

2.8 What are the Key Challenges?

Any development of this scale has key challenges to overcome at this stage of the project. The primary development challenges for options 1a and 1b have been identified and are summarised below:

Key Challenge	Issues	Comments/Mitigation	Risk Level (H, M, L)
1.Development Costs			
a. Land	CST are forced to pay over market value for the purchase of the land to secure the site.	An allowance has been included for the purchase of the required properties. A contingency has been allowed in addition, to cover any costs associated with obtaining vacant possession of the required sites.	M
b. Ground Conditions	The ground conditions are adversely different to the desktop information currently available.	The desktop study has identified very poor ground conditions surrounding the site. There is also the risk of contamination due to past activities and land uses. This has been allowed for within the proposed design	L
c. Construction	Construction costs escalate due to unforeseen circumstances.	At present there is a large variance in the professional quantity surveyor estimates. The benchmark information available indicates that the construction costs are achievable within the allowance indicated in this report. Robust Project and Cost Management systems are to be adopted to manage the cost development on the project.	M
d. Roof	The development of the roof structure increases the construction values of the project.	The project team has been working closely with Vector Foiltec to develop a workable solution for the roof system. Vector Foiltec have provided preliminary cost advice which has been assessed and included within the current cost plan.	M

Key Challenge	Issues	Comments/Mitigation	Risk Level (H, M, L)
2. Time			
a. Working Capital	CST cannot secure the working capital to progress the design in line with the proposed programme.	CST are to continue discussions and negotiations with the project funding partners to secure this working capital to avoid delays to the project.	H
b. Planning	Not obtaining the required planning notification to progress the development.	The project team are to adopt a rigid consultation strategy to minimise threat of objections and delay to the planning process.	M
c. ORC Consultation	The period which ORC require for their consultation process provides great uncertainty and risk of the viability of the project and financial risk to other funding partners.	CST to continue discussion with ORC to try and obtain earlier commitment to the project	H
d. Construction Period	Delays to the construction programme resulting in missing the RWC 2011 deadline.	The construction period allowed for option 1a and 1b is 26 and 24 months respectively. To expedite construction on site an advanced enabling works and offsite fabrication contract will have to be let. The construction programme will be assessed in greater detail during the next stage of the project as the design evolves with local contractors and suppliers. To achieve these construction periods an innovative procurement process will have to be adopted	H
e. Plan Change	A plan change is not obtained for the development of the Awatea Street site.	The programme has assumed a period of 12 months will be required to obtain a plan change for this option. Initial consultation and discussion with the DCC has confirmed the proposed approach is their preferred solution	L
f. Land	Delays acquiring the land for the Awatea Street site.	CST has begun initial discussions with each of the land owners. Early discussion with each of the land owners confirms their willingness to sell. CST are progressing negotiations to secure the first option for the purchase of the land. The programme assumes that completion of the site purchase will follow immediately after ORC's commitment to the project. The programme also assumes vacant possession will be provided.	M

Key Challenge	Issues	Comments/Mitigation	Risk Level (H, M, L)
3. Funding			
a. DCC	The level of funding required from DCC for this option is \$85M for option 1a or \$65M for option 1b	If this funding is reduced then CST will be required to source the shortfall from alternative sources. CST to continue discussion and negotiations with DCC	H
b. ORC	The level of funding required from ORC for this option is \$37.5M for option 1a or \$30M for option 1b	If this funding is reduced then CST will be required to source the shortfall from alternative sources. CST to continue discussion and negotiations with ORC	H
c. Other	The level of funding required by other sources is \$65.5M for option 1a or \$55M for option 1b	Horwath HTL have assessed this level of funding in the financial feasibility report. This is considered by HHTL to be an optimistic funding scenario. Evidence from the Westpac stadium in Wellington has indicated that funding sources trend upwards once developments of this nature have commitment and support.	H
4. Partners			
a. University	Obtaining full commitment from the University to integrate within the stadium.	Initial discussions with the University have been positive. The design team has been progressing a flexible space for the University activities. This will be developed in further detail during the next stage of the development.	L
b. NZRU	Obtaining commitment from NZRU to provide test match rugby for the stadium.	NZRU have expressed support for the CST options and consideration is presently being given as to how test matches might be rescheduled. This is subject to a commitment for the project proceeding which the funding and development partners must assist CST with	L
c. ORFU	Inability to agree terms and conditions for the agreement between CST and ORFU	Initial discussions are very positive. ORFU recognise that some form of agreement must be entered into and this will be progressed as soon as possible	L
d. Government	Inability to secure any funding commitment from central government	Nothing has been allowed within the funding scenarios for central government funding, based on the governments stance on improvements to stadia for the RWC 2011. Local government representatives and CST are to lobby local MP's and parliament	L

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5. Operational			
a. Multi-use and Events	The number and type of events that are projected within the operational feasibility are not realised	The assumptions made within the operational feasibilities can be considered of a relatively conservative nature	L
b. Community Support	Lack of support from the community for a new stadium at the Awatea Street site	Keep the community informed and updated on the issues associated with the project	L