

In Confidence

Office of the Minister for Regional Economic Development

Office of the Minister of Transport

Chair, Cabinet Economic Development Committee

## **UNLOCKING TAIRĀWHITI'S ECONOMIC POTENTIAL - TAIRĀWHITI ROADING PACKAGE**

### **Proposal**

1. This paper seeks approval from Cabinet to provide up to \$151.70 million from the Provincial Growth Fund (PGF) to support the Tairāwhiti Roading Package (the Package). Cabinet approval is required as the amount of funding sought is more than \$20 million.

### **Executive summary**

2. Tairāwhiti<sup>1</sup> is identified as a surge region for the PGF, requiring early investment to enable economic growth within the region. The ability to fully realise the region's economic potential is dependent on an efficient and reliable roading network that can bridge the distance to major ports and markets.
3. While roads play a critical role in enabling economic activity, Tairāwhiti's roading network exists in challenging natural conditions and has been subject to repeated serious weather events. To support economic development of the region, Tairāwhiti will need to go further than addressing the need for renewal and repair – it also needs to invest in improvements to its existing network that will support its economic action plan.
4. The recently released Government Policy Statement on land transport 2018 (GPS 2018) supports the economic development of regional New Zealand by increasing the focus on developing safe and resilient transport connections to support freight and tourism.
5. While the shift in strategic priorities in GPS 2018 means regional transport projects have a higher chance of attracting funding through the National Land Transport Fund (NLTF), the Tairāwhiti region is likely to face two key challenges in delivering their regional priority projects:
  - 5.1. The Gisborne District Council (GDC) faces financial constraints and is likely to struggle to contribute its local share for co-funded transport improvement projects. This means that although projects may be prioritised for delivery

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<sup>1</sup> Tairāwhiti covers the same area as the Gisborne District Local and Territorial Authorities

through the National Land Transport Programme (NLTP), the works would not progress if local contribution is not provided.

- 5.2. The regional projects identified in Tairāwhiti may not be prioritised for funding once they are assessed on a national basis (against other regional projects) to give effect to the GPS 2018 priorities. The relatively low volumes of vehicle kilometres travelled across the Tairāwhiti roading network may result in priority projects in Tairāwhiti struggling to demonstrate, relative to other regions, the level of return required to be included in the NLTP.
6. These two challenges can be addressed with support from the PGF. The PGF has been established to accelerate regional development by increasing regions' productivity potential and contributing to more, better-paid jobs. With regard to transport projects, the PGF enables regions to consider a larger number and broader range of transport infrastructure projects that enhance regions' productivity potential in a way that is additional to what can be achieved through NLTF investment.
7. The PGF can supplement expected NLTF investment in Tairāwhiti by accelerating the delivery of regionally important projects that would otherwise be delayed given constraints on local funding or projects receiving a lower national priority.
8. The Tairāwhiti Economic Action Plan (TEAP) emphasises the need to connect people and markets through reliable transport networks as a priority for the region. The TEAP identifies three transport actions to contribute to the goal to "Improve our transport [and digital connections] to ensure our major industries have the ability to be competitive internationally and get our products, services and offerings to customers at the right time".
9. The Package has been informed by the TEAP and is made up of four components:
  - 9.1. Two-year physical works programme totalling \$33.90 million
  - 9.2. Funding support for emergency repairs up to \$4.80 million
  - 9.3. Delivery of a five year pipeline consisting of \$3.90 million for investigations and \$108.1 million for implementation (totalling \$112.00 million), with construction scheduled to commence at year three (2020/21)
  - 9.4. Resource support up to \$1.00 million.
10. The Package is expected to support regional economic development in Tairāwhiti through improving the linkages between the region and major transport hubs and markets, safeguarding visitor and business access to the region, and generating employment opportunities through the pipeline of work and increased investments in the region. In addition, Māori have substantial land holdings adjacent to the roading network, and improvements to the network will strengthen the Māori economy and incentivise better land utilisation.
11. The full Package will deliver a \$151.70 million investment in the region phased over five financial years and will be funded from both the NLTF and PGF. Initial

assessment indicates that the NLTF is likely to contribute at least \$14.70 million, with up to \$137.00 million being sought from the PGF.

