Commercial - Sensitive

Offices of the Minister of Finance and Minister of Transport

Cabinet Economic Policy Committee

Northland Corridor Section 1 Public Private Partnership: Outcome of the Procurement Process

Proposal

1. This paper fulfils the requirement for the Ministers of Finance and Transport (joint Ministers) to report back to Cabinet on the outcomes of the procurement process, the value for money assessment, and the maximum borrowing amount for Section 1 of the Northland Corridor, Warkworth to Te Hana, which will be delivered as a Public Private Partnership (PPP) [CAB-25-MIN-0054 refers].

2. This paper also seeks Cabinet's final approval of the Project to enable NZTA to proceed to Financial Close, and notes that after Cabinet approval the Ministers of Finance and Transport will provide their legislative approvals that are also required to reach Financial Close.

Relation to government priorities

3. The Government Policy Statement on Land Transport 2024-34 (GPS 2024) sets out the Government's expectation that the New Zealand Transport Agency (NZTA) will prioritise delivery of 17 Roads of National Significance (RoNS), including the three sections that make up Northland Corridor.

Executive Summary

4. On 21 May 2026, NZTA selected the Northway consortium (the Contractor), led by ACCIONA and Abrdn, as the Preferred Respondent to deliver the Northland Corridor Section 1 PPP – Warkworth to Te Hana Project (the Project). NZTA and the Contractor expect to reach Financial Close on or around 31 July 2026.

5. Cabinet approval is required to enable NZTA to proceed to Financial Close, as set out in the Treasury PPP Guidance and Cabinet Office Circular CO (23) 9. We therefore seek Cabinet agreement to:

    5.1. approve the Approval to Deliver (ATD) template which outlines updates to the commercial, financial, and management cases that have resulted from the PPP procurement process since Cabinet approved the Investment Case in March 2025;

    5.2. confirm the value-for-money assessment for the Project, on the basis that the final estimated Project cost is below the $3.9 billion Public Sector Comparator estimate (Net Present Value (NPV)); and

    5.3. agree for NZTA to progress to Financial Close and sign the Project Agreement with the Contractor for Financial Close on or around 31 July 2026.

6. We consider that the decision to proceed to Financial Close with the Contractor represents value for money. The NPV of the final cost of the project is estimated at $3.649 billion, which is lower than the approved Public Sector Comparator of $3.9 billion. NZTA is satisfied that the negotiated outcome with the Contractor, and procurement through a PPP model, represents value for money and will deliver better outcomes relative to conventional public sector procurement models.

7. NZTA's PPP liability arising from the PPP contract is projected to peak at $2.4 – 2.7 billion in FY2033 when the road commences operation and will progressively reduce over the term of the Project Agreement. This will be treated as debt on NZTA's balance sheet, with a corresponding impact on total Crown borrowing, but no impact on core Crown debt.

8. Subject to reaching Financial Close, the Contractor is expected to commence design and early works in late 2026.

Background

Northland Corridor Section 1

9. The Northland Corridor is a key state highway connection stretching 100km from Warkworth to Whangārei in Northland. The first section is a 26-kilometre-long, four-lane motorway between Warkworth and Te Hana.

10. Investing in and developing the Northland Corridor will better connect the Northland region to Auckland, unlocking economic growth and productivity by moving people and freight efficiently and addressing critical resilience and safety issues.

11. Based on NZTA's Investment Prioritisation Methodology, the Northland Corridor is at the top of Roads of National Significance (RoNS) merit-order group due to its relative benefits in economic efficiency, strategic fit, and readiness to proceed to delivery.

12. NZTA assessed the NPV of the economic benefits of the Project in the March 2025 Investment case at $5.355 billion (including Wider Economic Benefits (WEBS) based on the Treasury's Social Rate of Time discount rate methodology. Most of these benefits come from travel-time savings, alongside accident reductions, resilience improvements, lower vehicle operating costs, and wider economic benefits. The benefit-cost ratio (BCR) for the Project from the Investment Case is 1.6 (including WEBS).

Previous Cabinet approvals

13. In July 2024, Cabinet agreed in principle to use an Accelerated Delivery Strategy to deliver the Northland Corridor, including a PPP procurement model for Section 1 [CBC-24-MIN-0073 and CAB-24-MIN-0259 refers].

14. In March 2025, Cabinet endorsed the Implementation Investment Case and approved NZTA to commence procurement of the Project through a PPP. Cabinet also invited the Minister of Finance and the Minister of Transport to report back prior to Financial Close to confirm the value for money proposition, any Crown Capital Contribution or underwrite of the Project, and the borrowing limit under section 160(1)(b) of the Crown Entities Act 2004 [CAB-25-MIN-0054 refers].

