

WYNYARD EDGE ALLIANCE



Wynyard Edge Alliance Value for Money Report: Executive Summary February 2021

Introduction

Following Emirates Team New Zealand's victory in the 35th America's Cup in Bermuda in 2017, the New Zealand sailing syndicate won the right to defend the 36th America's Cup (AC36) in 2021, selecting Auckland, New Zealand as the event venue. Hosting the AC36 required a sizeable investment from New Zealand and Auckland to cover the construction of facilities and event planning. In April 2018 the New Zealand Government and Auckland Council committed close to \$250m to support the event and formed the Wynyard Edge Alliance (WEA) to "create a stage for the America's Cup and a waterfront destination that Kiwis love".

At this time nobody knew how many teams were coming, where they would be located, or how the bases would be configured. Two years later in December 2020, the Wynyard Edge Alliance has delivered the project on time, under budget and with zero harm to people or the environment.

This Value for Money Report (VfM Report) was commissioned by the Ministry of Business Innovation and Employment (MBIE) and Auckland Council to assess the outcomes the project achieved against the Owners' Project Value Statement.



Project Value Statements

The opportunity

Auckland Council and the Crown recognised the AC36 as a significant economic, employment and reputational opportunity for New Zealand. They also anticipated tangible economic effects through significant tourism and global interest, and increased opportunities for local investment through the marine, construction, accommodation, hospitality, retail and transportation sectors. An independent economic assessment estimated that from 2018-2021 between \$600m to \$1.0 billion in value could be added to New Zealand's economy. This figure has been reduced by COVID-19 and will be updated as part of an evaluation assessment that considers the wider benefits beyond the delivery of the infrastructure.

AC36 was also identified as a transformational opportunity for the Auckland waterfront and the wider city, to build on previous America's Cup events in 2000 and 2003 and the 2011 Rugby World Cup. Wynyard Quarter is already undergoing one of the largest urban regenerations in New Zealand, evolving from an industrial port area that was closed to the public, to a lively place for people to live, visit, be entertained and to do business.

The AC36 infrastructure delivered by the WEA is: "a legacy of America's Cup for Tamaki Makaurau....a new open space for the city with potential for marine and land-based events and activation...the new public space will continue the city centre's "blue-link" from Queens Wharf to Westhaven....a second legacy is the calm and protected waterspace in Jellicoe Harbour, created by the new breakwaters..."

The significant legacy benefits identified for Auckland were described in the Request for Expressions of Interest (REOI) for design and construction as:

- a. Upgraded public spaces and access to the waterfront from Hobson and Halsey wharves
- b. Permanent land and sheltered water space for existing and future water-based events
- c. A potential long-term base for Emirates Team New Zealand (ETNZ), and flexible waterside building for community and maritime uses
- d. Long term infrastructure for marine uses – fit-out and haul-out facilities (Wynyard Point marine precinct)
- e. Additional berths for recreational and tourism uses and as attractors to the waterfront
- f. Introduction of public uses to Wynyard Point, currently an industrial area, but a place that will change over time to a major destination park and mixed-use development
- g. Relocation of Sealink and other maritime uses, freeing up Viaduct and Wynyard Basins for other uses
- h. Improvements to the water quality adjacent to the Viaduct Basin area.

Through an optimisation process, some of these original benefits were modified as the scope was reduced to deliver the project within the funding envelope.

The alliance model – the key to success

Given the extremely tight timeframes and supply chain constraints an Alliance model was identified as the only delivery option to pursue. An alliance is a relationship-style model where a public sector agency works in collaboration with private sector parties to deliver a major capital asset. Alliances are typically used for highly complex or large infrastructure projects which have high degrees of uncertainty and would be challenging to scope, price and deliver effectively using more traditional delivery models.

