



## Kaipara Package - Transfer and access to funding

<b>Reason for this briefing</b>	This briefing recommends Regional Economic Development (RED) Ministers approve the transfer of funds between Vote Transport and Vote Business, Science and Innovation, and approve the release of contingency funds for three projects in the Kaipara Package.
<b>Action required</b>	Approve: the release from contingency and transfer of \$ <b>Commercial Information</b> from Vote BSI to Vote Transport; the transfer of \$0.950 million from Vote Transport to Vote Business, Science and Innovation; and the release of \$4.0 million from contingency funds.
<b>Deadline</b>	4 December 2019
<b>Reason for deadline</b>	To approve the funding changes at the Regional Economic Development (RED) Ministers meeting on 4 December 2019.

### Contact for telephone discussion (if required)

Name	Position	Telephone	First contact
Helen White	Manager, Investment	Privacy of natural persons	
Privacy of natural persons	Senior Advisor	Privacy of natural persons	✓

### MINISTERS' COMMENTS:

<b>Date:</b>	25 November 2019	<b>Briefing number:</b>	OC191101
<b>Attention:</b>	Hon Grant Robertson <b>Minister of Finance</b>  Hon Phil Twyford <b>Minister of Transport</b> <b>Minister for Economic Development</b>  Hon David Parker <b>Minister for Trade and Export Growth</b>  Hon Shane Jones <b>Minister for Regional Economic Development</b>	<b>Security level:</b>	In confidence

### Minister of Transport's office actions

- |                                       |   |  |
|---------------------------------------|---|--|
| <input type="checkbox"/> Noted        | <input type="checkbox"/> Seen                 | <input type="checkbox"/> Approved            |
| <input type="checkbox"/> Needs change | <input type="checkbox"/> Referred to          |  |
| <input type="checkbox"/> Withdrawn    | <input type="checkbox"/> Not seen by Minister | <input type="checkbox"/> Overtaken by events |

## Purpose of report

1. This briefing recommends Regional Economic Development (RED) Ministers approve the:
  - 1.1. fiscally neutral transfer of \$<sup>Commercial Information</sup> from Vote Business, Science and Innovation (Vote BSI) to Vote Transport, for the implementation of two projects within the Kaipara Package;
  - 1.2. reversal of a transfer of \$0.95 million from Vote Transport to Vote BSI for wharves analysis that was transferred to Vote Transport earlier in 2019; and
  - 1.3. release of appropriated funds (\$4.0 million) within Vote BSI to commence construction of wharves in the Kaipara District ahead of schedule.
2. This briefing confirms that the NZ Transport Agency (Transport Agency), Kaipara District Council (KDC) and Provincial Development Unit (PDU) have followed the processes approved by Ministers in January 2019 to enable the transfer of funds to Vote Transport.

## Background: The Kaipara Package

3. On 23 January 2019, the Ministry of Transport briefed RED Ministers on KDC's Kaipara Kickstart Programme. The Programme comprised three elements [OC181233 refers]:
  - 3.1. Moana (wharves and ferries);
  - 3.2. Roads;
  - 3.3. Kai (primary industries).
4. A breakdown of the funding and projects in the Kaipara Package is included in Appendix 1.
5. Following KDC's PGF application for the Kaipara Kickstart Programme, the PDU, Ministry for Primary Industries (MPI), Ministry of Transport and the Transport Agency worked together to develop the Kaipara Package. A suite of projects were drawn from the Kaipara Kickstart, which aligned with the outcomes of the PGF.
6. On 29 January 2019, RED Ministers approved \$19.41 million PGF funding for the Kaipara Package, with the total cost (including other funding sources) being \$28.240 million.
7. The roading component of the Kaipara Package totalled \$22.310 million, including:
  - 7.1. up to \$6.840 million from the National Land Transport Fund (NLTF);
  - 7.2. \$1.000 million from KDC;
  - 7.3. \$0.010 million from Te Roroa iwi; and
  - 7.4. up to \$14.460 million from the PGF.
8. The wharves component of the Kaipara Package totalled \$4.950 million, contingent upon Kaipara District Council undertaking analysis for a wharves and Kaipara Harbour strategy. Release of funding was to be contingent on:
  - 8.1. Completion of the relevant investigation