15. Cabinet also noted that NZTA will meet the PPP Unitary Charge payments through the National Land Transport Fund (NLTF) s 9(2)(f)(iv) and s9(2)(g)(i) [redacted]

16. In August 2025, Cabinet agreed for NZTA to contribute a Crown Capital Contribution (CCC) to the construction of the Project. Cabinet also agreed to provide NZTA with a $1.6 billion 10-year loan to finance the CCC and appropriated funding for this loan [CAB-25-MIN-0271 refers]. s 9(2)(i) [redacted]

17. Cabinet also noted that the loan is expected to be offered to NZTA on commercial terms and authorised the Minister of Finance and the Minister of Transport (acting jointly) to determine the final terms of the loan for execution before Financial Close.

Public Private Partnership (PPP) procurement in New Zealand

18. The PPP model is an established procurement method in New Zealand with eight PPP projects having been developed since 2011, including three corrections facilities, two state highways and three bundles of primary and secondary schools. PPPs enable the Crown to leverage private sector finance and expertise while retaining asset ownership and supporting faster delivery and stronger whole-of-life performance through integrated design, construction, and operations and maintenance incentives.

19. Transmission Gully and Pūhoi to Warkworth were New Zealand's first two transport PPPs. Subject to reaching Financial Close on or around 31 July, Northland Corridor Section 1 will be the third. The Christchurch Men's Prison Redevelopment Programme is also in the final stages of PPP procurement by the Department of Corrections and is also expected to reach Financial Close in July.

20. The Government released a refreshed PPP Blueprint in November 2024, and the Treasury released updated PPP Guidance in December 2025 as part of an ongoing review.

Procurement process and Preferred Respondent selection

Procurement process

21. The PPP procurement process commenced in March 2025 for the Project and has been robust, highly competitive, and reflects enhancements to the PPP model. The process involved an initial Expressions of Interest (EOI) in March 2025. Three respondents (Northway, Go>North and Together North) were invited to the RFP phase with submissions due in November 2025. All respondents submitted competitive proposals.

22. In March 2026, respondents were reduced to two, s 9(2)(i) [redacted] the final Preferred Respondent decision by the NZTA Board on 21 May 2026. s 9(2)(i) [redacted] Overall Northway offered a superior proposal on a value for money basis, and a superior overall balance of price, quality, and risk. On this basis, Northway was selected as the Preferred Respondent.

23. s 9(2)(i) [redacted]

Summary of Preferred Respondent

24. The Northway consortium consists of the following parties:

    24.1. ACCIONA Concesiones S.L. – lead sponsor, concessionaire, and equity developer;

    24.2. Abrdn Global Sustainable Infrastructure Partners IV LP – co-investor and equity partner;

    24.3. ACCIONA Construction New Zealand Ltd – lead design and construction contractor;

    24.4. ACCIONA W2T Services Ltd – operations and maintenance contractor; and

    24.5. a range of other associate members, including Downer (tier-1 local delivery and subcontractor partner) and AECOM (lead design and engineering consultant).

Lessons learned, developments and enhancements to the PPP model for this Project

25. Key lessons from previous PPPs have been applied to this Project that have resulted in a more sophisticated transaction and PPP model. Key lessons, and how they have been applied to this project are set out in **Appendix 1**, and include:

    25.1. more sophisticated risk allocation: under previous PPPs, some risk categories were transferred in full to the Contractor s 9(2)(i) [redacted] An enhanced risk sharing approach has been incorporated in this Project s 9(2)(i) [redacted]

    25.2. securing property and resource consents early: previous projects have emphasised the importance of securing the necessary property access, resource consents and other Resource Management Act (RMA) requirements to enable the project to start. For this Project, NZTA secured resource consents and the designation in 2023, well in advance of procurement commencing. Subsequently, all required property acquisitions were finalised on an accelerated timeframe by January 2026, including key access arrangements, six months in advance of Financial Close; and

    25.3. key threshold parameters set in procurement: for the previous transport PPPs (notably Transmission Gully), the Affordability Threshold was underestimated which led to disputes and sub-optimal behaviors to avoid loss by the construction sub-contractor. For this Project, the Affordability Threshold was underpinned by a more well-developed design based on extensive geotechnical investigations, robust construction methodology, outcomes-based specification, and is more rigorously tested and peer reviewed for cost and viability using the actual resource consent conditions and land corridor obtained for the project.

26. In addition to the CCC, the PPP procurement process also utilised three developments which represent enhancements to the PPP model:

    26.1. bid cost reimbursement: in the RFP process, NZTA agreed to reimburse up to 80% of bid costs (capped at $40 million) for each of two Respondents that were not selected as the Preferred Respondent. This was a material incentive for Respondents but is relatively small compared to the size of the project, accounting for approximately 1% of the estimated capital cost of the project at the time compared to the 2% limit set in the PPP Guidance. NZTA's view is that the bid cost reimbursement has encouraged greater competition during the procurement process, higher quality respondents, and highly experienced international participation. s 9(2)(f)(iv), s 9(2)(i) [redacted]

