



BRIEFING

ACCELERATED 2020 ROADS INVESTMENTS

Date:	28 January 2020	Priority:	High
Security classification:	In Confidence	Tracking number:	BR 2030 19-20

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Agree to the recommendations outlined in this briefing	28 January 2020
Hon Phil Twyford Minister of Transport Minister for Economic Development		28 January 2020
Hon David Parker Minister for Trade and Export Growth		28 January 2020
Hon Shane Jones Minister for Regional Economic Development		28 January 2020
Fletcher Tabuteau Parliamentary Under-Secretary to the Minister for Regional Economic Development	Note the contents of this briefing	10 February 2020

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Mark Jacobs	Director, Regional Development	<div style="background-color: #cccccc; padding: 2px;">Privacy of natural persons</div>	✓
Maria Morunga	Principal Advisor	<div style="background-color: #cccccc; padding: 2px;">Privacy of natural persons</div>	



BRIEFING

Accelerated 2020 Roads Investments

Date:	28 January 2020	Priority:	High
Security classification:	In Confidence	Tracking number:	BR 2030 19-20

Purpose

This briefing recommends that Ministers approve \$66.75 million from the Regional Investment Opportunities Tagged Contingency for eight capital expenditure state highway projects in regional New Zealand, and agree to fund up to \$1 million required for New Zealand Transport Agency operational resource support to deliver the projects.

Executive summary

On 9 December 2019, Cabinet agreed to allocate \$300 million for Regional Investment Opportunities capital expenditure projects to be administered alongside the Provincial Growth Fund [CAB-19-MIN-0572 refers].

The Minister of Finance and the Minister for Infrastructure/Regional Economic Development have established a Tagged Capital Contingency for the new funding and have agreed that projects funded from the Regional Investment Opportunities Tagged Contingency meet the following criteria [The following briefing refers: BR 2030 19-20: 'Regional Investment Opportunities Tagged Contingency']:

- Support regional economic development
- Not meet all of the Provincial Growth Fund's (PGF) criteria,
- Be an infrastructure investment,
- Have a Crown ownership stake, and
- Be initiated by August 2020.

Ministers therefore requested that officials explore acceleration options for state highway projects that could have significant works started by August 2020.

The New Zealand Transport Agency (the Transport Agency) has identified eight projects on state highways that officials have assessed as fitting the criteria for the new Regional Investment Opportunities funding and which can have significant works started by (or shortly after) 31 August 2020. The recommended projects are summarised in the following table.



Project Title	Region	Total project cost \$ millions
SH 1/11 Kawakawa - Roundabout & Resilience Project	Northland	6.000
SH 11/10 Intersection - Puketona Junction Roundabout	Northland	15.000
SH 12 / Rawene Road - Intersection Improvements	Northland	0.500
SH 5 - Tarukenga to Ngongotaha Improvements	Bay of Plenty	14.000
SH 67 - Granity Seawall	West Coast	3.600
SH 2 College Road to Silverstream - Curve Realignments and Passing Lane	Hawke's Bay	13.000
SH 2 Tahaenui Bridge – Bridge Widening	Hawke's Bay	1.200
SH 43 – Forgotten World Highway improvements	Taranaki	13.450
	TOTAL	66.750

The Transport Agency advises that the accelerated delivery timeframes for the proposed projects will require funding approval in January 2020, to enable the Transport Agency to meet the milestones and completion dates identified in this briefing. Projects not approved in January 2020 will not meet the projected timeframes in this briefing.

This briefing recommends that Ministers approve the projects in this briefing from the Regional Investment Opportunities funding and draw down \$66.75 million funding from the tagged contingency.

Also, the Transport Agency will need to immediately deploy additional resources to support the accelerated project timeframes in this briefing. Resource support is required for swift procurement, contracting, assurance, management and governance, people and processes. If additional operating funding is not made available, the Transport Agency will not meet the accelerated project timeframes in this briefing.

The Transport Agency is precluded from using NLTF funding to provide operational support to non-NLTF projects. There are four options available to Ministers to fund these resource requirements:

- from Baseline funding,
- through the Government Budget process,
- Regional Economic Development Ministers may consider funding this from the Provincial Growth Fund, or
- Regional Economic Development Ministers may consider funding this from the Manifesto Commitments to the Regions – Operating Contingency.

This briefing recommends that Ministers agree to fund up to \$1 million for additional Transport Agency resource support required to deliver the projects.