12. We expect the NLTF will continue to be the primary funding source for transport investments. Implementation funding for the 'five-year pipeline' of works will only receive PGF funding if the following criteria are met:
  - 12.1. Completion of the relevant investigation
  - 12.2. Exclusion from the NLTP following assessment against NLTP priorities, or GDC is unable to meet its local share for projects included in the NLTP
  - 12.3. Alignment with PGF criteria and objectives.
13. The exact level of NLTF support will be confirmed when the NLTP is agreed in late August 2018 and when investigations into the 'five-year pipeline' are complete. Cabinet's agreement is sought to:
  - 13.1. Commit up to \$151.70 million of PGF funding, phased over five years to support the Package
  - 13.2. Authorise the Minister of Finance, the Minister of Transport and the Minister for Regional Economic Development to make the necessary changes to relevant appropriations, following the completion of the NLTP process in late August 2018.
14. PGF funding is being sought for the proposed package given:
  - 14.1. the strong regional economic case for the Package to proceed
  - 14.2. that local funds for some aspects that would typically be regionally funded are exhausted (this includes the emergency repairs aspect, and the local share aspect that would be required to complement the NLTF)
  - 14.3. that some projects will not be funded through the NLTP process, but are deemed key to unlocking economic potential in this region.
15. A number of non-roading projects identified in the TEAP have also recently been agreed for PGF funding. The proposed Package both complements these projects, and provides a vital aspect of the overall strategic approach to unlock economic activity in Tairāwhiti.

### **Economic growth in Tairāwhiti requires an efficient and reliable roading network**

16. Due to the isolation and distance between Tairāwhiti and major ports, the roading network in Tairāwhiti plays an important role in regional economic development. Export industries rely on efficient and resilient road transport connections to operate competitively in international and national markets.

17. For example, forestry and related activities, which generate direct revenue of \$234 million into the local economy annually, rely on road connections to get its “wall of wood” to ports for direct export to overseas markets.
18. The geographical location and coastal nature of much of the roading network mean inter-regional movements are generally limited to State Highway 2, where much of Tairāwhiti’s primary produce (meat, fruit and vegetables) are transported through to Napier or Tauranga ports. On the other hand, State Highway 35 mostly provides for intra-regional connections to coastal communities and industries. Alongside the export industry, the tourism industry also relies heavily on both the intra-regional State Highway 35 route and the inter-regional State Highway 2 route.
19. The primary and tourism industries are projected to experience strong growth in the coming years and it is critical that these industries are supported by a reliable and efficient roading network.
20. However, historical under-investment in Tairāwhiti has had an impact on the ability of Tairāwhiti to grow its economy. This coupled with the natural conditions and recurring extreme weather events in the region have resulted in a sub-optimal roading network, which acts as a barrier to economic development in Tairāwhiti.
21. In addition, the sub-optimal roading network also reduces private investors’ confidence in making their own investments in the region. The region has consistently ranked investment in its roading network among its highest priorities for economic development.
22. While the Tairāwhiti region recognises the need for an integrated approach across different transport modes and has already progressed some work in the areas of rail, maritime and aviation, the roading network plays an important role in supporting the other transport modes (e.g. bringing goods to ports and rail hubs), and remains critical to unlocking Tairāwhiti’s economic potential.

#### *The Tairāwhiti Economic Action Plan*

23. The TEAP launched in February 2017, identified actions to address some of the key challenges in the Tairāwhiti region, including the need to connect people and markets through reliable transport networks.
24. Through investments in the transport network, the TEAP aims to benefit the Tairāwhiti region by:
  - 24.1. reducing costs to business
  - 24.2. increasing business efficiency
  - 24.3. improving the ability to attract talent
  - 24.4. improving access to networks and ideas
  - 24.5. leveraging under-utilised Māori land.