    26.2. price evaluation in the RFP: the PPP Guidance outlines that price may be considered as part of RFP evaluation where there is no material difference between the qualitative (non-price) evaluation criteria. s 9(2)(i) [redacted]

    26.3. optimisation phase: once the number of respondents was reduced to two in March 2026 following the initial RFP evaluation process, s 9(2)(i) [redacted]

Gateway 3 Review results

27. A Gateway 3 Review was conducted between 4 and 8 May 2026. This focussed on the procurement process and preparation for Financial Close and delivery. The review resulted in a positive Green/Amber delivery confidence assessment based on the following findings:

    27.1. successful delivery of the Project appears probable, however constant attention will be needed to ensure that risks do not materialise into major issues threatening delivery;

27.2. NZTA has robustly progressed an accelerated delivery programme and there is a high degree of confidence that Financial Close will be achieved on time at the end of July; and

27.3. a well-designed competitive procurement process has maintained commercial tension for as long as possible to ensure value for money and a manageable Crown risk position.

28. This is a good outcome for the Project and gives confidence to the quality of the procurement process and advancing the project to Financial Close. The Gateway report included seven recommendations that NZTA will action or has already actioned. These recommendations are summarised in **Appendix 2**.

29. s 9(2)(i) [redacted]

s 9(2)(i) [redacted] *and benefits to the local region*

30. s 9(2)(i) [redacted] The Northway consortium includes strong local New Zealand representation with AECOM New Zealand and Downer New Zealand involved in design and construction. In addition, a wide range of local subcontractors will be engaged by Northway as part of the construction phase across areas such as earthworks, drainage, pavement works, bridges, and other civil engineering works. NZTA currently expects approximately 60% of the total physical works spend under this contract to be sub-contracted to the New Zealand supply chain. This represents significant employment and economic development for the Northland region.

31. During the 25-year operational phase, Northway also intends to leverage the depth and capability of the New Zealand maintenance and operations market through further local subcontractors. This represents longer-term opportunities for Northland businesses.

32. Northway has also indicated they will create youth and graduate opportunities through internships, graduate roles, apprenticeships and school-to-work pathways, with a focus on local young people, including Māori and Pasifika youth. These opportunities will be backed by training, mentoring and pastoral support to help participants gain skills, qualifications and a pathway into long-term infrastructure careers.

Key aspects and commercial terms of the Project

33. NZTA has negotiated a final contractual position with the Preferred Respondent, Northway. Subject to Cabinet approval, NZTA expects to reach Financial Close on or around 31 July 2026. The Project Agreement for the Project is based on Treasury's standard project agreement for PPPs with additional key enhancements to the PPP model and specific adaptations for the unique characteristics for the Project.

34. Key technical aspects are set out in the attached Approval to Deliver Template **Appendix 3**) including contract scope, construction delivery schedule, operations and maintenance. Key commercial terms are outlined below.

Scope and delivery schedule

35. The scope of the Project includes:

    35.1. a new offline 26km four-lane motorway;

    35.2. three grade separated interchanges at Warkworth, Wellsford and Te Hana;

    35.3. a 1km dual bore tunnel designed for oversize vehicle passage;

    35.4. bridges and structures, using standardised bridge designs and methods (pre-cast components and environmentally integrated multi-span structures); and

    35.5. sustainable and low-impact drainage and high-modulus asphalt pavement.

36. The key delivery schedule milestones for the Project are summarised in the table below.

Key milestones	Estimated contractual date
Financial Close	On or around 31 July 2026
Construction planning, mobilisation, detailed design and early works commence	August 2026
Main works construction commences	November 2027
CCC payments commence	January 2029
Main works design substantially complete	April 2029
Road opening and commencement of maintenance and operations phase	July 2033
Full works completion	February 2034
End of maintenance and operations (lease of asset by Contractor ceases and hand back occurs)	June 2058

Completion Requirement and Operation and Maintenance (O&M) service requirements

37. The completion regime in the Project Agreement has been optimised to address lessons learned from previous PPPs. It provides for a staged approach, with road opening completion occurring first, so that the road is opened as soon as possible for users to enjoy, with full works completion to follow. The Project Agreement also sets out the Contractor's operations and maintenance service obligations once the road is operational. These apply for the 25-year operational period and are closely linked to the Performance Regime described below.

Performance Regime Payments linked to Key Performance Indicators

38. The Performance Regime is a primary financial-incentive mechanism in the Project Agreement, aligning the Contractor's economic outcomes with safe, available and high-

performing delivery across the 25-year operational period during which the Unitary Charge payments are made from NZTA to the Contractor. The largest incentive is availability – no Unitary Charge payment is made until the road is constructed and the road opening is achieved. From then on, financial deductions apply if the road is closed during the operational phase or if Key Performance Indicators (KPIs) are not met.

39. KPI deductions support performance outcomes across safety hazard management, incident response, asset management, reporting, compliance, communication and environmental obligations.

