

COVER SHEET

<h3>3.10. Napier to Wairoa variation for storm damage Project PGF Application</h3>	<p>For: Approve</p>
<p>Background & context:</p> <p>Applicant Organisation:</p> <ul style="list-style-type: none"> Kiwirail <p>Location:</p> <ul style="list-style-type: none"> Eskdale, Hawkes Bay region <p>Proposal:</p> <ul style="list-style-type: none"> Additional funding request to repair recent storm damage on the Napier to Wairoa rail line. This is part of the broader Napier to Wairoa reinstatement project that was funded through the PGF in February early this year. <p>Funding Sought:</p> <ul style="list-style-type: none"> Total project value: \$^{Commercial Information} PGF Funding: An additional \$^{Commercial Information} was previously provided. <p>Background:</p> <p>The PGF Napier to Wairoa project was announced in February this year and provides capital to reinstate the Napier to Wairoa line bringing it up to a safe operating standard that is suitable for lower speed forestry traffic.</p> <p>In early March a localised weather event occurred in the Eskdale area, with the Esk river breaking its banks. The event caused significant storm damage to the line and accordingly an additional \$1.2m is sought from the PGF to address these repairs.</p>	<p>Recommendation(s):</p> <p>We recommend that the IAP:</p> <ol style="list-style-type: none"> Note that Kiwirail are responsible for the PGF Napier to Wairoa rail line reinstatement project that was announced 23 February 2018; Note that \$^{Commercial Information} of PGF funding was confirmed for the project and work commenced to reinstate the line on 26 February 2018; Note that reinstating the rail freight line will enable relevant stakeholders to apply a broader strategy for bulk freight movements to and from ports that are currently distributed by road mode; Note the additional \$^{Commercial Information} of PGF funding will be used to address storm damage to the line in the Eskdale area; Approve an additional \$^{Commercial Information} from the PGF fund towards the broader Napier to Wairoa rail line reinstatement project subject to: <ol style="list-style-type: none"> The additional funding being included as a variation to the existing contract with Kiwirail for the broader PGF Napier to Wairoa project; The additional funds only being used to address storm damage repairs to the line in the Eskdale area.
<p>PGF criteria that this proposal supports:</p>	

PGF Criteria	Assessment Commentary	Rating (1✓ to 5✓)
Link with fund and government outcomes		
Creates permanent jobs	<ul style="list-style-type: none"> Supports sustainable economic development for the region by (a) providing access to rail and (b) establishing a reliable freight option to connect business and industry to the Napier port and export markets 	Previously assessed
Delivers benefit to the community	<ul style="list-style-type: none"> Improvement of road safety and general amenity by eliminating heavy truck movements in the region 	Previously assessed
Increased utilisation and returns of Maori asset base	n/a	Previously assessed
Enhanced sustainability of natural assets	n/a	Previously assessed
Mitigation of climate change effects	<ul style="list-style-type: none"> It is estimated that the Wairoa-Napier line will move 80,000 tonnes of logs, which may remove 5,000 trucks per year off the roads 	Previously assessed
Additionality		
Adding value by building on what is already there	<ul style="list-style-type: none"> Extending regional rail networks to attract new volumes to rail and establishing rail optimisation systems to reduce operating costs 	Previously assessed
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> Improved freight infrastructure for forestry in the region 	Previously assessed
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	<ul style="list-style-type: none"> Kiwirail has been in discussions with Napier/Hawkes Bay Regional Council. 	Previously assessed
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> Kiwirail has been in discussions with Napier/Hawkes Bay Regional Council. 	Previously assessed
Governance, risk management and project execution		
Robust project management and governance systems	<ul style="list-style-type: none"> Kiwirail will take responsibility for this and are experienced in running these types of 	Previously assessed

	projects..									
Risk management approach	<ul style="list-style-type: none"> • Kiwirail will take responsibility for this. Kiwirail has strong risk management experience in this space – this will be managed in accordance with the existing funding contract requirements. 	Previously assessed								
Future ownership / operational management	<ul style="list-style-type: none"> • This will be managed in accordance with the existing funding contract requirements. 	Previously assessed								
The purpose of this briefing is to consider recommending/ declining PGF funds to the:										
<p>Risks Issues: The additional funding is a critical requirement of the broader Napier to Wairoa line reinstatement, if it is not funded the whole project will be at risk of non-delivery.</p> <p>Eligibility points of note:</p> <ul style="list-style-type: none"> • <i>Due diligence</i>:- Kiwirail is a registered state owned enterprise and operates within the policy and regulatory frameworks of the State Owned Enterprises Act 1986 (the Act). • <i>Conflict(s) of interest</i>:- Based on the information provided no conflict of interest is evident noting that full due diligence will inform this item further. • <i>Illegal Activity</i>:- Based on the application information provided and feedback from other agencies there is no indication that the applicant or project has been involved in, or associated with illegal activity. • <i>Alignment with Regional development plans</i>:- Kiwirail has been in discussions with Napier/Hawkes Bay Regional Council. • <i>Commercial funding availability</i>:- Given the nature of the project which is to repair storm damage in the Eskdale area of the Napier to Wairoa rail line, 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		
Supporting proposal:										Yes
Appendices:										Yes – project brief is included in annexes
Sponsor(s):										N/A
Manager/Author of paper:										David van der Zouwe Investment Team