25. The TEAP identifies three transport actions to contribute to the goal to “Improve our transport [and digital connections] to ensure our major industries have the ability to be competitive internationally and get our products, services and offerings to customers at the right time”. The three transport actions are:
- 25.1. Action 6.1: Upgrade State Highway 35 and its connecting routes for forestry, tourism and economically under-used land in the region.
  - 25.2. Action 6.2: Complete an integrated Tairāwhiti plan to identify transport issues and prioritise solutions that will maximise value to landowners and increase productivity of under-used land in the region.
  - 25.3. Action 6.3: Upgrade State Highway 2 inter-regional connections from Bay of Plenty through Tairāwhiti down to Hawke’s Bay for horticulture and tourism.

*The Tairāwhiti region has identified strategic investment priorities in its roading network*

26. Following the launch of the TEAP, GDC, the New Zealand Transport Agency (the Transport Agency) and local stakeholders worked together to deliver on the three actions identified in the TEAP.
27. The Transport Agency has worked in partnership with the Gisborne region over the last 14 months in two major transport planning projects, mainly the Integrated Transport Priority Plan (ITPP) and the State Highway 2 and State Highway 35 Programme Business Cases
28. The ITPP focussed on roading solutions that will increase the efficient movement of product (freight) from origin to market. Stakeholders (including local businesses, the port and GDC) have had input into what transport initiatives would overcome barriers and contribute most to economic development in the region through more efficient movement of goods.
29. The resulting programme, and prioritisation of the programme, was agreed by all stakeholders and forms the basis for the projects identified in the Package. The next steps include implementation and determining the appropriate mix of funding to progress the opportunities identified.

### **Regionally prioritised projects are considered as part of the regular National Land Transport Programme process**

30. The Government recently released the GPS 2018, which supports the economic development of regional New Zealand by increasing the focus on developing safe and resilient transport connections to support freight and tourism.
31. To give effect to the GPS 2018, the Transport Agency is currently developing the NLTP 2018-21. To be included in the NLTP 2018-21, transport projects need to demonstrate high alignment with the strategic priorities identified in GPS 2018 (safety, access, environment and value for money).

32. While the shift in strategic priorities in GPS 2018 means regional transport projects, such as those identified in Tairāwhiti, have a higher chance of attracting funding through the NLTF, regions still face some challenges in securing NLTF funding.

#### *Challenges specific to Tairāwhiti*

33. Prioritisation of transport projects under the NLTP occurs across regions and identifies the work programmes needed to give effect to the GPS priorities at the national level.
34. This means that the relatively low volumes of vehicle kilometres travelled across the Tairāwhiti roading network may result in priority projects in Tairāwhiti struggling to demonstrate, relative to other regions, the level of return required to be included in the NLTP.
35. In addition, even if a project is included in the NLTP and is approved for funding, GDC would be required to contribute s percent of the project costs (excluding state highway improvements and maintenance which are fully funded from the NLTF). GDC has advised that it is likely to struggle to meet its local share requirements for activities that do receive NLTF funding. This means that works would not progress until local contribution is provided.
36. The projects identified through the ITPP and Connecting Tairāwhiti PBC are currently under consideration for inclusion in NLTP 2018-2021. The Transport Agency Board (the Board) is meeting on 20 August 2018 to finalise NLTP 2018-2021, which must be adopted by 31 August 2018.
37. Although the priority projects identified through the ITPP and Connecting Tairāwhiti PBC are currently being considered for inclusion in NLTP 2018-21, officials advise that a number of these projects are not likely to progress due to the reasons mentioned above.