Recommended actions

The Ministry of Business, Innovation and Employment recommends that Regional Economic Development Ministers:

- a. **note** that on 9 December 2019, Cabinet approved \$300 million for Regional Investment Opportunities,
Noted
- b. **note** that a tagged capital contingency has been created for the \$300 million and that Cabinet has delegated decisions on projects to be funded from the \$300 million to the Minister of Finance and the Appropriation Minister (Joint Ministers), and that the Minister of Finance and the Minister for Infrastructure/Regional Economic Development have agreed the following criteria for the new funding:
 - Support regional economic development
 - Not meet all of the PGF's criteria
 - Be an infrastructure investment
 - Have a Crown ownership stake, and
 - Be initiated by August 2020*Noted*
- c. **note** the Transport Agency has identified eight state highway projects that meet the criteria for this new funding and that can be started by (or soon after) August 2020, and are listed in recommendation k, below, for Joint Ministers' approval,
Noted
- d. **note** the Transport Agency has indicated that in order to deliver to the accelerated timeframes for these projects the Transport Agency will require project funding to be approved in January 2020,
Noted
- e. **note** that the Transport Agency also requires up to \$1 million additional operational funding for resource support to implement the projects to the accelerated project timeframes,
Noted
- f. **note** that the projects cannot be delivered within the accelerated timeframes, if additional operational funding is not approved for the Transport Agency,
Noted
- g. **note** that Transport Agency operational funding cannot be funded from the Regional Investment Opportunities funding, because the Budget Minute for that funding limits its use to Crown Capital expenditure,
Noted
- h. **note** that there are four options available to Ministers to fund the \$1 million additional resource support for the Transport Agency:

- 1)  Commercial Information



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2) Commercial Information

3) Allocate funding from the Provincial Growth Fund (Recommended option 1): The capital projects recommended in this briefing do not fully align with PGF investment principles for road projects, however are required to support regional economic development. They will be administered by the Transport Agency, alongside other state highway projects that are PGF funded. However, it might be considered unusual for the PGF to provide operating expenditure funding to support initiatives where the capital project does not fully align with PGF investment principles,

4) Allocate funding from the Manifesto Commitments to the Regions – Operating Contingency (Recommended option 2): This contingency was set up to enable regional investment in line with Manifesto commitments, and is subject to Regional Economic Development Ministers' approval [CAB-17-MIN-0554]. Operational support for the regional capital projects in this briefing aligns with the intent of the contingency, and therefore funding allocated from this contingency could be used to support the Transport Agency to deliver the capital projects. Funding allocated from this contingency would be immediately available for the Transport Agency to deploy resources to begin projects in February 2020.

Noted

i. **approve** up to \$1 million for the additional Transport Agency resource support required to deliver the accelerated capital projects approved in this briefing, from either:

1) the Provincial Growth Fund, **OR**

2) the Manifesto Commitments to the Regions – Operating Contingency ,

*Approve option i(1) / **OR** Approve option i(2) / **OR** Decline*

j. **note** that the Ministry of Transport will contract the additional Transport Agency resource support funding, approved in recommendation i above, pro-rated based on the number, value and geographical spread of the capital projects approved by Joint Ministers in recommendation k, below.

Noted

The Ministry of Business, Innovation and Employment recommends that the Minister of Finance, the Minister of Transport and the Minister for Regional Economic Development/Minister for Infrastructure, as Joint Ministers:



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- k. **approve** the following state highway capital projects for funding from the \$300 million Regional Investment Opportunities fund:

Project Title	Region	Total Capital Project Cost \$ millions	Minister Decision
SH 1/11 Kawakawa - Roundabout & Resilience Project	Northland	6.000	<i>Approve / Decline</i>
SH 11/10 Intersection - Puketona Roundabout	Northland	15.000	<i>Approve / Decline</i>
SH 12 / Rawene Road - Intersection Improvements	Northland	0.500	<i>Approve / Decline</i>
SH 5 - Tarukenga to Ngongotaha Improvements	Bay of Plenty	14.000	<i>Approve / Decline</i>
SH 67 - Granity Seawall	West Coast	3.600	<i>Approve / Decline</i>
SH 2 College Road to Silverstream - Curve Realignment and Passing Lane	Hawke's Bay	13.000	<i>Approve / Decline</i>
SH 2 Tahaenui Bridge – Bridge Widening	Hawke's Bay	1.200	<i>Approve / Decline</i>
SH 43 – Forgotten World Highway improvements	Taranaki	13.450	<i>Approve / Decline</i>
	TOTALS	66.750	