Risk sharing arrangements during construction phase

40. A key lesson from previous PPPs is to optimise risk sharing arrangements by ensuring risk is borne by the party best placed to manage it at least cost. Key improvements to the PPP model have been implemented for this project.

41. s 9(2)(i) [redacted]

42. [redacted]

Active equity

43. The Project also introduces an active contractor KPI mechanism, a new feature for New Zealand PPPs which has been designed to strengthen the alignment between the PPP Contractor's equity providers and the delivery of the Project.

44. The mechanism is designed to ensure that the equity providers play an active and constructive role over the construction phase (rather than being passive financial investors), and incentivises active participation, oversight and decision-making, proactive management of any issues and collaborative working relationships. This transmits performance discipline directly into the Contractor's capital structure, reinforcing whole-of-life accountability for delivering the asset and service to the standards required.

Final project cost and borrowing limit

45. The overall NPV cost of the project is estimated at $3.649 billion. This includes the Unitary Charge payments from NZTA to the Contractor during the 25-year operational period, NZTA's client-side costs to manage the contract, and budgeting for the shared and retained risks.

46. The final cost of the project will depend on the price of the PPP contract at Financial Close that will vary depending on final market interest rates (and settlement of any remaining minor contractual terms), however any change is not expected to be material.

47. NZTA's total liability from the PPP contract is estimated to peak at $2.4 – 2.7 billion in FY2034, representing the present value of Unitary Charge payments over 25 years. The liability will reduce over the 25-year operating period as NZTA makes the Unitary Charge payments.

48. The Unitary Charge payments are estimated to average s 9(2)(i) [redacted] over the 25-year period (FY2034 to FY2058).

49. Joint Ministers will grant approval under sections 160(1)(b) and 162 of the Crown Entities Act 2004 to enable NZTA incur borrowing of up to $2.7 billion to enable Financial Close, following Cabinet approval of the Project.

Updated approach to managing interest rate risk

50. As with previous PPPs, the Project Agreement requires NZTA to make payments to the Contractor for floating interest rate costs that flow through to the private debt that makes up part of the capital structure of the Contractor consortium. PPP projects typically include arrangements to hedge these floating interest rate exposures to manage floating interest rate risk that can otherwise lead to variable costs over time.

51. NZTA has recently adopted an improved Risk Management Policy which is being applied to the Project. Under this approach, NZTA can optimise interest rate management, and expects to achieve a higher value-for-money outcome over the long-term that will free up funding that can be spent on wider transport investments and services. NZTA's improved approach will involve:

    51.1. construction phase: NZTA intends to fully hedge floating interest rate over the 7-year construction phase, by entering into an interest rate swap with the Crown through New Zealand Debt Management (NZDM); and

    51.2. operational phase: in the lead up to the operational phase, expected to commence in FY2034, NZTA intends to enter interest rate swaps with NZDM for the operations period. s 9(2)(i) [redacted]

52. Interest rate swaps are derivatives. Under section 65ZG of the Public Finance Act 1989, the Minister of Finance, on behalf of the Crown, may enter into these derivatives if it appears to the Minister to be necessary or expedient in the public interest to do so. Subject to Cabinet approval of Project, the Minister of Finance will approve the Crown entering into the construction phase interest rate swap under section 65ZG of the Public Finance Act 1989 on the basis that it is expedient in the public interest to do so. The construction phase swap will be executed as part of Financial Close between NZTA and NZDM. s 9(2)(i) [redacted]

53. Joint Ministers will also grant, in accordance with sections 160(1)(b) and 164 of the Crown Entities Act 2004, approval for NZTA to enter into the construction phase interest rate swap with the Crown, subject to Cabinet approval of the Project.

Crown indemnity

54. As with previous transport PPPs, an indemnity from the Crown for NZTA's financial liabilities under the PPP contract is needed to provide assurance to the Contractor's financiers that NZTA as a Crown entity can meet its long-term obligations (such as the Unitary Charge payments) under the contract.

55. Accompanying the indemnity is a Master Reimbursement and Management Agreement (RAMA). Under the RAMA, NZTA is required to reimburse the Crown for any payments made by the Crown under the indemnity. The RAMA also sets out undertakings, including reporting and information undertakings, from NZTA in favour of the Crown, to ensure that the Crown is protected and is provided with as much notice as possible regarding any relevant change in circumstances of NZTA or demand that may be made by the Contractor.

56. Under section 65ZD of the Public Finance Act 1989, the Minister of Finance, on behalf of the Crown, may give this indemnity if it appears to the Minister to be necessary or expedient in the public interest to do so. Subject to Cabinet approval of the Project, the Minister of Finance will approve and execute the Crown indemnity and RAMA with NZTA.

Confirming value for money for the Project

57. NZTA is satisfied that the negotiated outcome with the Contractor, and procurement through the PPP model, represents higher value for money relative to conventional public sector procurement. Value for money is assessed quantitatively and qualitatively below.