An alliance model was selected for the following reasons:

- Highest score against procurement drivers such as scale, risk, focus on non-cost success and flexibility to deal with change
- Overall programme assurance and delivery
- Attractiveness to the market and ‘larger players’ due to reduced tendering costs and scale of works
- Synergies with Auckland Council’s Downtown Programme
- Nature of works offering limited opportunity for design innovation due to fixed consent conditions and a cultural mitigation agreement with Mana Whenua.

Alliance members consist of public sector agencies as the ‘Owner Participants’ (the Crown and Auckland Council) and private sector parties as the ‘Non-Owner Participants’ (‘NOPS’). The Crown was represented by the Ministry of Business Innovation and Employment (MBIE) as the lead business-facing agency responsible for major events in New Zealand. The NOPS were the four design and construction organisations Beca, Tonkin and Taylor, Downer and McConnell Dowell.

This project had a high level of complexity both from a design and construction perspective but also with the number of governing parties including central and local government and their agencies. It was critical to ensure that the right model and governance framework was selected. The use of the alliance model ensured that the design and construction process reduced risk to the owners and focused on delivering infrastructure efficiently, however it also enabled a multi-party governance approach to be developed whereby decision making was required to be unanimous. This meant that innovative solutions were required to meet the needs of different governing parties, and also that there had to be give and take within the overarching governance to ensure that delivery was achieved.

“If I had to pinpoint one thing I’m most happy about, it would be the look and speed of the Viaduct transition.

The way the Wynyard Edge Alliance has worked to hold deadlines, in fact even exceed deadlines, is remarkable. You can’t fault it really. Unbelievable.”

Grant Dalton

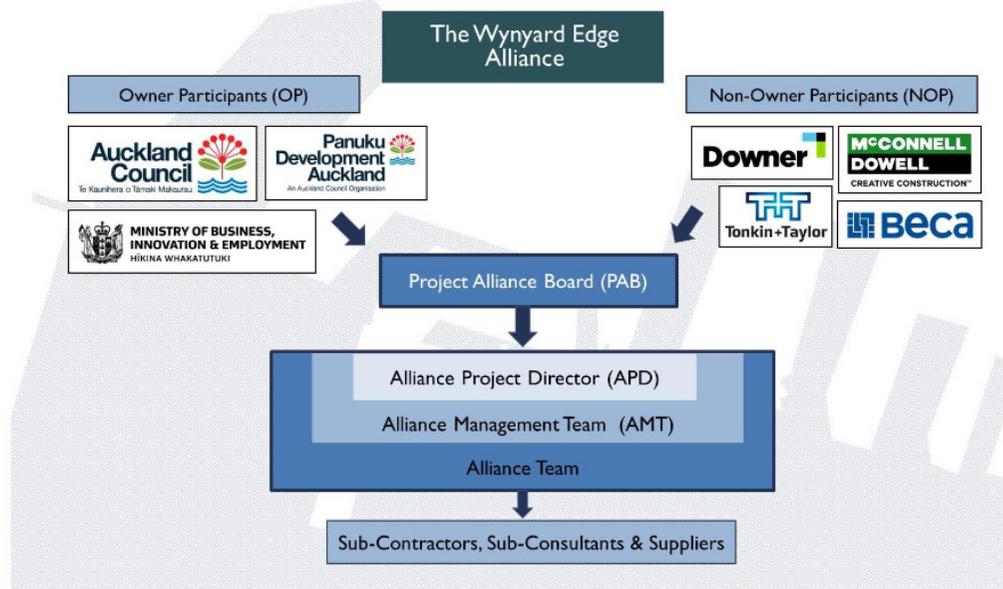
The alliance model – the key to success

All parties are required to work collaboratively in good faith, acting with integrity to make unanimous ‘best-for-project’ decisions. Alliance members share the ‘pain and the gain’ meaning parties are incentivised to work together to achieve time and cost targets or share the losses if targets are not met. A fully integrated project team deals with planning, design and construction which help to enable best-for-project innovative solutions delivered more efficiently. This report was commissioned by the Project Alliance Board (PAB).

