



KiwiRail Palmerston North Regional Economic Growth Hub

Name of the project	KiwiRail Palmerston North Regional Economic Growth Hub
Region	Manawatū-Whanganui
Applicant	KiwiRail
Total project value	\$ <small>Commercial Information</small>
Amount of funding sought from the PGF	\$40,000,000
Financial instrument recommended	Grant
PDU recommendation	Approve

38. KiwiRail has applied for a \$40 million PGF grant for the acquisition of approximately 0.0000 ha of land in the North East Industrial Zone (NEIZ), in Bunnythorpe, Palmerston North, to better service Central New Zealand’s growing freight demands and support the country’s wider regional transport, economic development and supply chain strategies.
39. Cabinet have approved in principle the allocation of this \$40 million from the PGF towards the design and land acquisition, with the final decision to be made by RED Ministers [DEV-18-MIN-0235].
40. KiwiRail’s current Palmerston North Freight Yard is now surrounded by urban development. Remaining on this site will not allow for expansion to accommodate predicted national freight growth and does not align with Palmerston North City Council’s strategic rezoning plans. Lack of connectivity to new industrial areas, double handling, rail infrastructure restraints on train sizes, and an inability to meet some time critical requirements limit rail freight handling capabilities at the existing site.
41. Securing a site in the NEIZ to develop an upgraded, future-proofed Regional Economic Growth Hub would best position KiwiRail and its freight partners to efficiently and sustainably deliver on New Zealand’s growing freight demands for the next 50 to 100 years. The NEIZ has been developed as a key location for New Zealand’s rail freight in central New Zealand taking freight from north, south, east and west, supporting planned roading infrastructure in the area with its proximity to airfreight and complementing overall regional transport initiatives. The Bunnythorpe site is:
 - Centrally located in relation to the large North Island import ports
 - Near the Wellington regional population
 - Well situated to handle the flow of import goods south through the North Island (from Auckland to Wellington).
42. Phase 1A involves site identification, designation, master-planning and concept design. Phase 1B is land acquisition, which would commence subject to Phase 1A meeting



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assessment requirements. The timeline for successful land acquisition is approximately two to three years.

43. This project forms an integral part of a wider transportation package where interrelated transport initiatives for the region have been designed collaboratively. It works in synergy with Palmerston North's 2018 City 10-year Development Strategy, the Manawatū Gorge Replacement Proposal and it supports commercial interests in KiwiBuild timber distribution proposals. It would complement a business case from the New Zealand Transport Agency (NZTA) for a Manawatū-Palmerston North Regional Ring Road, strategically positioned on the outer area of Palmerston North and connecting into Bunnythorpe within the NEIZ. The vision for this ring road is to increase agribusiness exports from \$1.9 billion to \$3.8 billion by 2025 through improving efficiency.

Agency comment

44. NZTA are supportive of this application. NZTA has specifically identified the Manawatū-Whanganui region and Palmerston North as being a key enabler for the economic growth and a regional surge location for freight distribution in New Zealand. NZTA advise that from a National Land Transport Programme (NLTP) perspective, the Palmerston North Regional Growth Hub would not be eligible for inclusion in the NLTP due to the application's focus on rail freight – only passenger rail can be funded under the NLTP at this time. The NZTA is undertaking two detailed business cases for State Highway 3/54 Kairanga to Bunnythorpe Road and State Highway 3 Napier Road which are taking into account the planned freight hub.
45. The Ministry of Transport (MoT) supports the proposal, as they consider the aspirations to be consistent with the Government's objectives for transport and freight, where the respective contributions of all modes are optimised as part of a mode neutral approach. MoT considers the facility represents the optimal and most appropriate use of KiwiRail's land assets in Palmerston North. In the MoT's National Freight Demand Study 2014, the New Zealand freight task at the time was 236 million tonnes and was expected to grow to 373 million tonnes by 2042 (an increase of over 60 per cent).