#### **The Tairāwhiti Roding Package**

38. Noting the possible funding challenges under the NLTP process, and the critical importance of Tairāwhiti's roading network for economic prosperity, we requested advice from officials on how the PGF could be used to support Tairāwhiti's transport network.
39. To provide additional support for Tairāwhiti's transport network, the Package has been developed to support economic productivity in the region and contains investment opportunities that are not expected to attract funding through existing funds such as the NTLF, or where the local council will not be able to afford its local share.
40. The Package is made up of four components:
  - 40.1. Two-year physical works programme totalling \$33.90 million
  - 40.2. Funding support for emergency repairs up to \$4.80 million

40.3. Delivery of a five-year pipeline totalling \$112.00 million for investigations and implementation, with construction scheduled to commence at year three (2020/21)

40.4. Resource support up to \$1.00 million.

41. The full Package will deliver a \$151.70 million investment in the region phased over five financial years and will be funded from both the NLTF and PGF. Initial assessment indicates that the NLTF is likely to contribute at least \$14.70 million, with up to \$137.00 million being sought from the PGF.
42. The attached table provides additional information on the projects identified for the two-year physical works programme and five-year pipeline components, including the expected amount of NLTF funding.

#### *Physical works*

43. Attached as an appendix to this paper is a suite of construction projects, totalling up to \$33.90 million, targeting delivery within two years. The projects have been selected based on their prioritisation through the ITTP and the benefits they will provide through increased freight efficiency, improved road quality and increased resilience through decreasing the frequency of road closures.
44. These projects include existing roads, intersections, culverts and bridges, as well as work to improve the “levels of service” on high priority local roads (for example, improved drainage, pavement/metalling improvements, and upgrading corners to improve safety and resilience). A map showing the location of the projects is included as an appendix to this paper.
45. The physical works component has been carefully selected to balance regional capacity to deliver within two years. This component represents a significant increase of activity on top of the business as usual activities (also expected to increase under NLTP 2018-21) and the significant programme of emergency works over the next two years (2018/19 and 2019/20).
46. Discussions are underway to identify how the procurement model for the projects in the physical works component can be structured to support a targeted training and employment pathway.
47. We are seeking Cabinet’s agreement in-principle for the PGF to provide up to \$33.90 million for the physical works component of the Package.

#### *Funding support for emergency repairs*

48. The Tairāwhiti region has been hit by significant weather events over the last two years. While the Transport Agency provides emergency funding assistance for the reinstatement of transport services, there is still an expectation that local government contribute its share of funding. GDC has advised that it has exhausted its emergency works budget for the 2017 and 2018 weather events.
49. In general, under the emergency works funding category, the NLTF can fund:

- 49.1. any immediate response required for public safety or to provide vital access
- 49.2. reinstatement of customer levels of transport service.
50. Before the recent Queen's Birthday events in 2018, GDC made a financial hardship application requesting relief funding for the 2017 weather events for:
  - 50.1. Repairs of identified forestry routes (local roads, not private roads).
  - 50.2. Repairs to Tiniroto Road which is an alternative when SH2 is closed between Wairoa and Gisborne.
  - 50.3. The remainder of the request was to reinstate the affected local road network back to the One Network Road Classification customer levels of service.
51. GDC will submit its final applications for the 2018 events by mid-August 2018. Claims for the 2017 and 2018 events will be combined and the Transport Agency Chief Executive (under delegated authority from the Transport Agency Board) is scheduled to make a decision on the level of NLTF support by late August 2018.
52. Due to GDC exhausting its emergency works budget and the financial hardship faced by GDC, we seek Cabinet's agreement in-principle for the PGF to provide up to \$4.80 million to cover GDC's local share of funding for emergency repairs.

*Delivery of a five-year pipeline*

53. The ITPP and Connecting Tairāwhiti PBC identified several transport opportunities to improve resilience, reliability and community access on key transport corridors, but are yet to be investigated. Investigations could include business cases, geotechnical surveys and design works, and are a necessary step in determining the best solution to identified problems while ensuring value for money.
54. We are conscious that the physical works component of the Package, on top of the significant increase in NLTP and emergency works activity, has the potential to stretch the capacity of the region to deliver those activities within a short timeframe. However, we believe there is an opportunity to carry out investigations and implementation of recommended solutions within a five-year period.
55. Not only would this bring forward and provide certainty to the investigations being carried out, it will also provide a stable pipeline of construction activity over a five year period - this will allow greater certainty in the contractor market and create more opportunities to significantly grow local capability and employment. This provides the ability to leverage off procurement as a lever to drive investment in the local workforce, including skills training. For example, the Ministry of Social Development notes the opportunity to develop a workforce plan that will align employment and training pathways for local jobseekers
56. Officials have identified a suite of investigations that could be carried out within a two year timeframe (refer to project list and map attached as appendices to this paper).