- i. **approve** the following changes to appropriations, drawing down funding from the Regional Investment Opportunities Tagged Capital Contingency, to provide for the decisions in recommendation k, above, with a corresponding impact on the operating balance and net core Crown debt:

- 1) funding for the SH1/11 Kawakawa – roundabout & resilience project:

Vote Transport Minister of Transport	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Non-Departmental Capital Expenditure: Regional State Highways	Commercial In	Commercial In	-	-	-
Total Operating	-	-	-	-	-
Total Capital	Commercial In	Commercial In	-	-	-

Approve / Decline



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2) funding for the SH 11/10 Intersection – Puketona roundabout project:

	\$m – increase/(decrease)				
Vote Transport Minister of Transport	2019/20	2020/21	2021/22	2022/23	2023/24
Non-Departmental Capital Expenditure: Regional State Highways	Commercial In	Commercial Inform	-	-	-
Total Operating	-	-	-	-	-
Total Capital	Commercial In	Commercial Inform	-	-	-

Approve / Decline

3) funding for the SH 12/ Rawene Road – intersection improvements project:

	\$m – increase/(decrease)				
Vote Transport Minister of Transport	2019/20	2020/21	2021/22	2022/23	2023/24
Non-Departmental Capital Expenditure: Regional State Highways	Commercial In	Commercial In	-	-	-
Total Operating	-	-	-	-	-
Total Capital	Commercial In	Commercial In	-	-	-

Approve / Decline

4) funding for the SH 5 – Tarukenga to Ngongotaha improvements project:

	\$m – increase/(decrease)				
Vote Transport Minister of Transport	2019/20	2020/21	2021/22	2022/23	2023/24
Non-Departmental Capital Expenditure: Regional State Highways	Commercial In	Commercial Inform	-	-	-
Total Operating	-	-	-	-	-
Total Capital	Commercial In	Commercial Inform	-	-	-

Approve / Decline



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5) funding for the SH 67 – Granity Seawall project:

Vote Transport Minister of Transport	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Non-Departmental Capital Expenditure: Regional State Highways	Commercial In	Commercial In	-	-	-
Total Operating	-	-	-	-	-
Total Capital	Commercial In	Commercial In	-	-	-

Approve / Decline

6) funding for the SH 2 College Road to Silverstream – curve realignment and passing lane project:

Vote Transport Minister of Transport	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Non-Departmental Capital Expenditure: Regional State Highways	Commercial In	Commercial Inform	-	-	-
Total Operating	-	-	-	-	-
Total Capital	Commercial In	Commercial Inform	-	-	-

Approve / Decline

7) funding for the SH 2 Tahaenui Bridge – bridge widening project:

Vote Transport Minister of Transport	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Non-Departmental Capital Expenditure: Regional State Highways	Commercial In	Commercial In	-	-	-
Total Operating	-	-	-	-	-
Total Capital	Commercial In	Commercial In	-	-	-

Approve / Decline



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8) funding for the SH 43 – Forgotten World Highway improvements project:

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Vote Transport Minister of Transport					
Non-Departmental Capital Expenditure: Regional State Highways	Commercial In	Commercial In	-	-	-
Total Operating	-	-	-	-	-
Total Capital	Commercial In	Commercial In	-	-	-

Approve / Decline

m. **approve** either recommendation m(1) or m(2), below, to provide for the decision taken by Regional Economic Development Ministers in recommendation i, above. Either:

- 1) **approve** the following changes to appropriations, to provide for the approved funding at recommendation i(1) above, funding Transport Agency operational resource support from PGF funding, with no impact on the operating balance or net core Crown debt:

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
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 Info	Commercial Info	-	-	-
Vote Transport Minister of Transport					
Multi-Category Expenses and Capital Expenditure: Tuawhenua Provincial Growth Fund – Transport Projects MCA					
Non-Departmental Other Expenses: Supporting Regional and Infrastructure Projects	Commercial In	Commercial In	-	-	-



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OR

- 2) **approve** the following changes to appropriations, to provide for the decision at recommendation i(2) above, to fund Transport Agency operational funding from the Manifesto Commitments to the Regions – Operating Contingency, with a corresponding impact on the operating balance or net core Crown debt:

Vote Transport Minister of Transport	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Multi-Category Expenses and Capital Expenditure: Tuawhenua Provincial Growth Fund – Transport Projects MCA					
Non-Departmental Other Expenses: Supporting Regional and Infrastructure Projects	Commercial In	Commercial In	-	-	-
Total Operating	Commercial In	Commercial In	-	-	-
Total Capital	-	-	-	-	-

*Approve m(1) / **OR** Approve m(2) / **OR** Decline*

- n. **agree** that the expenses incurred under recommendations l(1) to l(8), above, be charged against the Regional Investment Opportunities Tagged Capital Contingency described in recommendation b, above,

Agree / disagree

- o. **note** that if a project is assessed as eligible for NLTF funding, the amount of Regional Investment Opportunities funding will reduce accordingly,

Noted

- p. **agree** that any expenses incurred under recommendation m(2), above, be charged against the Manifesto Commitments to the Regions – Operating Contingency, described in recommendation h(4), above,

Noted

- q. **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 increases be met from Imprest Supply, and

Agree / disagree

- r. **agree** that the Minister of Transport, the Minister for Regional Economic Development/Minister for Infrastructure, and the Minister of Finance can jointly approve re-phasing of expenditure between years to align with the timing of the project, if required.

Agree / disagree



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Robert Pigou
Head of the Provincial Development Unit
Ministry of Business, Innovation and Employment

..... / /

Hon Grant Robertson
Minister of Finance

..... / /

Hon David Parker
Minister for Trade and Export Growth

..... / /

Hon Phil Twyford
Minister for Economic Development
Minister of Transport

..... / /

Hon Shane Jones
Minister for Regional Economic Development
Minister for Infrastructure

..... / /



Background

1. The ability to fully realise regions' economic potential is dependent on efficient and reliable transport networks that bridge the distance to major ports and markets and provide safe and reliable routes for activities such as tourism. While roads play a critical role in enabling economic activity, several regions' roading networks exist in challenging conditions. For example, they may be subject to repeated serious weather events or may be in a deleterious state affected by deferred investment over several decades.
2. The Government Policy Statement on land transport 2018 (GPS 2018) supports the economic development of regional New Zealand by increasing the focus on developing safe and resilient transport connections to support freight and tourism.
3. While regional transport projects are likely to have a higher strategic alignment with the government priorities outlined in GPS 2018, this does not necessarily mean that they have a higher likelihood of attracting funding through the National Land Transport Fund (NLTF). Regional transport projects are required to compete against other nationally significant projects for NLTF funding. This means that the benefits realised through investment in roading infrastructure in a surge region would need to be significant to compete with the level of benefits realised through investment in roading infrastructure in a larger region, where there is a higher volume of road users.
4. These challenges can be addressed with support from alternative government funding sources. To date the PGF has been one such source of alternative funding. PGF investment principles for road investments are that the project should:
 - improve linkages between the region and major transport hubs and markets,
 - safeguard visitor and business access to the region,
 - increase investments in the region by improving business confidence to invest in the region, and
 - generates employment opportunities through the pipeline of work and increased investments.
5. On 9 December 2019, Cabinet agreed to allocate \$300 million of capital expenditure for Regional Investment Opportunities within the Capital Investment Package [CAB-19-MIN-0572 refers]. It has been agreed that this new allocation would be administered by the Provincial Development Unit within the Ministry of Business, Innovation and Employment. The Minister of Finance and the Minister for Infrastructure/Regional Economic Development have agreed the following criteria for the new funding:
 - Support regional economic development,
 - Not meet all of the PGF's criteria,
 - Be an infrastructure investment,
 - Have a Crown ownership stake, and
 - Be initiated by August 2020.



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6. This represents another potential source of funding for Crown-owned roading capital projects that may not attract NLTF funding and also may not align with the PGF criteria for road investment.
7. Ministers have established a tagged capital contingency for 'Regional Investment Opportunities', to hold the \$300 million until decisions are made to invest the funds.
8. Cabinet delegated authority to the Minister of Finance and the relevant Appropriation Minister to take decisions on the final details of projects to be funded from this allocation [CAB-19-MIN-0572 refers]. Ministers have requested that officials identify state highway projects which can be delivered on accelerated timeframes and can have works underway by August 2020.

