



BRIEFING

Mahia PGF Roding Project

Date:	3 December 2019	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	1744 19-20

Action sought		
	Action sought	Deadline
Hon Shane Jones Minister for Regional Economic Development	Agree to the recommendations outlined in this briefing	4 December 2019
Hon Grant Robertson Minister of Finance		4 December 2019
Hon Phil Twyford Minister of Transport Minister of Economic Development		4 December 2019
Hon David Parker Minister for Trade and Export Growth		4 December 2019
Fletcher Tabuteau Parliamentary Under-Secretary to the Minister for Regional Economic Development	Note the contents of this briefing	4 December 2019

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Ben Dalton	Chief Operating Officer PDU	Privacy of natural persons	✓
Mark Jacobs	Director, Regional Development, PDU	Privacy of natural persons	
Jared Humm	Senior Policy Advisor, PDU	Privacy of natural persons	



The following departments/agencies have been consulted

New Zealand Transport Agency, Ministry of Transport, and MBIE (Science, Innovation and International)

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



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Purpose

This briefing seeks your approval for up to \$8.3 million of PGF funding towards completion of the Mahia roding project.

Executive summary

The Nuhaka-Opoutama and Mahia East Coast roads are the main access routes to Mahia Peninsula. As well as providing vital access for locals, the roads are also critical for tourism, forestry, agriculture, and other businesses. In particular, the combined routes and a short private road provide access to the Rocket Lab launch site at the southern end of the peninsula.

The Nuhaka-Opoutama Road is vulnerable to coastal erosion and as a consequence is impacted by drop-outs that result in the road being reduced to a single lane in places. Furthermore, a lack of sealing on crucial sections of the Mahia East Coast Road causes issues with traction for larger vehicles and means rental cars cannot use them.

This briefing proposes the approval of \$300,000 for the assessment of new alignments for the Nuhaka-Opoutama Road. This work will then be used to support a business case for a new inland route that would bypass the 1.7km section susceptible to ongoing coastal erosion. This briefing also seeks \$6 million to cover works on 12.5km of Mahia East Coast Road. Together with an additional \$1 million of funding sought for a second coat of traction sealing to Mahia East Coast Road for Commercial Information, these works form the key components of a PGF application from Wairoa District Council. A further \$1 million to cover works on 4km of an adjoining private road that provides access to the Rocket Lab launch site (safety works, drainage and culverts and 16.5 km of traction sealing) forms the basis of an application from Rocket Lab. The two applications have a high degree of interdependence, and it is unlikely the full benefits can be realised without funding both

The issues outlined above impact on visitor numbers during the summer tourist season (up to 16,000 visitors) and affect the ability of Rocket Lab to expand operations by limiting components that can be carried on the road to the Rocket Lab site that are critical for the development of a second launch pad.

The project would have a positive impact on residents by removing dust issues around residences. It also creates access for commercial and heavy vehicles, allows rental cars to be used on the road thereby increasing tourism opportunities, and provides much improved access to maturing forestry.

The urgency of the project means that approval is needed now. This will allow improvements for summer tourists, and will allow works to be completed by the end of Commercial Information to enable Rocket Lab's expansion plan to go ahead.



Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Agree** to fund Wairoa District Council up to \$7.3 million in Provincial Growth Fund funding by way of a grant for the completion of the following projects:
- I. \$300,000 to support a business case to realign the Nuhaka-Opoutama Road
 - II. \$6 million for traction sealing and other works to 12.5km of road on the Mahia East Coast Road and adjoining private road owned by Rocket Lab
 - III. \$1 million for a second coat of traction sealing to Mahia East Coast Road Commercial Information.

Agree/Disagree

- b **Agree** to fund Rocket Lab up to \$1 million by way of a grant for the traction sealing of the private 4km road owned by Rocket Lab

Agree/Disagree

- c **Note** that the works outlined in this briefing are urgently needed to accommodate summer visitor increases and enable Rocket Lab to undertake expansion works,

Noted

- d **Note** that Rocket Lab intend to transport a Comme tonne-plus lifting device for a second launch site along the roads to their facility and these works needs to be completed by Commercial Information,

Noted

- e **Note** that the PDU will engage a civil consultant to review costs as the project is delivered

Noted

- f **Note** that applications have been received from each of Wairoa District Council and Rocket Lab

Noted



**PROVINCIAL
DEVELOPMENT
UNIT**

- g **Note** that the inclusion of a section of private road means that this project cannot be funded through Vote Transport, and an approach has been agreed whereby funding will be made directly to Wairoa District Council and Rocket Lab to carry out the works

Noted

- h **Note** that the Rocket Lab application is a critical component to the Wairoa District Council proposal