Quantitative value for money

58. The central value-for-money test for a PPP set out in the Treasury PPP Guidance is based on the NPV of the total cost of the project at Financial Close being lower than the Public Sector Comparator (PSC). The PSC represents the estimated cost of the project under an alternative conventional public sector procurement model.

59. The final costs of the Project is estimated at $3.649 billion (NPV). This is below the PSC of $3.9 billion approved by the NZTA Board and by Cabinet in March 2025. As such, the quantitative value for money test is met. This demonstrates that the PPP procurement model represents value for money. The favourable PSC test represents the successful outcome of the highly competitive RFP process.

60 s 9(2)(i) [redacted]

Qualitative value for money

61. The PPP model is expected to deliver better outcomes than conventional public sector procurement through contractual incentives for on-time and on-budget delivery, transfer of risk to the Contractor, integrated design and construction, and the leveraging of private-sector innovation and efficiencies to offset the higher cost of private capital.

Approval to Deliver (ATD) template

62. Any investment requiring Cabinet approval (as per CO (23) 9) now requires an ATD template to be prepared setting out how the agency proposes to procure or contract the asset and setting out any material changes to the Investment Case. The ATD for this Project is attached for approval at **Appendix 3**. Note there have been no material changes to the strategic and economic cases since the March 2025 Investment Case.

Crown Capital Contribution (CCC)

63. Cabinet has already agreed to provide NZTA with a 10-year, $1.6 billion Crown loan for the purpose of NZTA providing a CCC into the construction phase of the project [CAB-25-MIN-0271 refers]. The funding was also appropriated by Cabinet at that time. It was noted that the loan is expected to be offered on commercial terms and that the Minister of Finance and the Minister of Transport (acting jointly) would determine the final terms of the loan for execution before Financial Close.

64. The loan has now been approved and executed by the Crown and NZTA, with the first drawdown forecast for FY2029 subject to Cabinet approval of the Project. The Minister of Finance considers that the Crown loan to NZTA is expedient in the public interest pursuant to section 65L of the Public Finance Act 1989.

65. As part of approving the loan from the Crown to NZTA, we have also granted approval, under sections 160(1)(b) and 162 of the Crown Entities Act 2004, for NZTA to incur borrowing up to $1.6 billion for and the Crown loan.

66. NZTA has designed the commercial details of how the CCC payments from the NLTF to the Contractor will function in line with commercial principles and advice developed by NIFFCo for the Project. This includes appropriately managing the risk to NZTA funds during the construction phase, paying the CCC to the consortium during the back end of the construction phase, and making the payments on a pro rata basis with Contractor's private capital and subject to the same rigorous conditions and assurance.

67. The current forecast timing of the CCC payments, and NZTA drawdown of the loan are set out in the table below. This forecast will be subject to change, depending on how the construction phase progresses.

Fiscal year	2028/29	2029/30	2030/31	2031/32	2032/33
Crown loan ($ million)	s 9(2)(i) [redacted]				

Ministerial legislative approvals

68. In addition to the Ministerial legislative approvals discussed above, additional approvals will be provided (subject to Cabinet approval to the Project) to enable NZTA to reach Financial Close on or around 31 July 2026. These are outlined below:

    68.1. the Minister of Transport's approval for NZTA to delegate specified Land Transport functions and powers to the Contractor to construct and operate the road; and

    68.2. the Minister of Transport's approval for NZTA to grant leases of land to the Contractor to enable it to construct and operate the road;

69. These Ministerial approvals are standard features of the PPP model and previous transport PPPs (Transmission Gully and Pūhoi to Warkworth).

70. NZTA will also provide an indemnity to utility network operators in the corridor (Channel Terminal Services Limited and First Gas Limited) s 9(2)(f)(iv) [redacted]

71. Under section 160 of the Crown Entities Act 2004 a Crown entity must not give an indemnity unless it is permitted by regulations or jointly approved by the responsible Minister and the Minister of Finance. Following Cabinet approval of the Project, the Minister of Finance and the Minister of Transport will approve NZTA providing an indemnity to the network utility operators in accordance with sections 160(1)(b) and 163 of the Crown Entities Act 2004.

Tolling

72. NZTA has consulted on a tolling proposal for the Project as a way for the users of a road to contribute towards the costs of building, operating and maintaining the road. This aligns with expectations set out in the GPS 2024 that all new state highway projects are assessed for tolling. NZTA will consider the results of the consultation, alongside technical reports, and may then recommend tolling to the Minister of Transport in due course.

Timeline

73. Financial Close for this Project is targeted on or around 31 July 2026. NZTA and the Contractor expect to commence design and early works in late 2026.

Monitoring

74. We expect NZTA to provide regular reporting on the progress of the Project, with any emerging risks communicated to Joint Ministers in a timely manner. While NZTA has the responsibility for managing the Project Agreement, it will be monitored through:

74.1. the Treasury's overall PPP contract monitoring framework (as may be updated from time to time);

74.2. the Ministry of Transport's regular Crown Entity monitoring; and

74.3. the RAMA, which requires NZTA to provide an annual review confirming compliance with its obligations.