State highway projects for Regional Investment Opportunities

9. The Transport Agency has identified eight state highway projects that could be underway by (or just after) August 2020. Officials have assessed and confirmed that these projects are aligned with the criteria approved by Cabinet for the new Regional Investment Opportunities funding, as set out in paragraph 5, above.
10. The projects are summarised below.

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

11. This project will replace the existing intersection with a roundabout at the intersection of State Highways 1 and 11 in Kawakawa. The primary benefit of this change will be to improve traffic flow and the level of road safety at the intersection.
12. The intersection is a key connector on the Twin Coast Discovery Route (the Route), which is included as a priority route in the Tai Tokerau Northland Economic Action Plan (TTTNEAP). The Route has regional support from local authorities, the community and local hapū.
13. The project is expected to contribute to regional economic development because improvements to the Route, and its connections, are expected to increase tourist activity in Northland.
14. The investigation and design of the project are near completion and the Transport Agency anticipates that a retaining wall will be required, with construction through winter 2020. However, construction of the roundabout cannot begin until after winter 2020, and is therefore estimated to start in September 2020.
15. The Transport Agency's accelerated project timeline is dependent on project funding and resource support funding being approved in January 2020. Subject to funding approval, the project timeline is:



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Date	Transport Agency Action
Commercial Information	Award construction contract
Commercial Information	Commence construction of retaining wall (if required)
Commercial Information	Commence construction of roundabout
Commercial Information	Construction complete

16. While the project is expected to indirectly support Northland's economic development through improved infrastructure attracting more tourism visitors to the region, the project does not fully align with the PGF investment principles for road investments, because its principal benefit is to improve the safety of the road at this intersection.

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

17. This project is to build a roundabout at the intersection of State Highways 10 and 11 at Puketona Junction. The primary benefit of this change will be to improve traffic flow and the level of road safety at the intersection.
18. The intersection is also part of the Twin Coast Discovery Route, which is included in the TTTNEAP. The economic development benefits to be realised from investment in the Route include increased tourist numbers along the Route.
19. The project property and design work have been completed by the Transport Agency. Land has been acquired for the construction of the roundabout, and resource consents have been granted. If funding is approved for this project, the Transport Agency will need to have the completed design reviewed to confirm that a roundabout is the right solution for this intersection.
20. The Transport Agency's accelerated project timeline is dependent on project funding and resource support funding being approved in January 2020. Subject to funding approval, the project timeline is:

Date	Transport Agency Action
Commercial Information	Award design refresh contract
Commercial Information	Award construction contract
Commercial Information	Construction begins
Commercial Information	Construction complete

21. While the project is expected to indirectly contribute to Northland's economic development through improved infrastructure attracting more tourism visitors to the region, the project does not fully align with the PGF investment principles for roads, because the project's principal benefit is to improve the safety of the road at this intersection.



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

22. This project will improve the State Highway 12 and Rawene Road intersection, to bring it up to current Austroad standards and accommodate for additional right turning capacity. The intersection has a known crash history, so improvements are primarily planned to improve its safety.
23. The project is also expected to have a positive impact on Northland’s economic development through improved infrastructure attracting more tourism visitors to the region. In particular, this intersection is a key gateway for community and visitors accessing the Hokianga Harbour ferry. It will increase the safety of users, and will improve the reliability and resilience of the road, reducing disruption.
24. The intersection is also part of the Twin Coast Discovery Route, which is included in the TTTNEAP. The recently completed PGF-funded business case, which has the support of community and local hapū, identified this intersection as priority for investment.
25. The project is ready to begin the pre-implementation (detailed design) works. This is expected to take up to six months to complete. The Transport Agency has confirmed that no land purchase is required, and only minimal consenting would be needed (if any).
26. The Transport Agency’s accelerated project timeline is dependent on project funding and resource support funding being approved in January 2020. Subject to funding approval, the project timeline is:

Date	Transport Agency Action
Commercial Information	Award design contract
Commercial Information	Award construction contract
Commercial Information	Construction begins
Commercial Information	Construction complete

27. While the project is expected to indirectly support Northland’s economic development through improved infrastructure attracting more tourism visitors to the region, the project does not fully align with the PGF principles for road investments, because its principal benefit is to improve the safety of the road at this intersection.