8.2. **Commercial Information**

8.3. Alignment with PGF criteria and objectives.

**Delivering the transport components of the Kaipara Package**

9. The transport components of the Kaipara Package (outlined in the table below) included roads and wharves, and were divided into:
  - 9.1. immediate physical works (up to \$ Commercial Information, of which up to \$ Commercial Information is from PGF)
  - 9.2. physical works pending investigations (up to \$ Commercial Information, of which up to \$ Commercial Information is from PGF), including:
    - 9.2.1. initial investigations (up to \$ Commercial Information, of which up to \$ Commercial Information is from the PGF); and
    - 9.2.2. physical works (up to \$13.330 million from the PGF)
  - 9.3. programme support (up to \$1.300 million from the PGF).
10. RED Ministers agreed to release PGF funding for 9.1, 9.2.1, and 9.3.
11. In addition, RED Ministers agreed that a tagged contingency should be established for the additional physical works (in 9.2.2 above). Once decisions are made, the Minister for Regional Economic Development, Minister of Transport and Minister of Finance may transfer the funds to Vote Transport.
12. The Ministry of Business, Innovation and Employment (MBIE) advises that the funding has been appropriated to Vote BSI, and is not in a tagged contingency. However, the funding has been ring-fenced for further decisions and authorisation to transfer to Vote Transport.
13. This briefing seeks Ministers' approval to transfer \$ Commercial Information of the ring fenced funding for physical works on Pouto Road Phase 1 and Waipoua River Road (highlighted grey in the table overleaf).

**Table 1: Ring-fenced funding for physical works**

<i>Project type</i>	<i>Projects</i>	<i>PGF funding (\$ millions)</i>	<i>Other funding (\$ millions)</i>	<i>Total funding (\$ millions)</i>
Immediate physical works	Road re-metalling	3.150	4.910	8.060
	50MAX High Productivity Motor Vehicle (HPMV) network extension	0.230	2.930	3.160
Physical works pending investigations	Pouto Road Phase 1 Physical works (contingency)	5.050	-	5.050
	Pouto Road Phase 2 Business case	Commercial Info	-	Commercial Info
	Pouto Road Phase 2 Physical works (contingency)	Commercial Info	-	Commercial Info
	Pouto Road Phase 2 Total	3.130	-	3.130
	Waipoua River Road widening and sealing Business case	Commercial Info	0.010	Commercial Info
	Waipoua River Road widening and sealing Physical works (contingency)	Commercial Info	-	Commercial Info
	Waipoua River Road widening and sealing Total	1.600	0.010	1.610
	Wharves Analysis	0.950	-	0.950
	Wharves Physical works (contingency)	4.000	-	4.000
	Wharves Total	4.950	-	4.950
Other	Programme support	1.300	-	1.300

**Transfer of ring-fenced Vote BSI funding for roading projects**

14. The 23 January 2019 briefing [OC181233 refers] outlined how projects may be eligible NLTF funding. Whether projects receive NLTF or PGF funding would be determined once they were considered through the Transport Agency's NLTF assessment processes. This was to ensure that the PGF remains the fund of last resort. If additional NLTF funding was approved, then the PGF contributions would be reduced by the corresponding amount.
15. RED Ministers agreed that the following criteria must be met for Ministers to approve the transfer of funding for the physical works:
- 15.1. *the relevant investigation is completed;*
  - 15.2. *the project (or portion of the project) is excluded from the National Land Transport Programme (NLTP) following assessment against NLTP, or if the project (or portion of the project) is included in the NLTP but Kaipara District Council is unable to meet its local share funding; and*
  - 15.3. *the project (or relevant portion of the project) aligns with PGF criteria and objectives.*

**Assessment of the physical works pending investigations**

16. KDC and the Transport Agency have worked together to determine the likelihood of the Pouto Road Phase 1 and Waipoua River Road widening and sealing projects being eligible for NLTF funding, or whether NLTF funding would be available for these projects.

