



Funding transfer to implement the Hawke's Bay Transport Package

Reason for this briefing	Cabinet has approved three transport-related Provincial Growth Fund projects as part of the of the Hawke's Bay Transport Package. A funding transfer from Vote Business, Science and Innovation to Vote Transport is required to implement the approved projects.
Action required	Approve the transfer of funding from Vote Business, Science and Innovation to Vote Transport.
Deadline	23 September 2019.
Reason for deadline	To approve the funding transfer at an out of cycle Regional Economic Development (RED) delegated Ministers meeting, being held 23 September 2019.

Contact for telephone discussion (if required)

Name	Position	Telephone	First contact
Helen White	Manager, Investment	Privacy of natural persons	✓
Kaitlyn Stringer	Graduate Adviser	Privacy of natural persons	

MINISTERS' COMMENTS:

Date:	17 September 2019	Briefing number:	OC190775
Attention:	Hon Grant Robertson Minister of Finance Hon Phil Twyford Minister of Transport Minister for Economic Development Hon David Parker Minister for Trade and Export Growth Hon Shane Jones Minister for Regional Economic Development	Security level:	In Confidence

Minister of Transport's office actions

- Noted*
 Seen
 Approved
 Needs change
 Referred to
 Withdrawn
 Not seen by Minister
 Overtaken by events

Purpose of report

1. This briefing seeks Regional Economic Development (RED) Ministers' approval to transfer Provincial Growth Fund (PGF) funding from Vote Business, Science and Innovation (BSI) to Vote Transport, to implement the approved base component of the Hawke's Bay Transport Package.
2. Once Ministerial approval is confirmed, the Provincial Development Unit (PDU) and relevant local authorities can then enter into funding agreements to progress the approved projects.

Background on funding arrangements

3. When the PGF was established, the appropriation structure for transport-related PGF projects meant that funding was administered through Vote BSI. For example, a total of \$^{Commercial Information} was provided through Vote BSI to fund a number of ^{Commercial Information} projects and business cases¹.
4. RED Ministers subsequently agreed to transfer responsibility to Vote Transport, and established a new multi-category appropriation "Tuawhenua Provincial Growth Fund – Transport Projects MCA" in Vote Transport.
5. The Ministry of Transport, the New Zealand Transport Agency, the PDU, the Treasury, and KiwiRail have entered into a Memorandum of Understanding that governs how transport-related PGF projects will be funded and administered (including reporting and monitoring) through Vote Transport.

Background on the Hawke's Bay Transport Package

6. Hawke's Bay is one of the six surge regions identified for the PGF. The Hawke's Bay region has developed an economic strategy to lift the productivity of the region through improvements and has sought PGF co-investment to achieve this lift. The key theme of the approach is a shift from dairy towards horticulture and tourism. This requires investment in skills, water storage and transport, among other investments.
7. This Hawke's Bay Transport Package will invest in the transport network to support freight and tourism in the region. The Hawke's Bay Transport Package is formed by two components: a base package (the base component), and an additional package of further funding subject to investigations.

Funding for the base component

8. On 4 June 2019, Cabinet agreed to allocate \$2.550 million from the PGF to fund the base component of the Hawke's Bay Transport Package [CAB-19-MIN-0267], made up of:
 - \$2.200 million for the Wairoa High Productivity Motor Vehicles (HPMV) upgrades;
 - \$0.350 million for the business case on Central Hawke's Bay upgrades to meet HPMV standards.
9. ^{Commercial Information} will fund an additional \$^{Commercial Information} for the Integrated Transport Programme (ITP) business case for Hawke's Bay, which makes up the remainder of the base component.

¹ Wairoa to Napier Railway (\$^{Commercial Information}), Whanganui Rail upgrade (\$3.000 million), Rail freight opportunities feasibility studies (\$^{Commercial Information}) and Hokitika to Westport rail feasibility study (0.250 million).

10. A number of non-roading projects have already been approved for PGF funding in the Hawke's Bay region (e.g. Napier to Wairoa rail line). The Hawke's Bay Transport Package both complements these projects and provides a vital aspect of the overall strategic approach to unlock economic activity in Hawke's Bay.