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

28. This project will implement safety and congestion elements at the roundabout intersection between State Highways 5 and 36. These will address congestion, accessibility and safety concerns at an intersection that regularly experiences congestion and long tailbacks in the morning peak. The programme of work will also include standard safety improvements along 8.1km of State Highway 5.
29. Improving the existing roundabout will encourage economic development and growth in Ngongotaha, Tarukenga and surrounding townships by increasing the accessibility of employment opportunities in Rotorua. The reduced congestion at the improved roundabout and the increased safety of this stretch of state highway is expected to provide productivity gains to the region.



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30. The pre-implementation work for safety elements is already complete. The Transport Agency will need to complete design work for roundabout improvements, which are expected to include: rebuilding roundabout centre; adding dual-lanes to increase capacity; and improving drainage.
31. The Transport Agency's accelerated project timeline is dependent on project funding and resource support funding being approved in January 2020. Subject to funding approval, the project timeline is:

Date	Transport Agency Action
Commercial Information	Award design contract
Commercial Information	Award minor construction contract and minor works begin
Commercial Information	Award major construction contract
Commercial Information	Main construction begins
Commercial Information	Construction complete

32. While the project is expected to indirectly support the Bay of Plenty's economic development through improved infrastructure enabling better access to employment opportunities in Rotorua etc., the project does not fully align with the PGF principles for road investments, because its principal benefit is to improve the safety of the road and reduce congestion at this intersection.

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

33. 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. It will improve the efficiency and safety of this key freight route between Hawke's Bay, the Manawatu and Tairāwhiti and improve the connection to Napier Port.
34. The project is on a stretch of State Highway 2 that is currently being upgraded, but this particular realignment could not be delivered due to Transport Agency funding constraints.
35. The project will support regional economic growth by reducing travel times, improved access and efficiencies for moving people and goods along this key route.
36. Land purchase is already completed for this project, and power poles have already been realigned to allow for the proposed upgrade. Detailed design has also been completed. If approved, the Transport Agency will need to complete the final designs, resource consent documentation, etc.
37. The Transport Agency's accelerated project timeline is dependent on project funding and resource support funding being approved in January 2020. Subject to funding approval, the project timeline is:



Date	Transport Agency Action
Commercial Information	Award update of design and consenting contract
Commercial Information	Award construction contract
Commercial Information	Construction begins
Commercial Information	Construction complete

38. While the project is expected to indirectly support economic development in the Hawke’s Bay, through improved infrastructure improving freight movements between regions and to Napier Port, the project does not fully align with the PGF principles for road investments, because its principal benefit is to improve the safety of the road, and future-proof the road for climate change with improved and larger culverts.

Hawke’s Bay: State Highway 2 Tahaenui Bridge
Option 1: Bridge widening \$1.2m (recommended option)
 Commercial Information

39. This project will upgrade the Tahaenui Bridge (on State Highway 2 between Wairoa and Gisborne) to two-lane travel. This will improve roading network access and efficiency on this key route for interregional connectivity and freight movement between Gisborne and Hawke’s Bay. This bridge is currently the only one lane restriction on this important link between Gisborne and Napier Port.

40. There are two options for the upgrade: widen the existing bridge for an estimated cost of \$1.2 million; Commercial Information

Option 1 Widen existing bridge (\$1.2 million) (recommended option)

41. This option will extend the life of the existing asset and allow improved traffic flow by removing the only one lane restriction on State Highway 2 between Gisborne and Napier.

42. This option would enable works to begin in August 2020 with completion expected in December 2020. The feasibility study for this option is complete and a short design phase would be required. The design phase will include some consultation with local marae, to understand cultural issues in the area that may impact the project.

43. Commercial Information

44. The Transport Agency’s accelerated project timeline, for option 1, is dependent on project funding and resource support funding being approved in January 2020. Subject to funding approval, the project timeline is:



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Date	Transport Agency Action
Commercial Information	Award design contract
Commercial Information	Award construction contract
Commercial Information	Construction begins
Commercial Information	Construction complete

45. While option 1 is expected to indirectly support economic development in the Hawke’s Bay, through improved infrastructure improving freight movements between regions and to Napier Port, the project does not fully align with the PGF principles for road investments, because its principal benefit is to improve the safety of the bridge for two-way traffic.