17. The Transport Agency has confirmed that there is no NLTF funding available for these projects in the current NLTP (2018/19-2020/21). Officials therefore see little value in KDC completing a business case to satisfy Transport Agency assessment, given there is no possibility of attracting NLTF funds in the short-term.
18. KDC has completed investigations sufficient to satisfy the PDU that the projects represent value for money and continue to align with the criteria and objectives of the PGF.
19. The PDU has confirmed that the projects achieve value for money, and meet PGF criteria and objectives. The PGF principles for road investments are:
  - 19.1. Improves linkages between the region, and major transport hubs and markets.
  - 19.2. Safeguards visitor and business access to the region.
  - 19.3. Increases investments in the region by improving business confidence to invest in the region.
  - 19.4. Generates employment opportunities through the pipeline of work and increased investments.
20. In addition to the aforementioned principles, the Pouto Road Phase 1 and Waipoua River Road projects are expected to result in increased economic returns to Māori; increased sustainability of natural assets; and support for the mitigation of the effects of climate change.
21. Physical works will require two summer seasons to widen and seal the roads, and will commence at the earliest opportunity. We therefore seek the funding transfer to occur in the year 2019/20.
22. We seek Ministers' approval to transfer \$Commercial Information of the \$Commercial Information that was ring-fenced for the Kaipara Package in Vote BSI to Vote Transport to enable the Pouto Rd Phase 1 and Waipoua River Road sealing and widening projects to progress to physical works.

#### **Completing the wharves analysis (returning funds from Vote Transport to Vote BSI)**

23. Of the \$4.950 million funding for wharves, \$0.950 million was allocated to wharves analysis (and transferred to Vote Transport). The Ministry of Transport and PDU agree that the scope of this analysis better fits with Vote BSI. Delivery of the analysis would better be managed by PDU who are engaged with directly with KDC in management of the overall programme.
24. Officials recommend that Ministers agree to transfer the \$950,000 for wharves analysis from Vote Transport to Vote BSI.

#### **Commencing wharf construction in the Kaipara District**

25. As part of their approval of the Kaipara Package, RED Ministers directed officials to report on the growth opportunities that will be enabled by the investment in infrastructure. The PDU will report to RED Ministers by August 2020 on this direction.
26. KDC, with input from the Kaipara Community Advisory Group, has identified three wharves as essential to the overall Kaipara Harbour Strategy. These wharves have also been identified for where development works can continue ahead of broader wharves analysis, and community consultation on the Harbour Strategy and intermediate wharves. These are:
  - 26.1. Replacement of the Dargaville Pontoon

26.2. Commercial Information

26.3. Commercial Information

27. All three sites require works for current commercial operators to extend services, linking Kaipara District to the network of Auckland Council wharves in Southern Kaipara. The PDU advises that sufficient analysis has been provided by the KDC for this approach and a business case prepared for the replacement of the Dargaville Pontoon (proposing works to start in Commercial Information).
28. As assessed for the original application, the three projects meet criteria under the PGF of providing key infrastructure to encourage commercial operations in the Kaipara District and linking communities. KDC has confirmed to the PDU that they are not eligible for funding from the NLTF.
29. Improving the wharves is likely to have immediate benefits in servicing growing tourist, cyclist and day-tripper demand, with expected impacts on future growth. Work is ongoing to identify further opportunities to enhance transport on the harbour. Providing certainty of services would provide economic opportunities for tour and ferry operators, and service industries.
30. The PDU recommends Ministers approve releasing \$ Commercial Information of ring-fenced funding to stage gate construction on these wharves. Analyses for these three projects are completed and approved as having satisfied the conditions set by the PDU. Pouto Road Phase 2 is dependent on the broader wharves analysis being completed.
31. On the road network, KDC's road strengthening and 50MAX bridge is providing enhanced route security for commercial operators, and the re-metalling programme will further enhance the road network resilience for freight operators while improving route security and connectivity for local communities.

