

BRIEFING

Regional Investment Opportunities Announcement 28 February 2020

Date:	21 February 2020	Priority:	High
Security classification:	In Confidence	Tracking number:	2400 19-20

Action sought		
	Action sought	Deadline
Hon Shane Jones Minister for Infrastructure	Note the contents of this briefing	28 February 2020
Fletcher Tabuteau Parliamentary Under-Secretary to the Minister for Regional Economic Development	Note the contents of this briefing	6 March 2020

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Kate Styles	Manager, Regional Development Central/South PDU	Privacy of natural persons	✓
Maria Morunga	Principal Advisor PDU	Privacy of natural persons	

The following departments/agencies have been consulted
Ministry of Transport Waka Kotahi / NZ Transport Agency

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments

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Purpose

On 28 February 2020, you will announce the \$300 million Regional Investment Opportunities Fund, and the 18 associated projects that have been approved to date. This announcement will take place at the 'Infrastructure 2020: Looking Ahead' event at BECA in Auckland.

This briefing provides background detail on the projects to be announced. Talking points, Q&As and a press release for this event will be provided to your office separately. It also notes any key risks associated with the projects.

Recommended action

The Provincial Development Unit (PDU) recommends that you:

- a **Note** the contents of this briefing for your announcement of the Regional Investment Opportunities funding on 28 February 2020.

Noted

Kate Styles
Manager, Regional Development, Central/South
Ministry of Business, Innovation and Employment

Hon Shane Jones
Minister for Infrastructure
Minister for Regional Economic Development

21 / 02 / 2020

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Background

Infrastructure 2020: Looking Ahead conference

1. On 28 February you, as the Minister for Infrastructure, will be the keynote speaker at the 'Infrastructure 2020: Looking Ahead' event. At the event you will announce the \$300 million Regional Investment Opportunities Fund (the Fund). You will also announce 18 projects that have been approved as part of the Fund.
2. The event is being organised by the New Zealand Infrastructure Commission and will be held at the BECA offices in central Auckland. The New Zealand Infrastructure Commission is working closely with your office on the plan for the event and they will communicate the event details, including the run sheet and the timing of your speech, directly with your office.

Regional Investment Opportunities Fund announcement

3. In December 2019, Cabinet approved \$300 million for the Fund to invest in projects that:
 - Support regional economic development
 - Do not meet all of the Provincial Growth Fund's (PGF's) criteria
 - Are infrastructure investments Commercial Information
 - Commercial Information
 - Can be initiated by August 2020.
4. Since Cabinet's decision, You and the Minister of Finance, as delegated by Cabinet, have approved 18 projects from the Fund. These projects will be announced at the conference. The projects are detailed below and a list of all the approved projects is included in Annex One of this briefing.

Regional Investment Opportunities Fund – Approved Projects

Marine and Coastal Assets

Bay of Plenty: Ōpōtiki Harbour (\$79.4 million)

5. This project will fund \$79.4 million toward the \$Commercial Information development of the Ōpōtiki Harbour. The project will involve: construction of a two engineered sea walls; and dredging a channel for commercial vessels to use the facility in most sea and tide conditions. The Bay of Plenty Regional Council will also make a co-contribution to the project of \$Commercial Information
6. Economic modelling by Ōpōtiki District Council predicts the harbour development will produce approximately \$Commercial Information in economic benefits for New Zealand.
7. The development is fully consented. Commercial Information
8. The key risk for this project is cost escalation risk, which is that costs increase to a level higher than the approved funding. To mitigate this risk, BECA was commissioned to do an engineering design peer review. In addition, the District Council has completed an extensive scoping of costs. The project budget also includes a \$Commercial Information contingency.

West Coast Ports (\$8.5 million)

9. This is a package of port upgrades in the West Coast, comprised of:
 - Floating pontoons at Westport (\$Commercial Information) – owned by Buller District Council
 - Floating pontoons at Greymouth (\$Commercial Information) – owned by Grey District Council, and

- Wharf repair at Jacksons Bay, south of Haast (\$Commercial Information) – owned by Westland District Council.
10. The project will get the ports into a financially sustainable position and capable of contributing to economic growth opportunities for the West Coast, for example by enabling the expansion of the West Coast's fishing sector.
 11. It is expected that construction will start in Commercial Information. The project is expected to be completed Commercial Information.
 12. The future ownership of the new and pre-existing assets, Commercial Information will be negotiated with the recipients.
 13. The key risk for this project is cost over-run. PDU officials are discussing how this over-run would be managed with the recipient Councils.

