

## **Opening statement: Michael Nolan, Chief Executive, Transport Infrastructure Ireland**

Chairman, Members of the Committee, I thank you for your invitation to attend today.

I am joined by my colleagues Peter Walsh, Director of Capital Programme, Geraldine Fitzpatrick, Head of Roads Capital Programme and Paul Moran, Regional Manager. I understand that the Committee wishes to receive an update on the current position regarding the upgrade of the Dunkettle Interchange, Cork.

I am happy to provide this update, insofar as is appropriate at this time, and to provide context about the overall scheme and its procurement. I must, however, emphasise the need to avoid straying into specific areas which might prejudice the outcome of the deliberations concerning the contract. I am sure that the Committee will understand and appreciate the position in this regard.

There has been speculation in the media with regard to cost of the Dunkettle Interchange project in recent weeks. Since we are in an on-going process, TII cannot offer any more clarity relating to cost or budgets until the process has concluded.

### **Overview**

The Dunkettle Interchange is the most complex interchange project in our programme. Over 100,000 vehicles – cars, buses and HGVs – daily wind their way through the junction. It is located next to the Jack Lynch Tunnel, intersects with one of Irish Rail's main corridors and provides access to areas of high employment activity, such as Little Island. It also borders a sensitive marsh habitat adjacent to a tidal zone. Additionally, there are major utilities traversing the site including gas, water, power and telecom networks. In recent years, incidents occurring at the Dunkettle junction have caused significant traffic congestion throughout the City. Delays at this junction regularly feature on national traffic reports.

## **The Objective**

The primary objective of the Dunkettle Interchange Project is to provide safer and more efficient movements through the junction by maximising free-flow traffic movements and to reduce the potential for traffic incidents to occur.

## **Procurement Strategy.**

Due to the scale and complexity of this project, TII decided that the risk profile warranted an alternative approach to the standard design and build form of contract used on less complex projects. This decision accords with the DPER recommendation (Report on the Review of the Performance of the Public Works Contract December 2014) that consideration should be given to developing forms of contract or adopting standard forms published by the bodies such as the Institution of Civil Engineers in the UK or the International Federation of Consulting Engineers (FIDIC) for projects where risks cannot be accurately quantified. The contract type selected to de-risk the project is the New Engineering Contract (NEC) with Early Contractor Involvement. This is a standard form of contract used internationally. Following a review by the Government Construction Contracts Committee, approval was given by the Office of Government Procurement for the use of a non-Public Works Contract (PWC). This decision was consistent with the findings of DPER into the use of alternative contract forms for complex and high-risk projects.

This form of contract breaks the project implementation process into two stages. The first stage's objective is to de-risk the project in advance of the Stage 2 mains works construction. At Stage 1, TII works with and pays the contractor to develop the detailed design and seek clarity on costs associated with Stage 2 construction. Utilising the contractor's expertise, construction methodologies are developed, including the design of complex traffic management arrangements. The design is developed in some detail to assist with reducing risks. Quantities of materials are produced, as well as calculations of labour and machinery requirements. Using these quantities and the tendered rates,

the Contractor's forecast of the cost to construct the project is produced. We will refer to the Contractor's forecast of costs as the 'Target Cost'.

### **History of the Dunkettle Process**

In May 2018, following a competition, Stage 1 of the contract was awarded to John Sisk and Son Limited. On the basis of the award for Stage 1, the Contractor has undertaken additional ground investigations, engaged with utility owners, undertaken environmental surveys, constructed a compound and developed traffic management plans and construction methodology. The design of the project has also been developed in detail. The contractor commenced the submission of cost details to make up the final Target Cost in June. These submissions continued into last week.

### **Next Steps**

TII is now assessing these submissions to decide whether the Target Cost set by the contractor is acceptable. This can only be determined when the submissions have been fully and carefully assessed. It is anticipated that the decision will be made before the end of this month.

If TII and the Contractor agree the Target Cost, the Business Case for the project is updated to reflect the agreed Target Cost. As required by Public Spending rules, the updated Business Case is submitted to Department of Transport, Tourism and Sport (DTTaS) for approval by Government.

If TII and the Contractor do not agree the Target Cost, Stage 2 will be removed from the contract. TII will then return to the marketplace to seek to achieve better value for the taxpayer. The decision, I stress, has not been made.

## **Schedule**

If the Target Cost is agreed, the process remains on schedule. On the other hand, if TII and the Contractor do not agree the Target Cost, then Stage 2 will be removed from the contract and TII will return to the marketplace as I previously stated. The construction of the project will then be the subject of a new procurement process. I would, however, emphasise that the site investigation, planning and design work that has been undertaken by the Contractor in Stage 1 will be used, as TII has retained ownership of this information. A new tender process has the potential to delay project completion by some 12-18 months.

## **Conclusion**

Notwithstanding the strategic importance of this project – both locally and nationally - it is certainly not a question of awarding the contract at any cost. It is a question of achieving the goal of constructing a fit-for-purpose Interchange scheme with the maximum value for taxpayers' money. TII is committed to ensuring that this goal is achieved.

As I stated in my opening remarks, we cannot stray into areas which might prejudice the outcome of this Stage 1 process. It was for this reason that TII had sought to defer this appearance with the Committee until such time that the Stage 1 process is completed. Accordingly, as our appearance before the Committee today takes place during an ongoing commercially sensitive and confidential process, answers to certain questions may be perceived to be prejudicial to decisions which TII has yet to make and, for that reason, we must proceed with caution.

Thank you, Chairman.

17 July 2019