Noted

- i **Note** that the New Zealand Space Agency are highly supportive of this proposal, and brought it to the Provincial Development Unit for assessment

Noted

Ben Dalton
**Chief Operating Officer,
Provincial Development Unit, MBIE**

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Hon Grant Robertson
Minister of Finance

..... / /

Hon Shane Jones
Minister for Regional Economic Development

..... / /

Hon Phil Twyford
**Minister for Transport
Minister for Economic
Development**

..... / /

Hon David Parker
Minister for Trade and Export Growth

..... / /

Mahia PGF Roding Project

Background

1. The Nuhaka-Opoutama Road and Mahia East Coast Road (see map) are critical access routes for visitors and business to the Mahia Peninsula. This includes Rocket Lab (as part of its launch service), tourists (particularly during the summer period), forestry (logging trucks), farmers and local residents. Both roads are in need of urgent remedial works.
2. The Nuhaka-Opoutama Road is an 11.3km, sealed road that has several dropout areas over 1.7km due to coastal erosion which is predicted to worsen. Funding for a road realignment has previously been sought by the Wairoa District Council (WDC) to bypass the affected area (a ^{Commercial Information} life span), compared to using erosion protection measures (^{Commercial Information} life span). Funding to fix the 'blowhole' drop out, where the road has been reduced to a single lane, was considered as a solution, however engineering reports now affirm that such a fix would be at critical risk of sudden failure. Funding for a business case to support an alternative route to bypass these dropouts is critical to ensuring certainty of access for locals, visitors and businesses. If the dropouts were to fail, the only access is via a tortuous alternate route.
3. The Mahia East Coast Road is approximately 34km long, which includes around 22km of unsealed road. At the end of this is a 4.5km unsealed private road that provides access to Rocket Lab's launch site. An upgrade is critical to enable continued use of this road to avoid further road damage including that by logging trucks which will be harvesting pine forests over the next 5-10 years, and to manage the dust the trucks create for Peninsula residents, which is a health and safety risk. In its current state, the road is also of poor quality for transporting hazardous or vibration-sensitive loads.
4. With more launches, Rocket Lab has noted that certain infrastructure is inhibiting its future business operations and potential ability to support the region's economic development, and presents safety issues to its operations. This includes roding issues, with CEO Peter Beck stating publicly that he would invest more in the district if there were security in the future of the road.
5. Rocket Lab is planning to add a second launch pad to its facilities on Mahia Peninsula. This requires the delivery of a ^{Comme} tonne-plus lifting device for the second launch pad that will need to be moved along Nuhaka-Opoutama Road and Mahia East Coast Road. This is planned for ^{Commercial Information}, before wet weather would prevent sealing, and will require completion of the remedial works across the public and private road.
6. The PDU has received two applications pertaining to Mahia roding; one from WDC for the funding of a business case for the realignment of the Nuhaka-Opoutama Road and sealing of crucial parts of the Mahia East Coast Road, and an application from Rocket Lab for the sealing of a privately owned road that forms the last 4km of the overall route. The two applications have a high degree of interdependence, and it is unlikely the full benefits can be realised without funding both. **Commercial Information**

Mahia PGF roding proposals

7. The following works are proposed at a total of up to \$8.3 million of PGF funding:
 - a. \$300,000 for assessment and costings of alignment options to support a business case to realign the Nuhaka-Opoutama Road

- b. \$6 million for traction sealing of 12.5km of local road from Mahia to Rocket Lab. In addition to the traction sealing, these works consist of work on drains and culverts, and some safety road markings
 - c. \$1 million for a second coat of traction sealing to the public road Commercial Information
 - d. \$1 million for the traction sealing of the private 4km road owned by Rocket Lab. This, together with the public road investment, will allow the Comme tonne-plus lifting device to be taken to the Rocket Lab site at the end of the road. Additional to the importance for access to the Rocket Lab site and its expansion plans in Commercial In, the road is an important access way for local farms and forestry areas due for harvest in the next 5 to 10 years.
8. Other solutions were considered, and discounted, as follows:
- a. Heavy metalling - was not preferable on steep sections and there was insufficient availability of materials before Commercial Information
 - b. Asphalt - there was also insufficient availability in time for the work to be carried out.