The following Figure 1 outlines the structure of the Alliance:

Figure 1

Alliance Governance Structure



The scope of works

To host the AC36 events, seven America's Cup bases were proposed in and around the Viaduct Basin and Wynyard Quarter, located on the Auckland city waterfront. The proposed development consisted of an extension to Hobson Wharf, modifications to the Viaduct Events Centre on Halsey wharf, and infill structure between Wynyard Wharf and Brigham Street. Further supporting works through Auckland Council funding included the relocation of the SeaLink Vehicle Ferry facility, the Daldy Street Outfall extension, and the Silo Park extension.

The following Figure 2 illustrates the location of the various parts of the development.

Figure 2

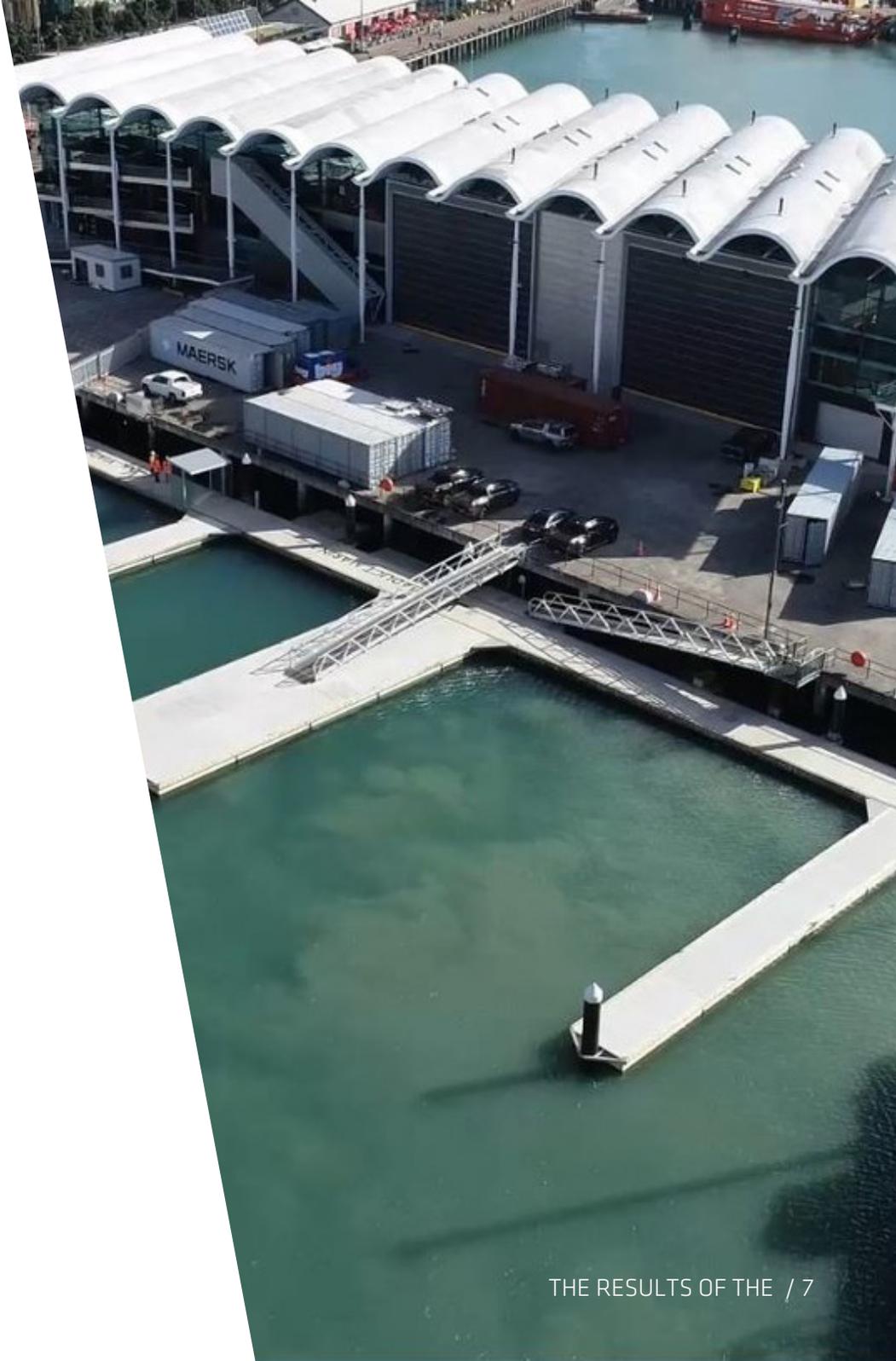


The results of the Value for Money review

The results of the review undertaken by The Property Group Limited (TPG) demonstrate that the WEA was highly successful in delivering the project under considerable time and budget constraints.

Some of the impressive results achieved by the WEA include:

1. Achieving more than one million work hours with no Lost Time Injury
2. Delivery of all key performance milestones on time or in some cases earlier than agreed
3. Delivery of the project under budget
4. The WEA formed early and enduring partnerships with local stakeholders and mana whenua. This led to minimal consenting issues and meaningful partnerships. The mana whenua partnership resulted in opportunities for mana whenua to express their values and tell their stories through structural representations and incorporation of cultural artwork
5. The WEA turned a brownfield waterfront area into a functional international events space, providing infrastructure for the people of Auckland that could have taken years longer.



Assessment against Project Value Statements

The table below details the results of the review under each of the Project Value Statements:

	<p>Deliver on time and within funding limits</p>	<ul style="list-style-type: none"> • Phases 1-4: 100% achieved on time • Project budget \$267M, final cost \$250M.