57. Officials advise that if the full programme goes ahead, the five year timeframe is the shortest possible delivery timeframe given the scale and complexity of potential construction activities and the region's capacity to deliver on this.
58. We expect the NLTF will continue to be the primary funding source for transport investments and that any proposed solutions will be considered for funding from the NLTF first.
59. However, relying on NLTF funding alone will create uncertainty in that projects may not go ahead (due to the challenges around the NLTP and local share mentioned above), resulting in no certainty that solutions would be implemented.
60. To ensure the NLTF remains the primary source of transport funding, we propose to seek a funding envelope (up to \$108.10 million) from the PGF earmarked for implementation of solutions identified through the investigations. Delegated RED Ministers will approve PGF funding for implementation works once the following criteria are met:
- 60.1. Completion of the relevant investigation
  - 60.2. Exclusion from the NLTP following assessment against NLTP priorities, or GDC is unable to meet its local share for projects included in the NLTP
  - 60.3. Alignment with PGF criteria and objectives.
61. We are seeking Cabinet's agreement in-principle for the PGF to provide up to \$3.90 million to support the investigations component of the five-year pipeline, and up to \$108.10 million for the implementation component.

#### *Resource support*

62. Resource support for the Transport Agency and Tairāwhiti Roads<sup>2</sup> is required initially to scope the projects in the programme, develop project plans and procure the projects. Project management support will also be needed over the life of the Package to coordinate, monitor and report on progress.
63. We seek Cabinet's agreement in-principle for the PGF to provide up to \$1 million for resource support to deliver the Package.

#### **The rationale for PGF support**

##### *Historical under-investment in Tairāwhiti's roading network*

64. Transport investment levels in the Gisborne region have fluctuated over the 10 years from 2008 to 2017. Since 2011 there has been a lower level of investment, largely reflecting planning timeframes and low number of new roading improvement activities put forward by the region.

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<sup>2</sup> Joint venture between the Transport Agency and Gisborne District Council

65. State highway projects in Tairāwhiti have traditionally struggled to receive funding over other higher priority national projects such as major inter-regional corridors. This coupled with pressures on local funding (e.g. wastewater upgrades) has resulted in under-investment in the roading network.
66. The degraded state of the region's roading network, which is in large part owed to historic underinvestment and has been exacerbated by natural conditions and extreme weather events in the region, limits the region's ability to capitalise on its areas of competitive advantage.

*The Package aligns with regional development objectives of the PGF*

67. The overall objective of the PGF is to lift the productivity potential in the regions. Specifically, the main objectives are:
  - 67.1. jobs and sustainable economic development
  - 67.2. social inclusion and participation
  - 67.3. Māori development
  - 67.4. climate change and environmental sustainability; and
  - 67.5. resilience (infrastructure and economic).
68. Projects identified in the Package will improve the reliability, timeliness, resilience and safety of the roading network in the Tairāwhiti region and are necessary to boost regional productivity. Historic calculations<sup>3</sup> of the impact of road closures in the region focused on immediate transport costs (not wider economic impacts) and estimated the following transport costs per day of closure:
  - 68.1. SH2 Gisborne to Opotiki - \$35,000
  - 68.2. SH2 Gisborne to Napier - \$67,000
  - 68.3. SH35 Gisborne to Eastern BOP - \$93,000.
69. The interdependence between the improvement of the Tairāwhiti roading network and economic development in the region has been acknowledged by the TEAP, as well as local business.
70. The Package improves the resilience of the Tairāwhiti transport network through linking the region to markets and transport hubs, and safeguarding visitor and business access into the region. This has a flow on effect of helping to facilitate growth, as without these improvements, businesses will not have the confidence to make much needed investments.
71. The Package will enable better land utilisation by giving landowners confidence that roads will be open and durable in the face of severe weather events that the region

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<sup>3</sup> Gisborne and Hawke's Bay – Route Security Study – Opus (2013).

experiences from time to time. This will enable business to have confidence to make further investments in key sectors in the region, and other opportunities identified as part of the overall Tairāwhiti package, particularly in tourism and forestry.

