



Regional Infrastructure Fund Position Paper: Transport and Supply Chains

This paper outlines the Regional Infrastructure Fund (RIF) approach to investment in regional transport and supply chain infrastructure proposals. The intent is to provide clarity on what the RIF is aiming to achieve for this focus area and its investment priorities.

OVERVIEW

To be eligible for the RIF, applicants must be unable to access the investment their project requires from other sources. This is to ensure the RIF does not crowd out private investment. Applicants will also generally need to contribute co-funding, including evidence to show they are making the highest contribution that they financially can.

The position papers provide a guide for potential applicants and other stakeholders to support them to identify suitable projects and to frame their applications. Potential projects are not necessarily excluded because they are not covered in a position paper, provided the project meets the RIF eligibility criteria.

The position papers are designed to align with existing Government strategies and policies, and those in development. They will be updated from time-to-time to ensure they continue to align.

FORM OF INVESTMENT

The RIF is a capital fund, meaning loans, equity and other capital investments are the preferred form of funding. Grant funding will only be available in very limited cases, to accelerate projects that don't have a viable source of debt repayment and would otherwise not progress.

Loans, whether concessionary, convertible, or suspensory, are the most preferred form of funding, as they are the most likely to encourage strong commercial incentives on RIF co-investors.

Each project proposal will be assessed against factors such as commercial potential and strategic alignment with the RIF to identify the most appropriate funding option to deliver the best value for New Zealanders.

VISION

The RIF will support regional transport infrastructure to improve supply chains, be a strong enabler of economic growth and social connectedness, and provide greater resilience to climate impacts and weather events.

OBJECTIVES

The key objectives of investment in transport and supply chain-related projects are to:

- develop transport infrastructure that enhances regional economic and community resilience
- enable connectedness and growth through enhancements to regional transport networks
- improve the sustainability of the regional transport network

CONTEXT

Fit for purpose regional transport infrastructure enables the efficient movement of people and goods. It provides regions with access to markets that can drive growth, and ensures that regional communities can stay connected and access key social services. New Zealand's long, narrow mountainous geography and separate islands make regional transport connectivity particularly challenging.

Roads are the main means of transporting people and freight in New Zealand, but face capacity, resilience and sustainability challenges. The road connections in provincial regions are sometimes difficult for councils with small rate bases to afford, and often lie on terrain that is vulnerable to damage caused by extreme weather events, such as land slips. Road transport is also one of the largest contributors to New Zealand's emissions, and needs to decarbonise rapidly to support our emissions reduction commitments.

Rail plays an important role in moving large volumes of goods efficiently between major cities and ports, which has spillover benefits for regions accessing these goods, and generates fewer emissions than road transport. However, despite increased investment in the national rail freight network, the volumes of freight being moved by rail has continued to decline. Like roads, rail is vulnerable to extreme weather event damage.

Coastal shipping connects New Zealand's islands and can be an effective backup or alternative to roads in some regional areas that are surrounded by water and have difficult terrain, but port and wharf infrastructure is needed to make this possible. Ports are critical to the efficient movement of goods, but not all regional areas benefit from a nearby ports. Road and rail connections to ports also limit their efficiency in some cases.

Regional air transport connectivity enables access to jobs, education health and social services that may not be accessible by any other transport mode. It contributes strongly to the resilience of regional communities, is able to provide connectivity for a range of emergency events, and can support economic growth by enabling labour movement, tourism and high value freight. Maintaining regional air routes can be challenging however, given high costs and smaller passenger and freight volumes.

GAPS AND OPPORTUNITIES

New roads can enhance economic activity and connectedness, and upgrades to existing roads can enable more productive uses, such as increased high productivity motor vehicle access. Road transport resilience can be improved by providing alternative routes in critical areas, and protective infrastructure works such as drainage for vulnerable roads.

Investment in regional rail upgrades is likely to be limited given the Government's strategic focus on high-volume rail connections between metropolitan areas, but there may be

opportunities where strong value for money is evident or there is a pressing need to enhance resilience.

Facilitating the development and efficiency of ports is a Government priority. Ports and wharves can unlock new coastal shipping routes for goods and people, particularly in regional areas with limited road access. They can also facilitate new industry development, such as aquaculture opportunities.

Investments in regional airport infrastructure can enhance or support the resilience of key regional connections, including access to social services, emergency support and high value economic activities.

INVESTMENT PRINCIPLES

Investment principles provide guidelines for how the RIF will primarily aim to invest in the transport and supply chain sector. The RIF may invest in projects that can demonstrate the following attributes:

- Develop transport infrastructure that enhances resilience by increasing protection from weather events and natural hazards or adding alternative routes.
- Enable connectedness and economic growth through enhancements to regional transport networks which increase access in key economic areas or increase efficient movement of people and goods.
- Reduce transport emissions and improve the sustainability of the regional transport network by supporting more low-carbon journeys and vehicle usage.

The RIF's investment in the transport and supply chain sector will be based around loans, equity, or other capital instruments. Some grant funding may be available to accelerate transport resilience projects in very limited cases.

RIF INVESTMENT PRIORITIES

- Regional roads (where unable to access other central or local government funding) to enhance productivity or provide routes that are more resilient to weather events and natural hazards.
- Ports, wharves and barges which provide additional or more efficient transport routes for people or goods in regional areas.
- Regional airports for regional routes, where these are financially sustainable.
- Ports and transport hubs that enable more efficient regional freight movement.

TYPES OF PROJECTS THAT THE RIF WILL NOT INVEST IN

- Road projects that are able to access other local or central government funding.
- General maintenance works for existing roads.
- The RIF will not prioritise investment in large-scale regional rail projects unless evidence demonstrates the long-term economic benefits will significantly outweigh project costs.
- Transport projects that do not develop infrastructure assets, e.g., projects focussed on ongoing transport service provision.