Regional State Highway Projects

North Island

Northland: State Highway 1 and State Highway 11 Kawakawa – Roundabout and Resilience (\$6 million)

14. This project is to build a roundabout at the intersection of State Highways 1 and 11 in Kawakawa. Construction of the roundabout is estimated to start in Commercial Information.
15. Waka Kotahi / NZ Transport Agency (NZTA) expects that community stakeholders will welcome this announcement because residents in Kawakawa are aware that NZTA had been looking to upgrade the intersection for a while. NZTA did not identify any known risks for this announcement. However, standard project risks apply to this project, which NZTA will manage if they arise.

Northland: State Highway 11 and State Highway 10 Puketona – Roundabout (\$15 million)

16. This project is to build a roundabout at the intersection of State Highways 10 and 11 at Puketona Junction. Project design work, property acquisition and resource consent work is completed and construction is estimated to start in Commercial Information.
17. NZTA expects that this project will be well received by the community and did not identify any known risks for this announcement. However, standard project risks apply to this project, which NZTA will manage if they arise.

Northland: State Highway 12 and Rawene Road – Intersection Improvements (\$500,000)

18. This project will improve the State Highway 12 and Rawene Road intersection to address its safety. Detailed design work will need to be done in the next Commercial Information.
19. NZTA expects that this project will be well received by the community and did not identify any known risks for this announcement. However, standard project risks apply to this project, which NZTA will manage if they arise.

Bay of Plenty: State Highway 5 - Tarukenga to Ngongotaha improvements, including State Highway 36 and State Highway 5 roundabout (\$14 million)

20. This project will implement safety and congestion improvement at the roundabout intersection between State Highways 5 and 36, to address congestion, accessibility and safety concerns. The programme of work will also include standard safety improvements along 8.1km of State Highway 5.

21. NZTA needs to complete design work for the roundabout improvements, which will include: rebuilding the roundabout centre; adding dual-lanes to increase capacity; and improving drainage.
22. Minor works are expected to start in April 2020, with the main construction to follow from
Commercial Information
.
23. NZTA expects that local stakeholders, including Rotorua Lakes Council, will be in favour of the project, because they have wanted this project to occur for many years. However, the project may cause some disruption during construction due to the limited space at the site. This could be exacerbated by a separate project on State Highway 30.

Hawke's Bay: State Highway 2 College Road to Silverstream – curve realignment and passing lane (\$13 million)

24. This project is for vertical and horizontal curve realignment and the addition of a passing lane along a 1.7km section of State Highway 2 north of Waipukurau in Central Hawke's Bay, to improve efficiency and safety.
25. Land purchase is already completed for this project, and power poles have already been realigned to allow for the proposed upgrade. NZTA now needs to complete the final designs, and resource consent documentation. They expect construction will begin in Commercial Information
.
26. The key risk for this project is that this may be the first time the community hears of this project, as NZTA has not conducted any formal consultation (except for the completed power pole move). This is mitigated by comment from Central Hawke's Bay District Council that the local residents are supportive of the project.

Hawke's Bay: State Highway 2 Tahaenui Bridge widening (\$1.2 million)

27. This project will widen the existing Tahaenui Bridge from one lane to two lanes. The bridge is on State Highway 2 between Wairoa and Gisborne. The bridge is currently the only one lane restriction on this important route between Gisborne and Napier Port.
28. The feasibility study for the bridge widening is complete. A short design phase is required, which will include consultation with local marae to understand cultural issues in the area that may impact the project.
29. NZTA expects construction to start by Commercial Information and be completed by Commercial Information

Taranaki: State Highway 43 – Forgotten world highway improvements (\$13.45 million)

30. This project will make improvements to State Highway 43, the Forgotten World Highway, as recommended in the recently completed, PGF-funded, SH43 business case. The improvements include safety improvements, passing opportunities, wayfinding, a single-lane bridge upgrade, and culvert replacements.
31. It is expected that this project, along with the PGF-funded sealing of the Tangarakau Gorge, will direct GDP gains into Taranaki of \$35 - \$45 million over 40 years. The combined projects are also forecast to increase visitor numbers to Taranaki by 12,775 each year.
32. The majority of works require investigation and design before construction can begin. This means that the majority of the construction for this project cannot be started until at least Commercial Information (except the \$ Commercial Information Pohokura Stream Culvert starting in Commercial Information).
33. NZTA reported that, at a recent hui, Commercial Information were enthusiastic about the opportunity to promote the historic culture of the area through wayfinding, which is included in the improvement package being announced.