Eligibility for National Land Transport Funding

9. **Commercial Information**

10. **Commercial Information**

11. **Commercial Information**

Analysis

12. The WDC application would have significant economic and social benefits for the community and region, which are outlined in detail below. **Commercial Information**
-
- The urgency of this project means that the proposal to fund WDC directly is the most suitable course of action.
13. We consider that both applications meets the PGF principles for funding roads, as set out in the 'Skills and Infrastructure' Cabinet paper of November 2018 [CAB-18-MIN-0399 refers], including that it:
- a. Enables a greater number of projects to be supported and thereby align with the Government's wider objectives for transport as outlined in the Government Policy Statement
 - b. Provides a source of funding for local authorities that face significant difficulty in meeting local share requirements, this is particularly relevant to the Government's interests in concentrating efforts on opportunities in surge regions
 - c. Brings forward projects that are strategically important to a region's productivity potential and which are outside the National Land Transport Plan funding criteria or which are unable to be funded in a sufficiently timely way through the NLTF

- d. Provides a source of funding for projects that cannot secure funding through the NLTF but which otherwise meet the Government's criteria and objectives for the PGF.
14. Rocket Lab **Commercial Information**, but has illustrated their previous investments to improve the public road sections in the past, which includes straightening and easing of tight corners.
15. **Commercial Information**
16. However, taken as a whole with the WDC application, which forms the bulk of the length of the route and investment, this application forms a component of an overarching proposal that would have significant regional economic benefits, which are outlined below, and meets the principles for funding of roads through the PGF [CAB-18-MIN-0399 refers].

Benefits of the project

Tourism

17. Currently, there are around 16,000 summer visitors to the area. Some of those are having accidents and are getting stuck due to the metalled road being a difficult drive and not being resilient to weather events. This makes it unsuitable for rental vehicles in its current state. The works proposed in this briefing will mitigate these issues.
18. The Rocket Lab launch site is also attracting visitors to the road in general and, more specifically, to its launches. Rocket Lab and WDC will consider the adequacy of viewing positions for the launches and road access to them. There may be some small inclusions in the works to accommodate these.
19. Tourism related to the space industry is a component in other PGF applications at Wairoa, and provides economic opportunities. Hawkes Bay Regional Council has noted in its Regional Land Transport Plan (2015-2025) that the Rocket Lab launch site at Mahia Peninsula is a major tourism opportunity and the WDC is actively promoting Rocket Lab's presence. The WDC Economic Development Report (February 2019) recommends funding a Space Coast visitor facility near Nuhaka as well as re-developing its i-Site in Wairoa. Improvements to the road will help facilitate these developments, leading to increased visitor numbers, spend in the region, and more jobs for the local community.

Direct jobs

20. While the project's urgency is driven by the need to meet Rocket Lab's plans for expanding its launch site on Mahia Peninsula, officials consider that there are sufficient regional economic development opportunities from completion of these works to justify its cost and urgency. Rocket Lab's plans, which are reliant on the upgrade to the road, will see a doubling of local employment by the company and will attract employees to live in Mahia and Wairoa, increasing spending in the area. This aligns with other PGF investments. Commercial Information
21. Rocket Lab has indicated that improvements to the access roads are important to its future plans. Because it will enable the safe transfer of hazardous and/or vibration-sensitive loads.

Logging

22. There are extensive mature pine forests in small scale private ownership on Mahia Peninsula. These are reaching the point where they will have to be extracted, a process which could begin now and carry on for several years. WDC have advised that it is unlikely

the Council could reach agreement with the forest owners for them to maintain the metalled road, which would come under considerable strain from logging trucks, requiring significant and constant upkeep to keep it functional. WDC would be left to repair and maintain the road at considerable cost with impacts on Rocket Lab operations as road is torn up. The works proposed in this briefing would mitigate this risk to a significant degree.

Reduced impact on residents

23. The traction sealing will reduce the health and safety related dust impact on residents and the surrounding environment. The proposal ensures almost all residential areas on [redacted] km of the Mahia East Coast Road are sealed, reducing nuisance and harm from road dust (which will otherwise get worse due to truck movements) and improving safety and the health of residents.

Risks to economic activity if remedial work not done

24. If realignment work is not done on the Nuhaka-Opoutama road, the damage caused by coastal erosion would force traffic to use an alternative narrow metal road with a tortuous alignment. The Nuhaka-Opoutama road is a key access point for Mahia residents to access State Highway 2, and for tourists to access Mahia. There is a further impact on Rocket Lab operations if the road is impassable or at single lane use due to dropouts.
25. The Mahia East Coast Road will also be continually used for forestry (logging trucks) and increasingly for launch operations (rocket components and payloads).
26. Rocket Lab's biggest concern is this road becoming severely compromised and having detrimental effects for Rocket Lab. There is an ongoing risk, if no work is completed, that Rocket Lab could look for separate location for its launch site.

Governance

27. PDU will appoint an independent civil engineer to assess invoices and progress.

Next steps

28. If you agree to the recommendations of this briefing, the PDU will fund directly to WDC and Rocket Lab. This will include \$ [redacted] up front to get the works underway urgently. \$1 million will be held for the resealing, and the rest will be paid upon completion of the works.
29. PDU will engage a civil consultant to review costs as the project is delivered.

Annex One: Map