	<p>Strive for zero harm and protect wellbeing</p>	<ul style="list-style-type: none"> • Zero hours lost to injury throughout the 1.1 million work hours • Establishment of the My Edge programme • High performance of Green Cards • A rigorous Safety in Design process that embedded safety concepts from the outset
	<p>Demonstrate commitment to social outcomes and sustainability</p>	<ul style="list-style-type: none"> • Staff engagement surveys remained at over 88% • Low staff turnover rate • Innovative ecological and environmental practices adopted • Establishment of the My Edge programme
	<p>Recognize cultural identity and values of iwi</p>	<ul style="list-style-type: none"> • Establishment of the AC36 Kaitiaki Engagement Forum • Inclusion of mana whenua-led initiatives to improve water quality and protect marine mammals • Inclusion of cultural elements and cultural markers across the project
	<p>Build and strengthen trusted relationships</p>	<ul style="list-style-type: none"> • Establishment of a strong engagement culture to ensure that all key stakeholders were involved • Use of an Owner Interface Management Plan to ensure that all governance and reporting was tracked and supported ongoing engagement
	<p>Leave a proud legacy for Auckland and New Zealand</p>	<ul style="list-style-type: none"> • The creation of a stage where the America’s Cup can be hosted and defended, along with new public spaces • Innovations that will endure include the My Edge programme, the health and safety approach that led to zero lost time injury and the environmental protection measures.

Financial outcome

Given the uncertainty that existed in July 2018, the fact that the project was delivered under budget is an achievement of real significance. The project went through a number of financial phases and reviews, the most significant of which was an Optimisation Process necessary to keep the scope within the Owners' budget. This Process was necessitated by what was a \$73m increase between the initial pre-Alliance consent cost estimates and initial IPAA cost estimates completed by the Alliance for the consented scheme.