34. The key risks for this project are:

- The community voiced concerns about retaining the highway's character by taking a minimal approach to improvements. The safety of drivers travelling at faster speeds was also a concern. NZTA has included these considerations in their planning to mitigate the risk of not meeting stakeholder expectations.

- Commercial Information - prejudice to negotiations

South Island

West Coast: State Highway 67 Granity Seawall Protection (\$3.6 million)

35. This project is to build approximately 950m of seawall protection for sections of State Highway 67, between Granity and Ngakawau, that suffers frequent coastal erosion.

36. The key risks for this project are:

- There is a risk that property owners may be frustrated that this project does not fund seawall to protect private property along the sea frontage. NZTA will mitigate this risk by communicating clearly with those stakeholders the responsibilities of the Agency and those of affected property owners.

- Free and frank opinions

- Free and frank opinions

West Coast: Franz Josef, State Highway 6 Tatara Bridge Safety Improvements (Commercial Information)

37. This project is to install a guardrail edge protection, and a "clip-on" pedestrian and cycle walkway, on the 130m long Tatara Stream Bridge north of Franz Josef. This project will provide major safety improvements for bridge users.

38. The clip-on will reuse an existing structure that was removed from the Taramakau combined bridge when the new separated road bridge was opened in 2018. This is seen as a good news story for this project, as it is making use of a currently unused asset.

39. A building consent is required for the work. Construction can be carried out at any time, but will likely be scheduled outside of spring and autumn to minimise risk during the rainy season and high river levels.

40. NZTA does not expect a negative response from the community for this project. There are no other known significant risks for this project.

West Coast: State Highway Single Lane Bridges – Safety Retrofit (\$5 million)

41. This project will see the installation of guardrails on up to five single lane bridges, including installation or upgrade of approach guardrails, throughout the West Coast state highway network, at the following sites:

- State Highway 73 Taipo River;
- State Highway 6 Mikonui River;
- State Highway 6 Wanganui River;
- State Highway 6 Moeraki River; and

- State Highway 6 Gates of Haast.

42. NZTA will leverage design work already underway to improve road user and cyclist safety at high risk single lane bridges on the West Coast. The design for the State Highway 73 Taipo bridge is already completed. Building consents may be required for some works. Construction can be carried out at any time, subject to funding, design and consents.
43. NZTA does not expect any negative reaction to these upgrades, as similar work in the past has been recognised by locals and district councils as a positive step towards improved highway safety. There are no other known significant risks for this project.

Otago: State Highway 1 north of Kakanui River / south of Oamaru - Improving flood mitigation (\$2 million)

44. This project will improve flood mitigation on State Highway 1 within the Kakanui River flood plain in Otago by: raising a 200m section of the state highway; and installing a series of culverts.
45. NZTA has completed concept plans for the works and are now progressing to design and resource consent stages. Design and consenting activities will start in Commercial Info construction works are likely to start by Commercial Information.
46. NZTA expects that this announcement will be welcomed by local stakeholders, though no consultation has been undertaken yet. There is a general desire in the community to get the flooding problem fixed. There are no known significant risks for this project.

Otago: State Highway 6 / 8b Cromwell - Intersection Upgrade (\$8 million)

47. This project will build a two-lane roundabout at the intersection of State Highways 6 and 8B in Cromwell. The intersection has a history of serious injury crashes.
48. The roundabout design will include consultation with local iwi and community, and needs to be completed before construction can begin. Construction is expected to begin in Commercial Information.
49. NZTA is confident that this announcement will be very well received by the community and transport stakeholders, because the site has a long history of serious crashes and people will be glad to see safety improvements being delivered.
50. The key risk for this project is that resource consent will be required for the work Free and frank opinions. This could delay delivery timeframes.