72. The Package will generate employment opportunities through the construction process, while the stronger transport links into and out of the region will act as a catalyst for business investment, including in the tourism sector.
73. The Package will support Māori economic development as Māori have substantial land holdings adjacent to the roading network, which means any improvements to the network will strengthen the Māori economy through incentivising better land utilisation, which will lead to greater productivity and more jobs.

*The Package requires PGF assistance to progress*

74. The projects that form the Package are not currently underway and, where NLTF funding or local share is unavailable, are unlikely to be funded for many years without PGF assistance.
75. Regarding local share of the Package, GDC has significant constraints in being able to commit its share of local funding and as mentioned earlier, this has been a reason why local road improvements have not progressed in the past. The improvement expected through the Package is likely to result in lower maintenance costs for GDC in the longer-term. However, in the short term GDC will struggle to fund its share of improvement work.
76. An independent assessment of GDC's financial situation, to better understand the financial constraints of GDC has been undertaken by MorrisonLow. The assessment found that, depending on the final package and the local share required, there would be a rating impact in order for GDC to fund its share.
77. The assessment also looked at the option of borrowing as a source of funding and found that this would still require substantial rate increases to service the debt. The assessment notes that the Gisborne region has one of the highest levels of deprivation and the impact of rate increases is likely to have a disproportionate effect on the local community.
78. PGF funding assistance will bring forward the projects in the Package that would otherwise not be funded for years, if ever.

*Alignment with other PGF investments in Tairāwhiti*

79. The region has identified the package as being crucial to unlocking productivity, complementing other PGF investments in the region. In particular, the improved access (timeliness and reliability) and resilience of the roading network that the Package will bring links well with other opportunities in forestry (One Billion Trees), horticulture and tourism, which are the crucial sectors in the region.

80. In addition to improving transport access and resilience through the roading package, a redevelopment of Gisborne Airport and feasibility studies into a s 9(2)(b)(ii) are part of a potential announcement package on 7 September 2018.
81. Other PGF investments that are likely to be announced are expected to support the growth of a range of sectors in the Tairāwhiti region, including forestry (a sawmill, and feasibility studies for a forestry school and a s 9(2)(b)(ii) tourism (initiatives associated with the 250th anniversary of Captain Cook's landing), food and beverage and horticulture (a post-harvest and food processing facility). All have been prioritised by the region and are central to the realisation of the Tairāwhiti Economic Action Plan.
82. There is a fundamental interdependence between the opportunities in the total Tairāwhiti package to be announced on 7 September 2018 and the Package. The Package will complement these other projects by improving access to markets and building resilience and reliability in the roading network to support those industries.

#### *Regional support for the package*

83. The package is based on the recommended programmes from the ITPP and Connecting Tairāwhiti PBC. Both these programmes were developed with the region and have strong support from local government, industry and Maori representatives.
84. The ITPP is adopted in the Gisborne Regional Land Transport Plan (RLTP). If the Package is approved, a variation to the Gisborne, Hawke's Bay and Bay of Plenty RLTPs will be requested to ensure that all projects are reflected in RLTPs.
85. Officials have worked with the GDC on the make-up of this package and GDC is strongly supportive.