### Next steps

32. Should Ministers agree to transfer the PGF funds from Vote BSI to Vote Transport, the PDU will enter into a funding agreement with KDC to allow work on both projects to progress.
33. Officials will return to Ministers with advice on transferring the remainder of the funding ring fenced in Vote BSI for the Kaipara Package once the wharves analysis is complete and decisions have been made on progressing Pouto Road Phase 2.

### Consultation

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

### Recommendations

35. The recommendations are that you:
- (a) **note** that investigations into the Pouto Road Phase 1 and Waipoua River Road widening and sealing projects have determined that the projects represent value for money and continue to fit with the criteria and objectives of the Provincial Growth Fund;

- (b) **note** that there is no funding available in the National Land Transport Fund for the improvement projects to Pouto Road or Waipoua River Road;
- (c) **agree** that the \$ Commercial Information needed for the Pouto Road Phase 1 and Waipoua River Road widening and sealing projects can be funded through the Provincial Growth Fund; Yes/No
- (d) **note** that officials will report to Regional Economic Development Ministers in Commercial Information on the realisation of economic benefits for the transport components of the Kaipara package;
- (e) **agree** to release \$ Commercial Information of ring-fenced funding to commence construction on three wharves ahead of schedule; Yes/No
- (f) **approve** the following changes to appropriations, to transfer funding from Vote Business, Science and Innovation to Vote Transport to support physical works (referenced in recommendation (c)), with no impact on operating and debt balances; Yes/No

Vote Business, Science and Innovation Minister for Regional Economic Development	\$m -- increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Regional Economic Development: Provincial Growth Fund MCA					
Non-departmental Other Expense: Supporting Regional and Sector Initiatives	0.950	-	-	-	-
Supporting Regional and Sector Initiatives	<span style="background-color: #cccccc;">Commercial Inform</span>	-	-	-	-
<b>Vote Transport Minister of Transport</b>					
Multi-Category Expenses and Capital Expenditure: Tuawhenua Provincial Growth Fund – Transport Projects					
Non-departmental Other Expense: Enabling Infrastructure Projects	<span style="background-color: #cccccc;">Commercial In</span>	-	-	-	-
Regional Projects and Capability	(0.950)	-	-	-	-

**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; Yes/No

- (h) **note** that \$<sup>Commercial Information</sup> of the original \$<sup>Commercial Information</sup> ring fenced funding will remain in Vote Business, Science and Innovation until the conditions for spending the funds have been satisfied.

Privacy of natural persons

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 .....



**Appendix 1: Kaipara Package Breakdown**

	<i>PGF (\$ millions)</i>	<i>Other Sources (\$ millions)</i>	<i>Total (\$ millions)</i>
<b>Kaipara Moana (\$4.95 million)</b>			
Wharves analysis.	0.950	-	0.950
Implementation of Wharves Analysis (wharves and roads dependant on the outcome of the wharves analysis).	4.000	-	4.000
<b>Kaipara Roads (\$22.31 million, with \$14.46 million expected through the PGF)</b>			
Road re-metalling	3.150	4.910	8.060
50MAX High Productivity Motor Vehicle (HPMV) network extension	0.230	2.930	3.160
Pouto Road Phase 1	5.050	-	5.050
Pouto Road Phase 2 (dependent on wharves analysis)	3.130	-	3.130
Waipoua River Road widening and sealing	1.600	0.010	1.610
Programme support	1.300	-	1.300
<b>Kaipara Kai (\$0.98 million - approved by SROs on 12 December 2018)</b>			
Establishment of Kaipara Kai Transformation	0.980	-	0.980
<b>Total</b>	<b>20.390</b>	<b>7.850</b>	<b>28.240</b>