

Land Transport and the Provincial Growth Fund

Purpose

The purpose of this paper is to outline the Provincial Growth Fund (PGF) approach to investment in land transport (road and rail).

Vision

The PGF will invest in land transport infrastructure that lifts the productivity potential of regional New Zealand by enhancing connectivity within and between regions.

Context

Investment in transport infrastructure is a key element of lifting the productivity potential of the regions.

Robust transport infrastructure can make a contribution to economic development as an enabler of economic activity.

Effective transport infrastructure enables products to move in a timely manner from where they are produced to where they are sold and enables people to move to provide their services where they are needed. It can also encourage the co-location of manufacturing centres and distribution hubs and enable tourism opportunities.

Gaps and Opportunities

There have been many requests from the regions for investment in roading and rail. Whilst transport is an enabler of economic activity, it does not itself generate economic growth. From a PGF perspective, the quantum of funding to be allocated to transport infrastructure will reflect its contribution to lifting regional productivity relative to other priority investment areas. This includes investment in transformational sectors and firms, training and development of local youth and unemployed workers, and other forms of infrastructure.

The PGF will invest in land transport where this will unlock productivity within a region. Examples of this may include roading investments that give greater certainty for farmers getting their products to markets, and rail investments that provide new opportunities to attract high value tourists.

PGF investment in land transport infrastructure will be informed by the priorities for wider infrastructure investment across the surge regions and other parts of New Zealand, which have been determined through engagement with regions and assessment of the national transport networks. The areas of land transport infrastructure investments that would have the most significant impact on regional productivity are:

- **Te Tai Tokerau / Northland:** railway
- **Tairāwhiti / East Coast:** roading
- **Manawatū-Whanganui:** distribution/logistics hub
- **Eastern Bay of Plenty:** logistics hubs network connected to Tauranga Port

- **Hawkes Bay:** roading
- **West Coast:** tourism rail

Land transport projects can be expensive. In 2018/19, the PGF is likely to fund up to \$600 million of land transport projects. While there is no cap on the value of land transport projects to be considered by RED Delegated Ministers, expenditure at this level leaves sufficient scope for other regional economic development investments. The majority of land transport investments will take place in 2018. These investments need to be made early in the PGF's lifetime to give confidence to businesses to make their own investments.

PGF Investment Principles

Principles for road investment

The following principles to guide investment decisions in roading - which were used in developing the Tairāwhiti roading package [CAB-18-MIN-0399 refers] - will be applied:

- Improves linkages between the region and major transport hubs and markets
- Safeguards visitor and business access to the region
- Increases investments in the region by improving business confidence to invest in the region
- Generates employment opportunities through the pipeline of work and increased investments.

Principles for rail investment

Investments through the PGF will be made in a way that is consistent with the longer-term objectives for rail and contribute to the overall development of the network, but with a focus on surge regions and the potential to lift regional productivity.

The following principles will be applied to PGF investments in rail:

- Meet PGF requirements: contribute to the PGF objectives of additionality, fit with regional economic development priorities, good project management and governance
- Ensure the reliability and resilience of rail improves in the regions as a result of investment
- Can make demonstrable progress on initiatives within the timeframes of the PGF
- Will have a significant impact on the productivity of the key sectors in the relevant regions
- Support regions' key sectors and exports, for example by strengthening distribution and logistics hubs
- Enable improved access for communities



- Where projects are national in scale, they can be started in surge regions to ensure they receive benefits early
- Prioritise regions where key roading infrastructure (i.e. state highways) is deleterious and there is an opportunity for rail to make substantial improvements to connectivity.

The table below sets out the priorities for investment informed by these principles and the land transport priorities of the regions. Those that have not been agreed by Cabinet will come to RED Delegated Ministers for consideration in coming months.

Project	Cost	Description	Status
Road			
Tairāwhiti roading package	\$140m	Improvements to key routes such as state highways 2 and 35, and local roads to improve inter and intraregional connections and the overall resilience of the regional transport network.	Approved

Redacted - Confidentiality of advice

Rail			
Multimodal distribution hubs	\$62m	Development of new intermodal freight and distribution hubs, including at Redacted - Confidentiality of advice near Palmerston North (Manawatū-Whanganui), and at Kawerau (Eastern Bay of Plenty).	Approved
West Coast tourism	\$80m	Upgrades to the TranzAlpine tourist rail service.	To be considered by DEV on 7 November

Redacted - Confidentiality of advice



Project	Cost	Description	Status
Road			
		Redacted - Confidentiality of advice	
Redacted - Confidentiality of advice			

Next Steps

The Provincial Development Unit (PDU) will work with KiwiRail to further develop business cases on tourism and distribution hubs for RED Delegated Ministers to sign off.

The PDU will work with the New Zealand Transport Agency (NZTA) to progress any land transport projects that relate to the State Highway network that RED Ministers identify as priorities and those that are part of integrated investment packages. The PDU will also work with approved organisations (Councils and DoC for example) on roads that they own.

Document proactively released