



BRIEFING

Kawerau Putauaki Industrial Development Package

Date:	21 January 2020	Priority:	Medium
Security classification:	In Confidence	Tracking number:	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 of 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.	28 January 2020

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
David van der Zouwe	Head of Investment Management	Privacy of natural persons	✓
Jason Hall	Investment Director	Privacy of natural persons	

The following departments/agencies have been consulted

Minister's office to complete:

Approved

Declined

Noted

Needs change



Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



BRIEFING

Kawerau Putauaki Industrial Development Package

Date:	21 January 2020	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2030 19-20

Purpose

This briefing seeks Regional Economic Development (RED) Ministers' approval to the use of \$20 million Cabinet allocation from the Provincial Growth Fund towards the Kawerau Putauaki Industrial Development Package.

Recommended action

The Provincial Development Unit (PDU) recommends that you:

- a **Note** that on 3 September 2018, \$2 million grant towards road related infrastructure, Stage 1, for the Kawerau multimodal distribution hub was approved by the RED Ministers.
Noted

- b **Note** that on 17 October 2018 Cabinet approved in principle the allocation of \$20 million from the Provincial Growth Fund to the multimodal distribution hub at Kawerau and that that final decisions on the PGF investment are to be made by RED Delegated Ministers [DEV-18-MIN-0235].
Noted

- c **Note** that on 7 August 2019 Cabinet agreed in principle to invest \$ Commercial Information for the rail-related components of the Kawerau distribution hub [DEV-18-MIN-0213], as previously approved in principle in October 2018.
Noted

- d **Note** that the final funding amounts for the Kawerau Putauaki Industrial Development Package have been revised and will include the following three key projects totalling \$19.9 million:
 - a. Putauaki Trust Roding and Infrastructure (\$7.5 million): the establishment of a new roundabout on State Highway 34, as well as internal roading and related infrastructure development.
 - b. Kawerau Container Terminal Rail Siding (\$9.6 million): rail siding and related infrastructure development.
 - c. Off-highway Road Development (\$2.8 million): linking industry at the Kawerau Industrial Park to the Container Terminal, Putauaki industrial area and the hinterland plantation forests.*Noted*



**PROVINCIAL
DEVELOPMENT
UNIT**

- e **Agree** to approve the use of \$7.5 million grant and loan mix funding from the Provincial Growth Fund towards the Putauaki Trust Roothing and Related Infrastructure.

Agree / Disagree

- f **Agree** to approve the use of \$9.6 million grant funding from the Provincial Growth Fund towards the Kawerau Container Terminal Rail Siding.

Agree / Disagree

- g **Agree** to approve the use of a \$2.8 million grant and loan mix from the Provincial Growth Fund towards the Off-highway Road Development.

Agree / Disagree

David van der Zouwe
Head of Investment Management
Provincial Development Unit, MBIE

..... / /

Hon Grant Robertson
Minister of Finance

..... / /

Hon Phil Twyford
Minister of Transport
Minister of Economic Development

..... / /

Hon David Parker
Minister for Trade and Export Growth

..... / /

Hon Shane Jones
Minister for Regional Economic Development

..... / /

Background

1. On 3 September 2018, \$2 million grant towards road related infrastructure, Stage 1, for the Kawerau multimodal distribution hub was approved by the RED Ministers. This PGF funding has been contracted, and was considered separately to the approval-in-principle below.
2. On 17 October 2018, Cabinet approved in principle the allocation of \$20 million from the Provincial Growth Fund to the multimodal distribution hub at Kawerau. Cabinet also agreed that final decisions on the PGF investment to the multimodal distribution hub at Kawerau are made by RED Delegated Ministers [DEV-18-MIN-0235 refers].
3. On 7 August 2019 Cabinet agreed in principle to invest \$^{Commercial Information} for the rail-related components of the Kawerau distribution hub, as previously approved in principle in October 2018 [DEV-18-MIN-0213]. However, the final funding for the rail-related components has been revised ^{Commercial Information} to \$9.6 million.
4. The Eastern Bay of Plenty has been identified by the Government as one of the four top priorities for regional economic development.
5. Robust transport infrastructure can make a contribution to economic development as an enabler of economic activity by encouraging the co-location of manufacturing centres and distribution hubs and enabling tourism opportunities. Improved intra- and inter-regional road connectivity can give businesses and investors in the regions confidence that they will have durable and reliable access to markets.
6. The development of the Kawerau Putauaki Industrial Development has created significant economic opportunities and attracted private sector investment.