The following table outlines the process that occurred to reach the Target Outturn Cost (TOC) within the Project Alliance Agreement (PAA):

		Notes
Original Budget for WEA	\$164.4m	\$123m of this shared (Govt \$65.8m, Council \$57.2) with \$41.5m Council only
Pre-optimisation IPAA cost estimates	\$238.0m	\$73m over the original WEA budget
Less: optimisation savings*	\$27.0m	
Project Alliance Agreement (PAA)	\$211.0m	
Variations (Council funded)	\$56.0	Sealink \$19m, Daldy \$31m, Silo Park \$4m plus minor additions \$2m
Final PAA	\$267.0m	
December 2020 (estimate)	\$250m	
Gains	\$17m	\$6m to MBIE; \$11m Auckland Council family

*Scope Optimisation was the process by which Wynyard Edge Alliance challenged the scope of the project to meet the Owners' available funding. The process identified opportunities to reduce scope, test project milestones and project requirements (including consenting) to achieve the required infrastructure to host the America's Cup 36th Event. The process consisted of a series of challenge workshops within the core team and with key stakeholders, testing project requirements, milestone, methodology and scope.

It is important to note that the programme was a mix of AC36 specific infrastructure in addition to a range of previously identified capital projects. These were brought together under one programme in generate delivery efficiencies.

Key learnings / success factors

The list of key learnings below is derived from feedback from exit interviews with key staff, and from Innovation Reports covering critical aspects of construction. Much of this learning can be – and is already being – applied to other construction projects in Auckland and New Zealand.

Establishing a strong culture of high performance and team spirit (wairua) – having a common goal of project delivery for team members from different organisations, co-locating the team from project commencement, and establishing a culture of innovation, created a high-performance team that went the extra mile to deliver.

Sharing knowledge and ensuring that there are lessons learnt all the way through – the culture of continuous improvement where successes are celebrated, and failures are opportunities to learn was a major factor in the success of the project. By establishing a culture of continuous improvement, a mature response can occur when there is a failure, which can result in benefits across the industry.

Establishing forums for engagement – the project had a complex array of stakeholders and governance due to the partnerships established to deliver both the infrastructure and the event, and the high-profile waterfront location. Establishing forums and opportunities for stakeholders to participate early in the process reduced project risk further down the line. A number of protocols have been highlighted as new best practice.

Inclusive approach to working with mana whenua – the sensitive coastal nature of the project meant that it was essential to have a positive working relationship with mana whenua. In partnership the project established the AC36 Kaitiaki Engagement Forum where mana whenua could express their tikanga and fulfill their role as kaitiaki whilst working together with the WEA on their journey to deliver the AC36 infrastructure. This inclusive approach built a trusted relationship where issues could be worked through and resolved in a constructive way.

Making Health and Safety an absolute priority had other benefits – throughout the project key health and safety risks were identified. One of the mitigations was making sure that people had the skills and confidence to speak up when they saw a risk. The My Edge programme that sought to improve confidence in communicating issues resulted in a positive health and safety culture, and in developing workers. This is now industry best practice. In addition, the Safety in Design process that embedded safety concepts early and was applied across all elements as every stage of design to improve Health and Safety outcomes through-out the project's lifecycle.

Using the alliance model – creating the stage to host the America's Cup came with immovable deadlines and as such alternative delivery options were explored. The use of the Alliance model was relatively new to both Auckland Council and MBIE, their active participation increased their experience of being involved in alliances and when to use them as the most appropriate delivery model to best deliver the outcomes sought.

Optimisation – the initial cost estimates for the project came in about \$100 million above the original WEA budget. The optimisation process brought together a team of up to 50 people representing various disciplines and agencies to refocus and define an optimal scope to deliver the event. The key learning centred on the need to focus on what was critical to the ability to host the event and how through innovation the same outcomes could be delivered more efficiently. The collaboration between the multiple parties and disciplines, and the focus on achieving a common goal was critical.