Cost-of-living Implications

75. There is no direct cost of living implications on New Zealanders as a result of proceeding to Financial Close on the project.

Financial Implications

76. NZTA's PPP liability is projected to peak at $2.4 – 2.7 billion in FY2034 when the road commences operation and will progressively reduce over the term of the Project Agreement. This will be treated as debt on NZTA balance sheet, with a corresponding impact on total Crown borrowing, but no impact on core Crown debt.

77. The Unitary Charge payments are expected to average s 9(2)(i) [redacted] over the 25-year operation period (FY2034 to FY2058), payable by the NLTF alongside the client-side retained costs and risks.

78. The Crown loan will initially have an impact on net core Crown debt when the drawdowns are forecast to start in 2028/29, however, this will neutralise as repayments are made in the 10-year period from each drawdown. Given the term of the loan has a neutral impact on net core Crown debt (over a ~10-year period), it did not need to be managed against the relevant Budget capital allowance.

79. The Crown indemnity will be recorded as a contingent liability in the Financial Statements of the Government of New Zealand. This does not require an appropriation and granting it has no impact on the Crown's fiscal indicators.

80. NZTA expect to reimburse bid costs of up to $40 million for each of the two unsuccessful shortlisted Respondents. s 9(2)(f)(iv), s 9(2)(i) [redacted]

Implications for the NLTF

81. The Project remains affordable for the NLTF. NZTA forecast that the average Unitary Charges of s 9(2)(i) [redacted] over the operational period (FY2034-FY2058), will represent around 3.5 per cent of NLTF revenue on average over the first decade. The annual debt servicing costs (principal and interest payments) to NZTA of the $1.6 billion Crown loan is forecast to represent around 2.5 per cent of NLFT revenue on average of available over the same period. The Minister of Transport intends to address the revenue pressure across the NLTF through GPS 2027.

Legislative implications

82. There are no legislative implications arising from this paper.

Impact Analysis

Regulatory Impact Statement

83. A regulatory impact statement is not required for this paper.

Climate Implications of Policy Assessment

84. The estimated overall emissions impact of this proposed investment is less than 0.5 million tonnes CO2-e on a net basis, meaning that a CIPA is not required.

Population implications

85. There are no population implications arising from this paper.

Human rights

86. There are no Human Rights implications arising from this paper.

Use of external Resources

87. The procurement process for the Project has utilised a range of internal and external resources by NZTA. Given the size and complexity of the project, and the PPP procurement model utilised, external resources have been significant including technical, engineering, legal, commercial, and financial. The Ministry of Transport also used one contractor to help prepare this Cabinet paper.

Consultation

88. The Ministry of Transport, NZTA, the Treasury and NIFFCo were involved in the development of this Cabinet paper. The Department of Prime Minister and Cabinet (DPMC) was informed.

Communications

89. No publicity is planned immediately after Cabinet decisions. Public announcements will be made about the Project after reaching Financial Close, currently expected on or around 31 July 2026.

Proactive Release

90. We intend to proactively release this Cabinet paper with appropriate redaction under the Official Information Act 1982 after the project reaches Financial Close, which is expected to occur on or around 31 July 2026.

Recommendations

The Minister of Finance and the Minister of Transport recommend that the Cabinet Economic Policy Committee:

1. **note** that on 10 March 2025, Cabinet agreed that NZTA pursue the Northland Corridor Section 1 project as a PPP and invited the Minister of Finance and the Minister of

Transport to report back prior to Financial Close on the value for money proposing and the final borrowing limit [CAB-25-MIN-0054 refers];