Local support

46. KiwiRail have engaged with key stakeholders to ensure its goals and vision for the region are aligned with regional strategies. Stakeholders engaged include, but are not limited to:
- Rangitāne o Manawatū
 - [REDACTED] Confidentiality
 - NZTA, Chief of Region
 - KiwiRail key freight partners: [REDACTED] Commercial Information
Horizons, and Accelerate 25.
47. Letters of support are held [REDACTED] Commercial Information

Management and governance

48. KiwiRail has a defined project governance structure, project management processes and an established project management office. The procurement process will be managed by KiwiRail and it will be aligned with the Government's procurement policies. A specialist property Acquisition Team at KiwiRail will handle the purchase of property. Future ownership and operational management will lie with KiwiRail.



Benefits

49. The six key investment objectives of the Palmerston North Regional Economic Growth Hub are:
- Increase economic benefits for Central New Zealand
 - Improve national and regional freight efficiency
 - Accommodate predicted freight growth
 - Grow intermodal terminals and capability to further leverage freight distribution
 - Facilitate an integrated region-wide transport solution through key stakeholder collaboration
 - Support and enable Palmerston North’s strategic plans for the city.
50. This is an enabling infrastructure project that will support predicted national and region-wide growing freight demands through developing modern, expanded, well connected, efficient facilities.

Costs and funding sources

51. The \$40,000,000 grant is made of the following parts:
- Site identification, designation, master-planning and concept design (\$^{Commercial Information})
 - Land acquisition (\$^{Commercial Information}).
52. KiwiRail has undertaken an initial assessment of land options which meet future operational requirements. The proposed land acquisition is based on an approximate land parcel area of ^{C mmp} ha. **Commercial Information**. Specific site details will be determined when assessments are completed.
53. The high-level cost estimate for full development of the Regional Economic Growth Hub is \$^{Commercial Information}, with a timeframe of ^{Commercial Information}. This is not anticipated to be funded via the PGF.

PDU assessment of the project

54. This section provides an overview of PDU’s assessment against the PGF eligibility and assessment criteria.

Assessment against PGF criteria

Criteria	Rating 1 - 5	Comment
Sustainable regional economic development	✓✓✓✓	Creating an integrated rail and logistics hub away from the city centre would spark alternative economic growth opportunities within Palmerston North and support both existing customers and potential new markets not



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Criteria	Rating 1 - 5	Comment
		currently connected to rail.
Productivity and innovation	✓✓✓✓	The purchase of land is an enabling infrastructure project that will support predicted national and region-wide growing freight demands through developing modern, expanded, well connected, efficient facilities. This will generate future employment opportunities to the region.
Increased employment, training or work readiness for the sectors workforce	✓✓✓	The development of the Regional Growth Hub will generate long term employment opportunities together with construction and land development opportunities relating to construction activity.
NZ's ability to meet climate change commitments	✓✓✓	Improved environmental sustainability outcomes associated from reduced carbon emissions from vehicle movements instead of trains.
Māori aspirations for utilising land and other resources and achieving cultural objectives	✓✓	KiwiRail would be able to contribute to the future economic success of Māori in the region by way of enabling employment opportunities.
Additionality	✓✓✓✓	The region's economic success relies heavily on supply chain and logistics due to its significant agriculture and manufacturing industries. An NZTA study (2017) shows that increased, dependable connectivity services have a direct impact on increasing productivity.
Connections and alignment with	✓✓✓✓	The project goals are aligned with



Criteria	Rating 1 - 5	Comment
regional priorities		Accelerate 25, Horizons Regional Council, and Palmerston North City Council strategic aims of accelerating economic growth and job creation through strategic infrastructure development.
Environmental sustainability and/or productivity of natural assets		Not evident.

Risk assessment

55. The following risks have been identified:

Type of risk	Mitigation
The identification and purchase of appropriate land takes longer than envisaged.	The grant will be subject to Phase 1A being completed within 12 months, and Phase 1B within 36 months.

Recommendations and next steps

56. The PDU recommends that you approve the \$40 million grant from the PGF towards the KiwiRail Palmerston North Regional Economic Growth Hub, subject to:

- Staged payment gateways for each stage of Phase 1A – site identification, designation, master planning and concept design
- Phase 1A to be completed within 12 months
- Phase 1B to be completed within 36 months.