

COVER SHEET

1. Tairawhiti Railway Tourism (feasibility) Project PGF Application

For:
Approval

Background & context:

Applicant Organisation:

- Activate Tairawhiti (AT)

Location:

- East Coast/ Tairawhiti

Proposal:

- Tairawhiti Railway Tourism Feasibility

Funding Sought:

- Total project value: Up to \$ Commercial Information

*the PDU has received two applications to undertake feasibility studies on restoring the Gisborne/Wairoa rail line. Both are seeking a similar outcome and have expressed willingness to combine their proposed studies, to be led by Activate Tairawhiti (AT). The PDU will work with AT to finalise the application project cost in the contracting phase, should SROs approve. Note that AT is working with the two entities that hold non-exclusive lease agreements to operate on the line for the purposes of 'rail tourism', and that use of the line for freight purposes is potentially in tension with these activities. Any changes to operations on the track would need to be resolved with the relevant operators and KiwiRail.

Background:

A feasibility assessment is required as in March 2012 storm damage caused four significant washouts north of Wairoa resulting in the immediate suspension of freight services on the Napier-Gisborne line. At the time, KiwiRail estimated that the line north of Wairoa would take at least six months to repair at a cost of around \$ Commercial Information.

Recommendation:

We recommend that SROs:

- a) **Discuss** the two applications to the PGF relating to feasibility on the mothballed Gisborne to Wairoa railway
- b) **Note** PDU recommends that one feasibility study is undertaken to establish both the tourism related opportunities, and, maintenance required to re-establish freight/ passenger services - and that Activate Tairawhiti (one of the applicants) take the lead. This has been discussed with the applicants and the approach has been agreed
- c) **Note** PDU has assessed these applications
- d) **Note** MOT and NZTA have provided technical advice and comments on these applications
- e) **Approve** up to \$600,000 from the PGF to be allocated towards the Tairawhiti Railway Tourism Feasibility project subject to:
 - a. Final project costing;
 - b. Review of the RTLP due end of June 2018
 - c. Consultation with the current licence holder to ensure access
 - d. Consultation with all relevant Iwi/ Hapu; and
 - e. Consultation with PDU to ensure an open tender process for the work

It is important to note that prior to the mothballing of the line, it was running at an operating deficit (Commercial Information [REDACTED]).

Feasibility is sought to establish options for tourism related activities along the rail corridor, as well as scoping the costs associated with re-establishing the rail line between Gisborne and Wairoa. It must be noted that a potential issue could arise if the line is reopened for freight as this would likely impact the tourism option of using the track for 'rail bikes' - something the existing licence holder is hoping to develop.

MoT have noted that the feasibility assessment should also consider how a greater level of resilience might be built into the line, given the events which led to its closure in 2012.

The purpose of this briefing is to consider recommending PGF funds to the Tairāwhiti Railway Feasibility Project

Alignment to PGF criteria: *Increased Economic Benefit*

Tourism: While other regions have invested in infrastructure to stimulate economic growth and encourage tourism, Tairāwhiti is still relatively under developed.

Cruise New Zealand has just confirmed that Gisborne will host at least 18 cruises in the 2018/19 season – a 32% increase - bringing at least 40,000 additional visitors to the region. Gisborne is now classed as an 'Emerging Cruise Destination' port and is expecting to increase its cruise market over the next decade. These new numbers will open tourism opportunities for the region, of which, offerings associated with the Gisborne – Wairoa/ Napier rail corridor could provide activities not currently available.

Freight MOT have noted that the Government has expressed a view that rail should play a central role in an integrated transport plan, both regionally and nationally. As such, feasibility on re-establishing the rail corridor between Gisborne and Wairoa/ Napier should be considered by the region.

GDC has noted that a significant increase in logging activity, and, by default, freight movement is forecast in the region. This could provide scope for a wider transport solution (currently all logging is transported via road to Wairoa/ Napier, or shipped from Gisborne).

Additionality

Prior to 2012, the rail line operated carrying freight (logs). The PGF application is looking to scope options to establish tourism based activities along the corridor, as well as undertaking feasibility to better understand the costs associated with re-establishing the freight and even passenger services.

Additionally, In 2017, Eastland Community Trust funded \$ ^{Commercial Information} for urgent corridor repairs to enable Gisborne City Vintage Railway to operate the 'Chardonnay Express' stream train weekend service.

Alignment with regional plans/ Stakeholder support

Activate Tairāwhiti's Economic Action Plan (TEAP), Action 5.6, is to complete feasibility studies on an extended Gisborne-Napier cycleway. That said, we understand the potential reinstatement of the Gisborne-Wairoa line, especially for freight purposes, is contentious in the region. Any proposed work needs to be cognisant of the transport priorities reflected in the Regional Land Transport Plan (RLTP) prepared by Gisborne's Regional Transport Committee, particularly its stance on rail. RLTPs are statutorily required to be completed by 30 June 2018.

Management and Governance

Existing governance processes through ECT and Activate Tairāwhiti with the support of Gisborne District Council are evidenced.

Risks Issues:

Supplied by the applicant:

Risk: Feasibility study going over budget.

Mitigation: AT completed initial project scope and discussed project with suppliers.

Note, PDU will work with the applicant to provide assistance in developing the project brief and monitor to ensure no conflict of interest arises in the contracting of parties to undertake the feasibility study.

Eligibility points of note:

- *Due diligence*:- Activate Tairāwhiti is a council subsidiary. Due Diligence is being undertaken. If successful, due diligence should be undertaken on any contracting consultant brought in to undertake work - to ensure an open tender process.
- *Conflict(s) of interest*:- Based on the information provided no conflict of interest is evident.
- *Illegal Activity*:- Based on the application information provided and feedback from other agencies there is no indication the applicant or project has been involved in, or associated with illegal activity.
- *Alignment with Regional development plans*:- The project is noted as a line item in the Tairāwhiti Economic Action Plan. However, MOT have noted potential issues in relation to the RLTP.
- *Commercial funding availability*:- Given the nature of the project which is to undertake a feasibility study access to commercial funding is not considered a feasible option.

Consultation undertaken or implications:

Legal	N/A	HR	N/A	Finance	N/A	MBIE policy	N/A	Other	MOT/ NZTA
Supporting proposal:		Yes							
Appendices:		Commercial Information							
Sponsor(s):		N/A							
Manager/Author of paper:		ELH Investment Team. Acknowledgement of help from ^{Privacy of natural persons} and							

Privacy of natural persons

PROACTIVELY RELEASED