highway by 2020
  …… 4.5 years from now
- Upgrading program:
  - 25 year program (1996 – 2020)
  - $15 billion investment
  - $7 billion investment over next 5 years

How do we drive better public value?
Woolgoolga to Ballina - the last link

- 155 km of highway upgrade
- Deliver by 2020
- $4.356 billion announced cost
- Fully funded by Federal and NSW Governments

Last link in a dual carriageway highway
Melbourne-Sydney-Brisbane

Woolgoolga to Ballina - Key Features

- 155 km of highway upgrade
- 9 interchanges
- 5 towns/villages bypassed
- Major crossings of Clarence & Richmond Rivers
- 14.2 million m³ of earthworks

Traverses high value natural habitat:
- 932 hectares of clearing
- Impacts on 37 threatened species (67 within 10km)
- Crosses key fauna corridors
- High quality streams

Very strict & specific approval conditions
Evolution of Packaging & Procurement Models

Over the last 20 years, RMS has used a range of delivery models

• **Packaging:**
  - 3 to 6 km (< $100m) ➔ 25 to 30km ($600 to $900 m)

• **Procurement:**
  - DCM
  - D&C
  - Construct only
  - Alliance
  - Hybrid Alliance/D&C
  - ECI

“Pipeline of projects” on the highway upgrade have provided a framework for continuous learning

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Why change current practice?

• Could not meet required timeframes
• Resourcing (RMS & private sector)
• Had reached a natural plateau
  - ‘Packaging’ innovation (risk and cost)
  - Flexibility in construction
  - Materials use across packages
• Opportunity to drive better public value
  - Innovation and efficiency
  - Supply chain design and management
  - Challenge current standards & practices
  - Harness the energy of public & private sector
  - Streamline processes & project/contract management
Delivery Partner Model: Key Features

Concept adapted from the “London Olympics Model” to suit the Woolgoolga to Ballina project where we have:
- well defined project scope & budget
- informed client
- project is more than “shovel ready”

Delivery Partner Model: Key Features (cont’d)

Delivery Partner role – like a ‘managing contractor / project manager roles’:
- Packages the work and undertakes procurement and manages contractors and outcomes
- Does not self perform work (i.e. not conflicted)
- All contract packages competitively procured
- DP will hold appropriate delegated authority from RMS
- DP drives:
  - Industry appetite / pricing
  - Packaging strategy
  - Supply chain
  - Innovation
- DP will hold environmental licence unless otherwise approved
- DP is ‘PCBU’ and Principal Contractor unless otherwise approved
Delivery Partner Model: Key Features (cont’d)

RMS role:

- Proponent for the project
- Custodian of technical standards and policies
- Retains ‘public face’ for the project
- Principal for the various contract packages
- Delegates various authorities to DP to administer contracts
- Makes payments to contractors
- Administers the Services Agreement the DP

Board is being established to provide overall governance of the project

Delivery Partner and Pacific Highway Office relationship

- RMS and DP co-located in Grafton
- RMS will make available and "temporarily assign" experienced RMS staff to DP
- RMS will establish a separate small team to administer the Services Agreement
The 4 Key Building Blocks

- 4 plans submitted as part of tender
- Refined & updated over time
- Requires RMS approval

Delivery Partner Model: Financial KRA’s – Project Cost

Capped at 5% of Project Direct Cost Plan

Capped at margin nominated by DP
**Delivery Partner Model: Financial KRA’s - Other**

- Seed pool being made available to both Delivery Partner and Contractors
- Delivery Partner:
  - KPI’s:
    - Schedule ........early opening of sections
    - Quality ............smoothness of overall ride
    - Environment..... reduction in clearing
    - Travel time.........level of disruption to road users during construction
  - Modifiers ( -ive reduction to size of KPI pool + any cost gain share)
    - Workmanship... material “use as is” non conformances
    - Prosecutions by third parties... WHS legislation & POEO Act
    - Traffic.............. Unplanned closures of Pacific Highway

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**Delivery Partner Model: Procurement Process**

- Advertised worldwide
- 7 Consortia submitted applications..... 3 shortlisted for dialogue and tender phase
- Gov’t & agency endorsement
- Industry market sounding
- Engagement of key advisers
- Steering committee (RMS + external experts)
- Pacific Complete (Laing O’Rourke Parsons Brinkerhoff) selected as preferred DP

- Roads and Maritime Planning
- Phase 1 EOI
- Phase 2 Dialogue
- Phase 3 Tender
- Delivery

Open by 2020
Benefits of the Delivery Partner Model

• Better resource levelling
• Whole-of-project approach
• Supply chain management and design
• Improved flexibility
• Harnesses core capabilities of the private and public sectors
• Improved cost, quality, performance and time efficiencies
• Robust, disciplined governance and compliance processes
• Opportunity to streamline processes
• Innovations through challenging existing practices

Creating Public Value

“Pipeline of projects” provides a framework for continuous learning
Next Steps

• Pacific Complete (Laing O’Rourke & Parsons Brinckerhoff) announced as preferred Deliver Partner last Tuesday 28 April.
• DP has commenced under an Early Services Agreement
• DP has to “hit the ground” running:
  – Refine the 4 key building blocks
  – Administration of contracts already awarded:
    • Sections 1 and 2 (26 km Woolgoolga to Glenugie)
    • Wave 1 and 2 of soft soil treatments
    • Procurement of Clarence River bridge & Wave 3 soft soil treatment
  - Establishment of an integrated team
• More advice to industry starts late this month

More information

For overall project information:
  – monthly achievement reports
  – 6 monthly report cards

For RMS:
Pacific Highway Office
Ph. 1800 653 092 or Ph. 6640 1000

For Pacific Complete:
1800 778 900
W2B@rms.nsw.gov.au