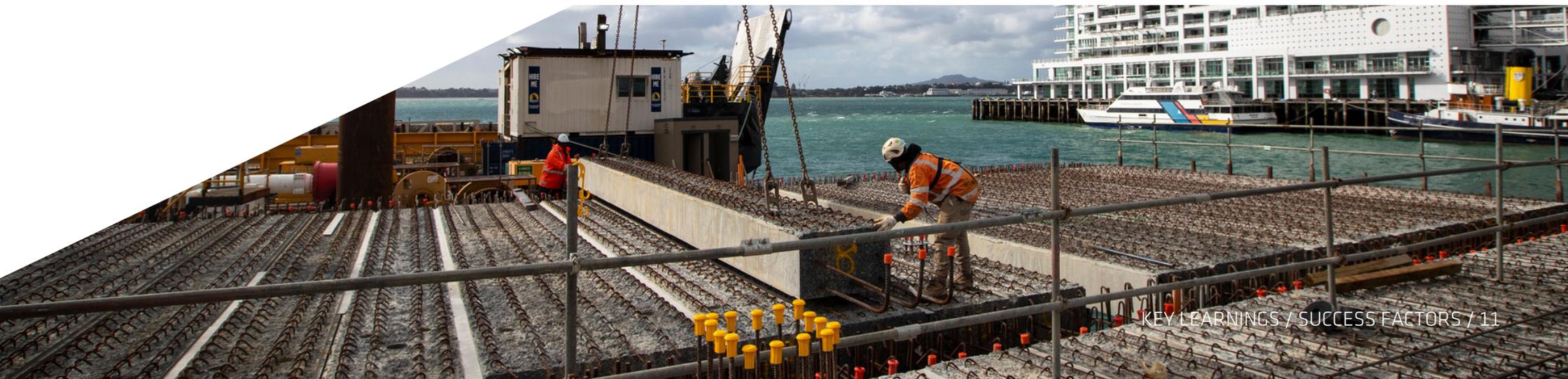
Key learnings / success factors

Use of sub-alliances to reduce risk – there was some risk in delivering the piling components of the project given the resources available to the Alliance construction partners. In order to reduce project risk a sub-alliance partnership was created with Brian Perry Civil. Sub-alliances are a good option when there the main alliance does not have a specialist skill or equipment required to deliver a component of the project, and where flexibility to manage that risk appropriately and efficiently is required.

Asset handover process – under a normal construction contract the asset handover process would be completed several months after physical completion of the works, so any snags and documentation can be completed before handover commences. Through collaboration with Auckland Council an alternative approach was developed that enabled a staged handover to occur. This allowed the Alliance to handover completed assets and meet the established programme milestones while still completing their snag obligations.

Development of management plans before hearings – close engagement with stakeholders before entering the consent hearings process enabled drafting of the Management Plans to act as evidence prior to the Environment Court hearings. This generated a much higher degree of certainty around construction management effects and enabled the construction team to be involved in the process early to ensure all commitments were practical and workable.

Delivery of the project on time and under budget – the completion of the project within the programme milestones and under the target outturn cost is a major achievement. This is especially so given that under traditional construction contracts cost overrun risks are significant – a recent Grattan Institute report identified an average 21% cost overrun on major projects . While this report was focused on the Australian context, there is a similar pattern of cost overrun and increasing construction costs in the New Zealand context. Critical to this success was the effective management of risk from the outset; a total allocation of \$14.8million was allowed for risk across the project with only \$1.8 million of this being realised.



Conclusions

The Value for Money review undertaken by The Property Group Limited (TPG) demonstrates that the WEA was successful, not only in the delivery of the infrastructure required to support the AC36 but also as a leading example of the benefits of an Alliance Model as a method to deliver a project under a tight timeframe and budget, and to provide public value above and beyond cost savings.

Key to success of the of the WEA is a collaborative approach, where successes were celebrated, and failures became opportunities to learn. The WEA worked together to embed opportunities for innovation in process and delivery to ensure the project was delivered on time, under budget and with zero harm to people or the environment.

The performance of the WEA has become an example of best practice and has led to industry change.