2. **note** that on 21 May 2026, NZTA selected Northway as the Preferred Respondent (the Contractor) following a competitive PPP procurement process to deliver the Project;
3. **note** that the Northland Corridor Section 1 PPP total project cost is estimated at $3.649 billion (NPV) which is lower than the Public Sector Comparator of $3.9 billion;
4. **note** that NZTA is satisfied that the negotiated outcome with the Contractor, and procurement through the PPP model, represents value for money and will deliver better outcomes relative to conventional public sector procurement;
5. **note** that, on 23 June 2026, the NZTA Board approved the Project to advance to Financial Close and recommended that Cabinet approve the Project;
6. **note** that the final cost of the project will depend on the price of the PPP contract at Financial Close that will vary depending on the final market interest rate (and settlement of any remaining minor contractual terms), however any change is not expected to be material;
7. **approve** the Approval to Deliver template attached to this Cabinet paper;
8. **agree** to NZTA taking all required steps to progress to Financial Close, including signing the Project Agreement and any other arrangements required to give full effect to the Project Agreement, with the Contractor, Northway;
9. **note** that in August 2025, Cabinet agreed to provide NZTA with a 10-year, $1.6 billion Crown loan for the purpose of NZTA providing a Crown Capital Contribution to the Project and authorised the Minister of Finance and the Minister of Transport (acting jointly) to determine the final terms of the loan for execution before Financial Close;
10. **note** that the Minister of Finance considers that the Crown loan to NZTA is expedient in the public interest pursuant to section 65L of the Public Finance Act 1989;
11. **note** that this loan has now been approved and executed by the Crown and NZTA, with the first drawdown forecast in FY2029 subject to Cabinet approval of the Project;
12. **note** that the Minister of Finance and the Minister of Transport intend to give approval, under section 160(1)(b) and 162 of the Crown Entities Act 2004, for NZTA to borrow up to $2.7 billion, forecast to peak in 2034, representing the liability of future Unitary Charges under the PPP contract;
13. **note** that Ministers intend to provide the following legislative approvals, subject to Cabinet approval of the Project, to enable NZTA to reach Financial Close on the Project on or around 31 July 2026:
    - 13.1. the Minister of Finance approving the Crown (through New Zealand Debt Management) entering into a construction phase interest rate swap with NZTA under section 65G of the Public Finance Act 1989;
    - 13.2. the Minister of Finance and the Minister of Transport approving NZTA entering into the construction phase interest rate swap with New Zealand Debt Management, in accordance with sections 160(1)(b) and 164 of the Crown Entities Act 2004;

13.3. the Minister of Transport approving NZTA to delegate powers and functions from the NZTA to the Contractor to construct and operate the Project under section 61(1) of the Land Transport Management Act and section 73(1)(d) of the Crown Entities Act and approval for the Contractor to sub-delegate those powers and functions to sub-contractors of the Contractor for the purposes of the Project Agreement (subject to obtaining the prior approval of NZTA or the NZTA Board (as applicable) for any such sub-delegation) under section 61(3) of the Land Transport Management Act and section 74(1)(b) of the Crown Entities Act;

13.4. the Minister of Transport approving NZTA to grant a lease to the Contractor over the Project area to enable it to construct and operate the Project, under section 63(1) of the Land Transport Management Act;

13.5. the Minister of Finance providing an indemnity, on behalf of the Crown, in favour of NZTA, for certain liabilities under the Project Agreement under section 65ZD of the Public Finance Act 1989;

13.6. the Minister of Finance and the Minister of Transport approving NZTA providing an indemnity to the network utility operators (Channel Terminal Services Limited and First Gas Limited), in accordance with sections 160(1)(b) and 163 of the Crown Entities Act 2004;

14. **note** that NZTA intends to reach Financial Close for the Northland Corridor Section 1 Project with the Contractor, Northway, on or around 31 July 2026;

15. **note** that tolling on the Northland Corridor Section 1 is being considered separately and advice on a potential tolling scheme will be provided by NZTA to the Minister of Transport in due course;

16. **authorise** the Minister of Finance and Minister of Transport to make other technical decisions that may arise in the lead up to Financial Close (no such decisions are currently expected to be required outside of the legislative approvals outlined in this paper).

Authorised for lodgement.

Hon Nicola Willis	Hon Chris Bishop
Minister of Finance	Minister of Transport

Appendix 1: Application of lessons learned from previous PPPs

This Attachment provides a summary of key lessons learned from the first wave of New Zealand Public Private Partnerships (PPPs) - particularly the two transport PPPs - and how the developments in NZTA approach and PPP contract model have responded to, and incorporated, those lessons into the Project.

Element	**Reflection/Learning**	**Application to W2TH PPP**
Land and consents	It is important to ensure that a project secures the necessary property access and the resource consents and other RMA requirements to enable the project to start. It is also important that designation and the resource consents enable the necessary flexibility to encourage innovation in the detailed design and construction to achieve value for money.	For the Project, NZTA secured resource consents and the designation in 2023, well in advance of procurement commencing. Subsequently, all required property acquisitions were finalised on an accelerated timeframe by January 2026, including key access arrangements, six months in advance of Financial Close.
Key Threshold Parameters set in Procurement	For the previous transport PPPs (notably Transmission Gully), the Affordability Threshold was underestimated which led to disputes and sub-optimal behaviors to avoid loss by the construction sub-contractor.	For the Project, the Affordability Threshold was underpinned by a more well-developed design based on extensive geotechnical investigations, robust construction methodology, outcomes-based specification, and more rigorously tested and peer reviewed for cost and viability using the actual resource consent conditions and land corridor obtained for the project. In addition, the option to dynamically update the Affordability Threshold (as per the renewed Treasury PPP Guidance) was retained, monitored, and ultimately not required.
Risk Allocation	Under previous PPPs, some risk categories were transferred in full to the Contractor s 9(2)(i) [redacted]	An enhanced to risk sharing approach has been incorporated. s 9(2)(i) [redacted] The Contractor has rigorous processes to manage the risks they have been transferred. s 9(2)(i) [redacted] The Contractor continues to bear construction cost and programme risk - including through not receiving Unitary Charge payments until the road is complete and operational, placing on-time, on-budget delivery risk squarely with the private sector. The Contractor also carries whole-of-life risk across the 25-year operating period.
s 9(2)(i) [redacted]		
Treasury PPP Guidance	The Treasury PPP Guidance was updated in late 2025 across a number of key areas of the PPP model	The Project incorporates the updates to the new PPP Guidance, including across risk allocation/sharing, performance incentives, active SPV performance management, design review processes, and completion regime, consideration of CCCs, and the use of bid cost reimbursement. NZTA's experience from the procurement process for the Project, including market engagement, was a main contribution to Treasury's update of the PPP Guidance. NZTA collaborated with the Treasury, NIFFCo, the Infrastructure Commission, and the Department of Corrections, to drive these updates to the PPP Guidance.
Client Team	Previous mega projects have underestimated the calibre and experience required to perform the client-side management function, especially considering the scale, complexity, and risks of the projects.	Phase 1 of a senior and experienced implementation team has been built in the lead up to Financial Close, at a level and calibre that can match the international contracting counterparties. This will continue to be strengthened in the first 12 months of the construction phase.
Financing Efficiency	Previous PPP projects have not considered the benefits of a hybrid approach to using a Crown funding to supplement	A Crown Capital Contribution (CCC) has been implemented for the first time on W2TH PPP, implementing a tool in the new PPP policy guidance to reduce market liquidity risk, reduce the overall cost of finance, and reduce the levels of