Project Name - Napier to Wairoa variation for storm damage

Project Definition

- The Napier to Wairoa project was announced in February 2018 and provides capital to reinstate the Napier to Wairoa line bringing it up to a safe operating standard that is suitable for lower speed forestry traffic.
- On the basis of this approval, work commenced to reinstate the line on 26 February 2018.
- However, as work commenced on the line between Napier and Wairoa a localised weather event occurred in the Eskdale area on 8 March 2018, with the Esk River breaking its banks. Heavy rain and flash flooding damaged parts of the line, including one large washout affecting more than 100m of track, along with multiple smaller washouts, and debris such as trees on the line.
- A variety of methods are required for the repairs:
 - Clearance of smaller slips across the track to waste
 - Replacement of formation and ballast at sites where overland water flow has scoured out the track - this requires importing ballast from outside the area
 - Repair of and construction of a number of retaining walls
 - Slewing track away from a failed slope/ wall
 - Earthworks rebuild at sites of major washout
- Photos of the damage are attached as Appendix One. The total cost of repairing the storm damage is estimated at \$^{Commercial Information}. Accordingly an additional \$^{Commercial} is sought from the PGF to address these repairs.
- This additional funding request was discussed with the Provincial Development Unit (PDU) at the time of agreeing the funding agreement for the main Napier to Wairoa project, and it was agreed that this be treated as a variation to the main funding agreement.

Purpose

- This investment supports the broader Napier to Wairoa reinstatement and enables the overall project to be delivered in accordance with specifications. The additional funding is a critical requirement if the broader project is to be delivered.
- KiwiRail has estimated that using the Napier to Wairoa line to move 80,000 tonnes of logs could take around 5,000 trucks a year off the road.

Parties

Recipient: KiwiRail

Exec Contact: David Gordon, GGM Investment, Planning & Risk

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Total Grant Amount

- The original grant amount is \$Commercial Information (excl GST).
- KiwiRail is seeking a further \$Commercial Information for fixing storm damage caused in March 2018. The total funding requested for the reinstatement project is therefore \$Commercial Information (excl GST).
- This application has been discussed with the PDU and it is proposed that the additional \$Commercial Information is treated as a variation to the funding agreement.

Project Budget

The larger sites are tabled below with high level estimates:

	meterage	estimate
Dropout undermining track	204.8	\$Commercial Information
retaining wall failure	209.52	\$Commercial Information
Failed wall, ballast shoulder loss	226.175	\$Commercial Information
Washout 22m	193.585 - 193.609	\$Commercial Information
scour 12m RHS	193.566 - 193.578	\$Commercial Information
scour	198.286 - 198.307	\$Commercial Information
scour	199.315 - 199.32	\$Commercial Information
scour	201.898	\$Commercial Information
scour	202.698 - 202.734	\$Commercial Information
Rebuild retaining wall	203.011	\$Commercial Information
culvert to clear	203.083	\$Commercial Information
dropout wall required	203.139 - 203.148	\$Commercial Information
major washout	203.595	\$Commercial Information
dropout wall required	203.75	\$Commercial Information
3 slips	205.9 – 206	\$Commercial Information
small washout	206.1	\$Commercial Information
nth end tunnel 6 slip / trees	208.934	\$Commercial Information
slip	209.311	\$Commercial Information
nth end tunnel 8 slip	212.87	\$Commercial Information
Total Estimated Repair		\$Commercial Information

Project Deliverables

Repairing the storm damage will form an integral part of the overall reinstatement project and therefore the deliverables are the same.

The key deliverable is the completion of works – estimated **Commercial Information**. Key milestones are shown below.

Key Milestones	Estimated Date
Commence works onsite (vegetation clearance)	Commercial Information
Completion of slip repair works at 203.6km	
Completion of bridge resleepers	
First worktrain to deliver sleepers	
First Ballast train	
Arrival of Tamper	
First EM80 run for geometry checks	
Second / final EM80 run	
Run NDT car	
Hand back Napier to Wairoa for ordinary service	
First train service (subject to commercial arrangements)	

Project Reporting

- The network reinstatement project is being delivered by the KiwiRail Networks team with some external labour for services such as tree removal.
- A regular project report for the full project will be provided, including:
 - Project update
 - Progress against milestones
 - Financials against budget
 - Risks
 - Stakeholder management and communication

Appendix One

Photos of Storm Damage