#### **Risks and mitigations**

86. The scale of this work programme is unprecedented for the Tairāwhiti region and we are mindful of the capacity of the construction industry within Tairāwhiti. The Package is ambitious, and will stretch local capacity to deliver. However by structuring the package so that a stable and significant pipeline of work exists, the local construction industry has signalled that it will build capacity and take on apprentices in the region.
87. We are seeking approval for PGF funding for projects that in some cases require further work such as design for physical works and business cases for investigations. The Transport Agency has assured us that if the Package is approved, the first step is to undertake detailed scoping and scheduling of the works to refine cost and time estimates. There will however remain two key risks that will need managing:
- 87.1. that available funds are not sufficient to cover all projects and/or investigations, including cost adjustments (such as scope and escalation). Where this occurs, the Transport Agency will:
- o advise the Provincial Development Unit that approved PGF funds will not be sufficient to deliver all approved projects and/or investigations

- o seek further PGF funding to cover any cost adjustment in accordance with the principle for land transport projects outlined in the February PGF Cabinet paper
  - o if the above aren't successful, reduce the number of projects or investigations to fit the available funds.
- 87.2. that normal project risks impact on approved timeframes and costs. Normal project risks can include consenting, property, geotechnical risks and unforeseen complexities during construction. The Transport Agency will manage these risks if and when they arise however impacts on costs and timeframes cannot be completely mitigated.

## Consultation

88. The following key stakeholders were involved in the development of the ITPP: Activate Tairāwhiti, Beef and Lamb NZ, Eastland Wood Council, Te Runanganui o Ngati Porou, Eastland Group, Ngati Porou Holding Company, Forest Enterprises, Federated Farmers and Ernslaw One, Opus, Tairāwhiti Roads, Weatherall Transport, Hikurangi Forest Farms, Kimihia He Oranga, Leaderbrand, PF Olsen, Gisborne District Council, Te Puni Kōkiri, Ministry for Primary Industries, Ministry of Business, Innovation and Employment, Ministry of Social Development.
89. The following agencies have been consulted on the Cabinet paper: Treasury, Ministry of Business, Innovation and Employment, Ministry for Primary Industries, Department of Internal Affairs, Te Puni Kōkiri, Ministry of Social Development, New Zealand Police, Ministry for the Environment, Department of Conservation, and Ministry for Women.
90. The Department of the Prime Minister and Cabinet has been informed.

## Financial implications

91. The total cost of the Package is estimated to be \$151.70 million funded from both the NLTF and PGF. Initial assessment indicates that the NLTF is likely to contribute at least \$14.70 million, with up to \$137.00 million being sought from the PGF.
92. However, given the timing of the Board's decision, we are seeking an in-principle agreement from Cabinet to fund up to \$151.70 million from the PGF to support the Package, and for delegated authority to the Minister of Finance, Minister for Regional Economic Development and Minister of Transport to approve the final changes to the relevant appropriations following final Transport Agency Board decisions.

## Human rights implications

93. The proposal is not inconsistent with either the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

## Legislative implications

94. This proposal has no legislative implications.

## Regulatory Impact Analysis

95. A regulatory impact assessment is not required as the proposal does not result in changes to legislation or regulations.

## Gender implications

96. The Package is likely to have a positive impact for women in the Tairāwhiti region. Better transport infrastructure can support women's economic development and social access. Women living in rural areas have less access to services such as maternity and childcare services and this limited access could cause stress, extra expense and limit employment opportunities.

## Disability perspective

97. Transport has historically been identified as a key issue for disabled people with mobility impairments, particularly for those in the regions. The Package is expected to result in better outcomes for disabled people.

## Publicity

98. Following Cabinet approval to support the Package, the Minister for Regional Economic Development intends to make an announcement on the Package during on 7 September 2018.

## Recommendations

The Ministers for Regional Economic Development and Transport recommend that the Committee:

1. **Note** that investment in the roading network has been identified as a priority in the Tairāwhiti Economic Action Plan (TEAP), to unlock Tairāwhiti's economic potential;
2. **Note** the recently released Government Policy Statement on land transport 2018 (GPS 2018) supports the economic development of regional New Zealand by increasing the focus on developing safe and resilient transport connections to support freight and tourism;
3. **Note** that Provincial Growth Fund (PGF) funding is being sought to support the investment identified through the National Land Transport Programme 2018-2021 (NLTP) to:
  - a) unlock economic potential in an identified surge region;