Element	Reflection/Learning	Application to W2TH PPP
	the private finance from a PPP consortium for construction.	liquidated damages for programme delay that have historically been problematic. This has paved the way for a more business-as-usual implementation of CCC's for suitable projects in the future. It also struck the right balance between ensuring sufficient transfer of risk from the Crown to the Contractor, while taking advantage of the Crown's lower cost of capital.
Enhanced Competition	Previous transport PPP procurement could have benefited from increased competition.	The W2TH procurement included the following key features to encourage high calibre international participation in the tender process, which lead to a more competitive outcome. This included: - Targeted risk sharing – as discussed above. - Bid cost reimbursement – NZTA reimbursed up to 80% of bid costs (capped at $40 million) for each of two Respondents that were not selected as the Preferred Respondent. - Price evaluation – s 9(2)(i) [redacted] - Retaining three Respondents in RFP stage – by not dropping to two Respondents for the RFP phase of the procurement, NZTA retained a higher level of competition which resulted in improved value for money. - Optimisation phase – once the number of respondents was reduced to two in March 2026 following the initial RFP evaluation process, s 9(2)(i) [redacted]

Appendix 2: Gateway 3 review summary of recommendations and actions

Ref	Recommendation	Priority	Project team response and action/plan
R1	Take account of potential future political and global scenarios in preparing for and managing Project delivery and emerging risks.	DO NOW and ongoing	s 9(2)(i) [redacted]
R2	Be active and agile in partner and stakeholder engagement to align expectations and ensure buy in to enable effective delivery.	DO NOW and ongoing	Agree. Action: – Update draft Communications and Stakeholder Plan following Preferred Respondent appointment to ensure an active and agile approach to aligning expectations of partners and stakeholders and effective delivery in an evolving external environment.
R3	Streamline advisory structures and groups so that their roles are clear and they can add more value.	DO BY Financial Close	Agree. Action: – Maintain momentum on the current review of governance arrangements already underway, with a focus on streamlining mechanisms to ensure effective expert advice to the project during delivery phase. **Status: Complete.**
R4	Maximise the opportunity to optimise NZTA's commercial position prior to Financial Close.	DO BY Financial Close	Agree. Actions: – Continue implementing current Optimisation Phase under competitive tension with Respondents up to 21 May for Preferred Respondent appointment. – Optimise the Preferred Respondent Negotiation Phase as per the Negotiation Strategy. **Status: Complete.**
s 9(2)(i) [redacted]			
R6	Maintain momentum, finalise transition planning, and be prepared to action Delivery stage milestones, including any outstanding issues post Financial Close.	DO NOW and during the transition and start up period	Agree. Action: – Continue planning and implementation of the Delivery Team Establishment Plan (including completing recruitment and ensuring effective transition from procurement phase) and Project Management Plan to support effective transition and Day 1 readiness post Financial Close. – The Project Management Plan and Contract Management Plan will clearly highlight the Delivery Stage Milestones and s 9(2)(i) [redacted]

Ref	Recommendation	Priority	Project team response and action/plan
			s 9(2)(i)
R7	Ensure that the Project is adequately resourced to engage with and match the incoming contractor team.	DO BY Financial Close and ongoing	Agree. Action: – Continue planning and implementation of the Establishment Plan, including recruiting the remaining key leadership roles and the procurement of professional services (IR, Site Monitors, Technical Advisor). **Status: Complete**.

Appendix 3: Approval to Deliver template

Attached separately.