Commercial Information

46. Commercial Information

47. Commercial Information

48. Commercial Information

Date	Transport Agency Action
Commercial Information	Award business case contract
Commercial Information	Award design contract
Commercial Information	Award construction contract
Commercial Information	Construction complete

49. Commercial Information

Recommendations

50. Due to the time constraints for use of the Regional Investment Opportunities funding, I recommend that Ministers approve option 1, above, to enable the rapid implementation of a solution to the only single lane bridge on this route. This will support improved traffic flow, and support economic development with increased traffic (including freight) efficiency and productivity in the Hawke’s Bay region. The project will be completed within 2020.



51. Commercial Information
[Redacted]

52. Commercial Information
[Redacted]

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

- 53. This project would provide seawall protection to a section of State Highway 67 between Granity and Ngakawau. This section of highway is an important link to the northern West Coast, but suffers frequent coastal erosion. The project will improve the security and resilience of the highway for the local community, and for freight supplies and rural services in the region.
- 54. The project is supported by the regional land transport committee and local community. The project aligns with the key strategies and delivery of the vision of Tai Poutini West Coast Economic Development Strategy 2018/2025. However, NLTF funding for this project is not certain.
- 55. A business case for the project was completed in 2017 which recommended this intervention. The project will involve construction of a rock-lined bank to lengths of the state highway at direct threat from sea erosion (approx. 950m in total). The funding would not include 650m of seawall on private land between the sea frontage and the state highway. Seawall for private property will need to be privately funded.
- 56. The Transport Agency’s accelerated project timeline is dependent on project funding and resource support funding being approved in January 2020. Subject to funding approval, the project timeline is:

Date	Transport Agency Action
Commercial Information	Award consultation and consenting contract
Commercial Information	Award construction contract
Commercial Information	Construction begins
Commercial Information	Construction complete

57. The project is expected to indirectly support economic development on the West Coast, through improved infrastructure allowing tourism visitors to access the region and also by attracting more tourism visitors to the region. However, the project does not fully align with the PGF principles for road investments, because the project’s principal benefit is to improve the resilience of the road by protecting it from coastal erosion.

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

58. 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



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recommended improvements include safety improvements, passing opportunities, wayfinding, a single-lane bridge upgrade, and culvert replacements.

- 59. The improvements to this route will provide resilience for the Central North Island's transport network, as it is an important alternative to State Highway 3 between Taranaki and the Upper North Island.
- 60. The route is also promoted as a tourist destination, and it is expected that this project, along with the PGF-funded sealing of the unsealed section of 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.
- 61. The PGF-funded sealing of the Tangarakau Gorge was seen as directly impacting tourism numbers into Taranaki via this highway, because tourists were previously prohibited, or deterred, from driving their rental vehicles through the unsealed section of the Gorge, and the PGF investment has opened up the route to those potential tourism visitors.
- 62. However, the project under consideration in this briefing is not primarily about increasing tourism numbers. The main focus of this investment is road safety and resilience. As such, it does not fully align with the PGF principles for road investment.
- 63. The PGF-funded SH 43 business case identified next steps for this project, with the majority of works requiring investigation and design to be completed before construction can begin. This means that the majority of construction works in this project cannot be started until at least October 2020 (except the \$2m Pohokura Stream Culvert starting in May 2020). Therefore, this project does not align directly with Ministers' desire to have Regional Investment Opportunities funded projects under construction by August 2020. However, I recommend these projects for Ministers' consideration because the majority of the works could be underway soon after (between October and December 2020).
- 64. The Transport Agency's accelerated project timeline is dependent on project funding and resource support funding being approved in January 2020. Subject to funding approval, the project timeline is:

Date	Transport Agency Action
Commercial Information	Begin investigation and design
Commercial Information	Construction begins for: Pohokura Stream culvert replacement.
Commercial Information	Construction begins for: passing opportunities, wayfinding, and Manawawiri Stream culvert replacement,
Commercial Information	Construction begins for: safety improvements
Commercial Information	Construction begins for: Single lane bridge upgrade (Late start date reflects the likelihood that the Transport Agency will need to acquire property to upgrade the bridge)
Commercial Information	Construction completion dates vary by sub-project



National Land Transport Funding

65. As approved by Cabinet, the NLTF remains the Government's primary source of funding for investment in land transport infrastructure. As the primary funding mechanism, all land transport projects put forward for PGF funding must first be assessed by the Transport Agency to determine their eligibility for NLTF funding. If NLTF funding is unavailable, the project may be eligible for PGF funding.
66. Consistent with the approach to PGF funding for roading projects, the projects in this briefing will also be forwarded to the NZ Transport Agency Board and be assessed against the NLTF criteria to ensure that Regional Investment Opportunities funding is only allocated to projects (or a portion of a project) that will not be funded by the NLTF.
67. In the event that NLTF funds are available for one or more of the proposed projects, the amount of Regional Investment Opportunities funding will be reduced by a corresponding amount.