- b) address the financial limitations of Gisborne District Council in meeting its local share of funding projects prioritised in the NLTP and identified for National Land Transport Fund (NLTF) funding;
- c) assist with regional emergency funding, following a series of extreme weather events; and
- d) support identified projects that are unlikely to be fully reflected in the (yet to be finalised) National Land Transport Programme (NLTP)
4. **Note** the Tairāwhiti Roding Package (the Package) has been developed to support the actions identified in the TEAP;
5. **Note** that the proposed Package is estimated to cost up to \$151.700 million, including any NLTF and/or local share of funding consisting of:
- a) physical works of up to \$33.900 million;
- b) delivery of a five-year pipeline consisting of investigations of up to \$3.900 million and implementation costs of up to \$108.100 million (total \$112.000 million);
- c) funding for emergency repairs of up to \$4.800 million; and
- d) resource support of up to \$1.000 million
6. **Note** that the split between operating and capital amounts is still to be determined;
7. **Note** that PGF commitment is sought to cover the costs of the projects in the Package that are not included in the final NLTP, or the local share of funding for the Package;
8. **Note** that the New Zealand Transport Agency Board decisions on the NLTP are due by 31 August 2018, and final NLTP decisions will determine the level of PGF funding required to support the Package;
9. **Agree in principle**, that the PGF provide funding for the following components of the Package net of any NLTF and/or local share contribution:
- a) up to \$33.900 million to support the physical works component noted in recommendation 5a;
- b) up to \$3.900 million to support the pipeline investigations component noted in recommendation 5b;
- c) up to \$4.800 million to support the emergency repairs component noted in recommendation 5c; and
- d) up to \$1.000 million to support the resource support component noted in recommendation 5d

10. **Authorise** the Minister of Finance, the Minister of Transport and the Minister for Regional Economic Development jointly to agree the following:
- a. the final amounts required to give effect to recommendation 9 above following final NLTP decisions;
  - b. any necessary changes to the relevant appropriations, including establishing any new appropriations to give effect to recommendations 9 and 10(a) above;
11. Agree in principle, that the PGF provide up to \$108.100 million to support the pipeline implementation component noted in recommendation 5(b);
12. **Note** that the \$108.100 million is currently projected to fund the pipeline implementation, but the final amounts required may change depending on the outcome of the investigations (referenced in recommendations 5 and 9) and how much is funded from the NLTF, or from the local share of funding;
13. **Agree** to establish a tagged contingency of \$108.100 million as set out in the table below, with an expiry date of 1 January 2021, for the purpose of funding the pipeline implementation as set out in recommendation 11 and with a corresponding impact on the operating balance:

	\$million – Increase/(decrease) on operating balance			
Forecast fiscal impact	2018/19	2019/20	2020/21	2021/22
Tairāwhiti Rooding Package Future Pipeline Implementation Tagged Contingency	-	108.100	-	-

14. **Authorise** the Minister of Finance, the Minister of Transport and the Minister for Regional Economic Development jointly agree to:
- a) swap an amount of operating contingency to capital expenditure once the final split between the operating and capital components has been determined;
  - b) draw down the tagged contingency for the purpose of funding the pipeline implementation, when those Ministers have agreed that the following conditions have been met:
    - i. the relevant investigation is completed;
    - ii. the project (or portion of the project) is excluded from the NLTP following assessment against NLTP 2018-2021 or future NLTP priorities, or if the project (or portion of the project) is included in the NLTP but Gisborne District Council is unable to meet its local share funding; and

- iii. the project (or relevant portion of the project) aligns with PGF criteria and objectives.
  - c) any necessary changes to relevant appropriations, including establishing any new appropriations to give effect to recommendations 14(a) and 14(b)
15. **Agree** that the operating expenses incurred in 13 above, be charged as a pre-commitment against the operating allowance for Budget 2019 or Budget 2020, depending on the timing of the investigations completed; and
16. **Agree** that the amount pre-committed against Budget 2019 or Budget 2020 above count against the \$1 billion per annum Provincial Growth Fund in the relevant year.

Authorised for lodgement

Hon Shane Jones

Minister for Regional Economic Development

Hon Phil Twyford

Minister of Transport