Canterbury: Mackenzie Basin, State Highways 8, 79 and 80 pull-off areas (\$5 million)

51. This project will deliver a number of safety and access improvements to State Highways 8, 79 and 80 in the MacKenzie Basin. The pull-off areas will allow more opportunities for travellers to safely pull off the road to let faster traffic pass. The improvements will include:
- safe stopping areas,
 - increased capacity at existing rest areas,
 - new rest areas at scenic locations,
 - improved signage,
 - directional arrows,
 - edge protection,
 - tourist information,
 - intersection improvements,
 - road widening, and
 - passing opportunities.
52. NZTA has already completed designs for a number of the sites, and those can commence construction by Commercial Information. Other sites will need to have designs commissioned.

53. Transport stakeholders, such as the New Zealand Police, Environment Canterbury, Land Information New Zealand, the Department of Conservation, Meridian Energy, Mackenzie District Council, and the South Canterbury Road Safety Co-ordinator will be pleased, because they advocate for road safety along this route. There are no known significant risks for this project.

Airports

Taupō Airport (\$Commercial Information)

54. This is part-funding for the development of Taupō Airport, and represents the Crown's obligation to co-fund a project shortfall, stemming from the Crown's interests in the Joint Venture airport.
55. The full cost of the Taupō Airport project will be \$Commercial Information, to upgrade and redevelop the airport terminal, the aircraft apron and the adjacent carpark. The project will future-proof the airport to accommodate Air New Zealand's planned fleet changes and increased high season passenger numbers.
56. The various project funding sources are (in order of approval or commitment):
- \$ Commercial Information)
 - \$5 million PGF funding (approved by Regional Economic Development Ministers in October 2019)
 - \$ Commercial Information
 - \$870,000 Commercial Information
57. Free and frank opinions

Milford Aerodrome (\$3.080 million)

58. This project is to upgrade the Milford Aerodrome and address safety concerns by resealing the runway, apron and taxiway. It will also improve drainage at the aerodrome. The upgrade will secure air connectivity to Milford, which is important to ensure tourist access although it is not expected to increase the volume of tourists.
59. The Milford Aerodrome is the only 100% Crown owned airport in New Zealand and is managed by the Ministry of Transport. The Ministry advises that these upgrades are required within the next three years to keep the aerodrome operational.
60. The Ministry of Transport will begin the design work soon after this announcement and intend to begin upgrade works by Commercial Information
61. The key risk associated with this project is that there is a higher than normal risk of cost overrun. Construction projects in the Milford area are impacted by the remoteness and unpredictable weather at this location, which can lead to significant cost overruns. To mitigate this, the Ministry of Transport has built an appropriate level of contingency into the cost of the project.

Digital Connectivity

Milford Fibre Link (\$10 million)

62. This \$10 million will be used to purchase fibre optic cable for the Milford Fibre Link project (total project value is \$Commercial Information). The Link project will provide digital connectivity between Te Anau and Milford Sound. The project had previously faced a funding shortfall due to a higher than expected amount of rock on the proposed fibre route.
63. The project is in conjunction with Chorus, who will be the contracted party. Commercial Information
[REDACTED]
64. Crown Infrastructure Partners (CIP) has advised that they can start the project by Commercial Information
[REDACTED], depending on weather conditions. The project will also require NZTA to grant consent.
65. The key risk with projects in the Milford area is the risk of delays due to severe weather events. CIP will build this into their planning and timeframes.

Risks and mitigations

66. The key risks in relation to the projects in this announcement are:

Marine and Coastal Assets

67. The key risk for the Ōpōtiki Harbour Development is cost escalation risk, which is the risk that costs increase to a level higher than the approved funding. To mitigate this risk, BECA was commissioned to do an engineering design peer review. In addition, the District Council has completed an extensive scoping of costs. The project budget also includes a \$Commercial Information contingency.
68. The key risk for the West Coast Ports project is cost escalation risk. PDU officials are discussing how this over-run would be managed with the recipient Councils.