Risks in an accelerated programme of road projects

68. Delivery timetables for these accelerated projects are tight. In addition to normal project risks, such as consenting and unforeseen complexities during construction, the Transport Agency identifies the two key risks as the additional procurement and administrative requirements required to deliver the suite of projects in this briefing. As such, additional resource support funding, for the Transport Agency, is required to mitigate these risks and ensure the tight delivery timeframes can be achieved.

Resource support funding

69. The Transport Agency is restricted from using resources funded by the NLTF on other projects, to protect the integrity of the funds sourced from road user charges and petrol taxes. This means that Transport Agency project development, procurement and contracting, assurance, management and governance costs, to support the projects in this briefing, need to be funded in addition to the capital project costs.
70. The new Regional Investment Opportunities funding is also restricted to Crown Capital expenditure, and therefore cannot be used to fund operational resource support.
71. The Transport Agency notes that implementing these projects across five regions under accelerated timeframes will require additional resource support. They have costed their resource support requirements to be up to \$1 million, to support the projects recommended in this briefing. The final amount required will be confirmed based on the number, value and geographical spread of the capital projects that are approved. The funding will be used for:
 - Accelerated procurement expertise (up to \$^{Commercial Information} [redacted]). This resource will ensure that project timing is not impacted by delays in procurement and contracting under the proposed accelerated timeframes,
 - As with the PGF roading investments, it is expected that these Regional Investment Opportunities projects will attract additional coordination requirements, reporting and scrutiny pressures. As such, the Transport Agency requests that funding for ^{Commercial} [redacted] full time equivalent coordination and reporting roles (up to \$^{Commercial Information} [redacted]) to manage the increased workload,
 - The package proposed in this briefing significantly increases both the number and value of non-NLTF projects that the Transport Agency is managing (i.e. PGF and



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Regional Investment Opportunities projects). The Transport Agency does not have spare capacity to support the administrative requirements the proposed package will place on the organisation. The Transport Agency requests additional resource support funding for a full time **Commercial Information** (up to \$ ^{Commercial Information}).

72. Without this additional resource support the Transport Agency will not be able to deliver the programme of work to the delivery timeframes indicated in this briefing.

73. This level of resource support is comparable with other roading programmes. ^{Commercial Information}

74. There are four options available to Ministers to fund the additional resource support requirements of the Transport Agency, detailed as follows:

i.

Commercial Information

ii.

Commercial Information

iii. Funding from the Provincial Growth fund: The projects recommended in this briefing do not fully align with the PGF principles for roads investments. However, they are required to support regional economic development. In addition, they are expected to be administered alongside the PGF, by the PDU and its PGF Cross-Government partners. As such, Regional Economic Development Ministers could approve operational resource support funding from the PGF to support these capital projects. Funding approved for this purpose would be immediately available to the Transport Agency to deploy resources and begin the projects in February 2020. However, it might be considered unusual for the PGF to provide operating expenditure funding to support initiatives where the capital projects do not fully align with PGF investment principles.

iv. Funding from the Manifesto Commitments to the Regions – Operating Contingency: This contingency was set up to enable regional investment in line with Manifesto commitments, and is subject to Regional Economic Development Ministers' approval [CAB-17-MIN-0554]. Operational support for the regional capital projects in this briefing aligns with the intent of the contingency, and therefore funding allocated from this contingency could be used to support the Transport Agency to deliver the capital projects. Funding allocated from this



contingency would be immediately available for the Transport Agency to deploy resources and begin the projects in February 2020.

75. It is therefore recommended that Ministers agree to fund up to \$1 million for Transport Agency's resource support requirements to deliver the package proposed in this briefing from either the Provincial Growth Fund or the Manifesto Commitments to the Regions – Operating Contingency.

Next steps

76. As soon as project approvals are confirmed the Transport Agency will enter a funding agreement with the Ministry of Transport and will then work with its regional network to implement the first stage of the projects in February 2020. The majority of the projects will start with the procurement of design or construction in February.