Funding for the additional package requires further investigations

11. On 4 June 2019, Cabinet agreed to further investment of up to \$24.500 million from the PGF to fund the additional package, with the final amount to be determined subject to further investigations of the required level of PGF investment [CAB-19-MIN-0267], up to a ceiling of:
 - \$20.100 million for Route 52: Waipukurau to Porangahau (Route 52);
 - \$4.400 million for the Dannevirke rail hub and evaluation.
12. Cabinet agreed to delegate responsibility to RED Ministers for approving the decision for the PGF to provide funding for the projects referred to in paragraph 11 above.
13. In order to complete the necessary investigation work to determine the required level of PGF investment, the Central Hawke's Bay District Council (CHBDC), requests that \$0.350 million of the \$20.100 million be released. This will allow for the Council to complete the Route 52 investigations and be in a position in early 2020 to start the implementation of the works. Prior to the PGF application, the Council had already completed a lot of investigative work on Route 52, which will ensure the assessment is completed in an accelerated timeframe.
14. With the \$0.350 million of funding the Council will complete a detailed business case for Route 52 including detailed overviews of options, solutions, costs and benefits. In parallel the Council will complete inspections and assessments of key structures along the proposed route. This will inform designs and accurate cost estimates for the physical works. The detailed business case will allow Route 52 to be considered for NLTF funding. The PDU will provide advice to RED Ministers on releasing the remaining funding (of the \$20.100 million) for the project.
15. CHBDC will concurrently undertake the business case on Central Hawke's Bay upgrades to meet HPMV standards. This will determine the value in investing in additional roads to Route 52, and to have their eligibility considered by the NLTF. Limited assessment of the roading network has been undertaken to date, and the assessment is anticipated to be complete by June 2020.
16. The PDU will provide advice to RED Ministers on the PGF investment of up to \$4.000 million into the Dannevirke rail hub once a \$0.400 million feasibility study has been completed. Work on the investigation is being commissioned through Vote BSI and no funding transfer is required.

Funding transfers into Vote Transport are required to implement the projects

17. To implement the above mentioned projects of the Hawke's Bay Transport Package, a funding transfer from Vote BSI to Vote Transport is required. **Table 1** below shows the project breakdown and the amount of PGF funding required.

Table 1: Amount of funding required in Vote Transport

Project	Costs (\$m)
Wairoa High Productivity Motor Vehicles (HPMV) upgrades	2.20
The business case on Central Hawke's Bay upgrades to meet HPMV standards	0.35
Business Case for Route 52: Waipukurau to Porangahau	0.35
Total PGF funding required	2.900

Consultation

18. The Ministry of Business Innovation and Employment, the New Zealand Transport Agency, Treasury and the PDU have been consulted and agree the content of this briefing.

Recommendations

The recommendations are that you:

- (a) **note** that PGF funding for Council owned roads is administered through Vote Transport;
- (b) **note** that Cabinet has agreed to allocate \$2.550 million from the PGF to fund the base component of the Hawke's Bay Transport Package;
- (c) **note** that Cabinet has agreed to further investment of up to \$24.500 million from the PGF to fund the additional package subject to further investigations, and delegated responsibility to RED Ministers for approving the decision for the PGF to provide funding for these projects;
- (d) **note** that the Central Hawke's Bay District Council has requested that \$0.350 million is released from the Hawke's Bay Transport Package's additional package of further funding to complete the business case for Route 52: Waipukurau to Porangahau;
- (e) **note** that a transfer of \$^{Commercial Information} of PGF funding, from Vote BSI to Vote Transport, is required to implement the Cabinet-approved base component of the Hawke's Bay Transport Package and to complete the business case for Route 52; Waipukurau to Porangahau;
- (f) **approve** the following changes to appropriations, to transfer PGF funding from Vote BSI to Vote Transport for the Cabinet-approved base component of the Hawke's Bay Transport Package and to complete the business case for Route 52; Waipukurau to Porangahau, with no impact on the operating balance or net core Crown debt; and

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Vote Business, Science and Innovation Minister for Regional Economic Development Multi-Category Expenses and Capital Expenditure: Regional Economic Development: Provincial Growth Fund MCA Non-departmental Other Expense: Supporting Regional and Sector Initiatives	(Commercial In)	-	-	-	-
Vote Transport Minister of Transport Multi-Category Expenses and Capital Expenditure: Tuawhenua Provincial Growth Fund – Transport Projects MCA Non-departmental Other Expense: Enabling Infrastructure Projects Non-departmental Other Expense: Regional Projects and Capability	Commercial In	-	-	-	-
	Commercial In	-	-	-	-

Approved / Not approved

- (g) **agree** that the proposed changes to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

Privacy of natural persons

Agree / Disagree

Helen White
Manager Investment

MINISTERS' SIGNATURES:

Hon Grant Robertson
Minister of Finance

Date

Hon Phil Twyford
Minister of Transport
Minister for Economic Development

Date

Hon David Parker
Minister for Trade and Export Growth

Date

Hon Shane Jones
Minister for Regional Economic Development

Date