Regional State Highways

69. For state highway projects, normal project risks impact on approved timeframes and costs. Normal project risks can include procurement, consultation, consenting, property, geotechnical risks and unforeseen complexities during construction.
70. As there have been a number of PGF and other significant state highway projects approved and announced in recent months, there is a risk that the roading workforce and labour supply may be stretched beyond capacity. However, NZTA is confident that they can access sufficient workforce to deliver these projects to the agreed timeframes. Where workforce availability is limited, workers may need to be brought in from other regions to complete the work within the agreed timeframes.
71. Commercial Information
[REDACTED]
[REDACTED]
[REDACTED]
72. Projects that require resource consent may be subject to delay during the consenting process.
73. NZTA notes that traffic delays may be experienced by road users during construction, which could frustrate inconvenienced users. This may be particularly acute for the Bay of Plenty State Highway 5 Tarukenga to Ngongotaha works, as this road has limited space within which to do the works.

74. NZTA has identified project-specific key risks for the following projects:

- The Bay of Plenty State Highway 5 Tarukenga to Ngongotaha project may cause some disruption during construction due to the limited space at the site. This could be exacerbated by a separate project on State Highway 30. Commercial Information
[REDACTED]
[REDACTED] which will impact on delivery timeframes. NZTA will work with affected stakeholders to ensure plans are clearly communicated.
- Commercial Information
[REDACTED]
[REDACTED]
[REDACTED]
- This project will fund building a seawall to protect the State Highway asset, Commercial Information
[REDACTED]
[REDACTED]
[REDACTED] NZTA will mitigate this risk by communicating with affected stakeholders what its intentions and its responsibilities are.

Airports

75. The key risks for Taupō Airport are:

- Free and frank opinions
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- The full Taupō Airport upgrade project will cost \$ Commercial Information part of the funding (\$870,000) is coming from the Regional Infrastructure Fund. There is a risk that the various streams of funding may be confusing. The mitigation for this is to talk about the total project of \$ Commercial Information which is co-funded by the Commercial Information [REDACTED] Crown.

76. The key risk for the Milford Aerodrome project is the potential for cost overruns, due to the remoteness and unpredictable weather at that location. To mitigate this, the Ministry of Transport has built an appropriate level of contingency into the cost of the project.

Digital Connectivity

77. The key risk for the Milford Fibre Link project is similar to other construction projects undertaken in that area. Milford-based construction projects carry a higher than usual risk of delays due to severe weather events. CIP will build this into their project planning and timeframes.

Annexes

Annex 1: List of approved Regional Infrastructure Investment Fund projects.

PROACTIVELY RELEASED

Annex 1: List of approved Regional Infrastructure Fund projects

Type	Region	Project	Tagged Contingency Funding Approved (\$m)	Expected project status <small>Commercial Information</small>
Marine and Coastal Assets	Bay of Plenty	Opotiki Harbour	79.400	<small>Commercial Information</small>
	West Coast	West Coast Ports	8.500	<small>Commercial Information</small>
Roads	Northland	SH 1/11 Kawakawa	6.000	<small>Commercial Information</small>
	Northland	SH 11/10 Intersection	15.000	<small>Commercial Information</small>
	Northland	SH 12 / Rawene Road	0.500	<small>Commercial Information</small>
	Bay of Plenty	SH 5 Tarukenga to Ngongotaha	14.000	<small>Commercial Information</small>
	West Coast	SH 67 Granity Seawall	3.600	<small>Commercial Information</small>
	Hawke's Bay	SH 2 College Rd to Silverstream	13.000	<small>Commercial Information</small>
	Hawke's Bay	SH 2 Tahaenui Bridge	1.200	<small>Commercial Information</small>
	Taranaki	SH 43 Forgotten World Highway Improvements	13.450	<small>Commercial Information</small>
	Otago	SH 1 North of Kakanui River / south of Oamaru	2.000	<small>Commercial Information</small>
	Otago	SH 6 / 8b Cromwell	8.000	<small>Commercial Information</small>
	Canterbury	SH 8 79 80 MacKenzie Basin	5.000	<small>Commercial Information</small>
	West Coast	SH 6 Tatara Bridge Franz Josef	<small>Commercial Info</small>	<small>Commercial Information</small>
West Coast	West Coast State Highway Single Lane Bridges	5.000	<small>Commercial Information</small>	
Airports	Waikato	Taupō Airport	0.870	<small>Commercial</small>
	Southland	Milford Aerodrome	3.080	<small>Commercial</small>
Digital Connectivity	Southland	Milford Fibre Link	10.000	<small>Commercial Information</small>