Kawerau Putauaki Industrial Development Package

7. The Kawerau Putauaki Industrial Development (KPID) Package involves three separate applications requesting a total of \$19.9 million loan and grant mix funding from the Provincial Growth Fund. The KPID Package consists of three key projects:
 - a. Putauaki Trust Roothing and Infrastructure: the establishment of a new roundabout on State Highway 34 to provide safe access to and from the Putauaki Industrial Zone. This will also include internal roading and related infrastructure development.
 - b. Kawerau Container Terminal Rail Siding: rail siding and related infrastructure development.
 - c. Off Highway Road Development: linking industry at the Kawerau Industrial Park to the Container Terminal, Putauaki industrial area and the hinterland plantation forests.
8. The three projects are interconnected to transform economic and social outcomes for the Kawerau community. All three projects need to occur to optimise the supply chain for the value-add sector to enable the creation of jobs and assist with the well-being of the community.
9. It is estimated that the KPID Package will create ^{Commercial} direct and ^{Commercial In} indirect jobs through increased and more diverse business investment enabled by more efficient transport connections to ports and markets.
10. With respect to road ownership, the \$^{Commercial In} roundabout will vest with NZTA, with internal roads (\$^{Commerci}) and the off highway road (\$^{Commercial In}) ownership initially vesting with landowners.
^{Commercial Information}
^{Commercial Information}. As a result,

NZTA and the various landowners will be responsible for the maintenance of these roading assets.

11. Operating costs following completion of the project will be met through revenue.
12. The adjacent geothermal field would provide an additional attraction to business in the area once the hub is complete, and, in unison with transport efficiency gains, would contribute to lowering carbon emissions.

Putauaki Trust Roding and Infrastructure

13. The Putauaki Trust Roding and Infrastructure project requires an investment of \$7.5 million from the PGF towards Stage 2: the establishment of a new roundabout on SH34, as well as internal roading and related infrastructure. This necessary roading infrastructure is required to unlock the Putauaki Industrial Land for industry development.
14. The PGF funding will also provide funding towards the Project Extension Commercial Information
[Redacted]
15. Commercial Information
[Redacted]
16. The project will provide safe integration with the local roading network and the Putauaki Trust Industrial Area, which is part of the overall plan for the KPID Package.

Kawerau Container Terminal Rail Siding

17. The Kawerau Container Terminal Rail Siding project requires an investment of \$9.6 million from the PGF to complete earthworks, drainage and the Rail Siding. The terminal will then be built to include warehousing, container packing and bi-modal transshipment terminal. It is expected to cost Commercial Information in total.
18. The Kawerau Container Terminal will provide the optimal supply chain for added value industry and optimise access to global markets for exporters across the Eastern Bay of Plenty. Estimated savings for value-add users of the Kawerau Container Terminal are approximately \$Commercial per container.
19. The Kawerau Container Terminal is also expected to reduce the environmental and social impacts of industry growth by reducing heavy vehicle movements and congestion issues, providing an alternative to road haulage, increasing road safety and reducing greenhouse gas emissions.
20. The rail siding asset will legally transfer to KiwiRail on completion of the project. The project will create Commercial Info temporary FTEs for the siding construction, Commercial ongoing KiwiRail employees and 1 Commercial ongoing FTEs at the Kawerau Container Terminal.

Off Highway Road

21. The Off Highway Road project requires an investment of \$2.8 million from the PGF to develop 1.6 kilometres of an off-highway connection between the Kawerau Industrial Park (Manukorihi Drive) and McKee Road. The total cost is expected to be Commercial Information and the Sequal and KDC is funding \$Commercial Information.
22. The Off Highway Road will connect Kawerau Industrial Park to the private forestry road (McKee road). This road will be capable of carrying oversized vehicles and will provide a cost effective, fully off-highway connection to the proposed Container Terminal, surrounding plantation forest estates and the Putauaki Industrial Zone.

23. This will ensure it is viable for existing industry to use the Kawerau Container Terminal. The Container Terminal offers freight and cost savings to industry.
24. The Off Highway Road will also enable the efficient delivery of raw materials to operators of the added value industry as 100 tonne axle weight trucks will be able to use the road. It will ensure there is an initial demand base for the Kawerau Container Terminal and ensure its viability from its inception.
25. The Off Highway Road will require ^{Commercial Info} FTEs for the construction and ^{Com} ongoing FTEs for road management.

Recommendation

26. The PDU recommends that RED Ministers approve for the use of \$19.9 million of PGF funding towards the Kawerau Putauaki Industrial Development Package.