

COVER SHEET

<p>1. KiwiRail Palmerston North Regional Economic Growth Hub Project PGF Application</p>	<p>For: Approve</p>
<p>Background & context:</p> <p>Applicant Organisation:</p> <ul style="list-style-type: none"> KiwiRail <p>Location:</p> <ul style="list-style-type: none"> Palmerston North <p>Proposal:</p> <ul style="list-style-type: none"> The acquisition of approximately [Commercial Information] hectares 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. The key objective is to provide central New Zealand with a long term, dependable freight distribution solution. <p>Funding Sought:</p> <ul style="list-style-type: none"> Site identification, designation, master- planning and concept design: \$ [Commercial Information] Land acquisition : \$ [Commercial Information] Total project value: \$ [Commercial Information] PGF Funding (grant): \$40 million <p>Background:</p> <ul style="list-style-type: none"> KiwiRail’s current Palmerston North Freight Yard, which was initially established in 1964 on the city outskirts, 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 (PNCC) strategic rezoning plans or vision for the city. 	<p>Recommendation:</p> <p>We recommend that the IAP:</p> <p>a) Note That the KiwiRail Palmerston North Regional Economic Growth Hub Project is part of a package that Cabinet is due to consider shortly.</p> <p>b) Note Phase 1a involves the site identification, designation, master- planning and concept design. Phase 1b involves land acquisition. This would commence subject to Phase 1a meeting assessment requirements.</p> <p>c) Note The timeline for successful land acquisition is approximately 2-3 years.</p> <p>d) Note 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 [Commercial Information] ha. [Commercial Information]. Specific site details will be determined when assessments are completed.</p> <p>e) Note the six key investment objectives of the Palmerston North Regional Economic Growth Hub are:</p> <ul style="list-style-type: none"> Increase economic benefits for Central NZ; Improve national and regional freight efficiency; Accommodate predicted freight growth; Grow intermodal terminals and capability to further leverage freight

- Lack of connectivity to new industrial areas, double handling, rail infrastructure restraints on train sizes, and an inability to meet some time critical requirements currently limit rail freight handling capabilities at the existing site.
 - 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 - 100 years.
 - The Bunnythorpe site is:
 - Centrally located in relation to the large North Island import ports;
 - In close proximity to the Wellington regional population; and
 - Well situated to handle the flow of import goods south through the North Island (from Auckland to Wellington).
 - 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 and its proximity to airfreight and complementing overall regional transport initiatives.
 - In the Ministry of Transport’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%). Furthermore, NZTA’s Accessing Central NZ Strategic Case 2016 report specifically identified the Manawatū-Whanganui region and Palmerston North as being a key enabler for economic growth and recognised the area as a key freight and distribution location for New Zealand.
 - This project forms an integral part of a wider transportation package where a number of 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;
 - Facilitate an integrated region wide transport solution through key stakeholder collaboration; and
 - Support and enable Palmerston North’s Strategic plans for the city.
- f) **Note** the high level cost estimate for full development of the Regional Economic Growth Hub is \$Commercial Information
- g) **Note** The MoT supports the proposal stating that ‘the aspirations are considered 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. The facility represents the optimal and most appropriate use of KiwiRail’s land assets in Palmerston North’.
- h) **Note** NZTA has specifically identified the Manawatū-Whanganui region and Palmerston North as being a key enabler for economic growth and a regional surge location for freight distribution in New Zealand.
- i) **Note** That NZTA advice is that from a National Land Transport Programme (NLTP) perspective, the Palmerston North Regional Growth Hub is not in the NLTP 18-21 and 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. NZTA are supportive of this application.
- j) **Support** the recommendation to **Approve** \$40 million grant from the PGF fund towards the KiwiRail Palmerston North Regional Economic Growth Hub Project subject to:
 - Cabinet approval as part of the KiwiRail package;
 - Staged payment gateway at the

<p>distribution proposals. It would complement a business case from 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.</p>	<p>completion of Phase 1A – site identification, designation, master-planning and concept design;</p> <ul style="list-style-type: none"> • Phase 1A to be completed within 12 months; and • Completion of Phase 1B – land acquisition within 36 months. 	
PGF criteria that this proposal supports:		
PGF Criteria	Assessment Commentary	Rating (1✓ to 5✓)
Link with fund and government outcomes		
Creates permanent jobs	The development of the Regional Growth Hub will generate long term employment opportunities together with construction and land development opportunities relating to construction activity.	✓✓✓
Delivers benefit to the community	<p>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 currently not connected to rail.</p> <p>Moving from the current yard supports various transport strategies seeking to move heavy load bearing vehicles away from urban roads; enabling PNCC’s environmental, health & safety and the city’s future strategic development plans to be realised.</p>	✓✓✓✓
Increased utilisation and returns of Maori asset base	KiwiRail would be able to contribute to the future economic success of Māori in the region by way of enabling employment opportunities.	✓✓
Enhanced sustainability of natural assets		
Mitigation of climate change effects	Improved environmental sustainability outcomes associated from reduced carbon emissions from vehicle movements instead of trains.	✓✓✓
Additionality		
Adding value by building on what is already there	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.	
Acts as a catalyst for productivity potential in the region	The purchase of land is an enabler 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.	✓✓✓✓
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	The project goals are aligned with Accelerate 25, Horizons Regional Council, and Palmerston North City Council strategic aims of accelerating economic growth and job creation through strategic infrastructure development	✓✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	Key stakeholders engaged include, but are not limited to: <ul style="list-style-type: none"> • Rangitāne o Manawatū ('Rangitāne') • Confidentiality • NZTA, Chief of Region • KiwiRail key freight partners: Commercial Information, Horizons, and Accelerate 25 	✓✓✓✓
Governance, risk management and project execution		
Robust project management and governance systems	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.	✓✓✓✓
Risk management approach	KiwiRail has an established risk management structure in place incorporating the appointment of a risk manager and management of an active risk register.	✓✓✓✓
Future ownership / operational management	KiwiRail	✓✓✓
The purpose of this briefing is to consider recommending PGF funds to the KiwiRail Palmerston North Regional Economic Growth Hub Project		

Risks Issues:

The identification and purchase of appropriate land takes longer than envisaged.

Eligibility points of note:

- *Due diligence:* Entity due diligence is not required.
- *Conflict(s) of interest:* Based on the information provided no conflict of interest is evident noting that full due diligence will inform this item further.
- *Illegal Activity:* Based on the application information provided and feedback from other agencies there is no indication that the applicant or project has been involved in, or associated with illegal activity.
- *Alignment with Regional development plans:* The project goals are aligned with Accelerate 25, Horizons Regional Council, and Palmerston North City Council strategic plans.
- *Commercial funding availability:* Given the nature of the project access to commercial funding is not considered a feasible option.

Consultation undertaken or implications:

Legal	N/A	HR	N/A	Finance	N/A	MBIE policy	N/A	Other	NZTA, MoT
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Supporting proposal:	Yes
Appendices:	Yes - Application and supporting letters are as annexes <i>Supporting letters withheld - Commercial Information</i>
Sponsor(s):	N/A
Manager/Author of paper:	Nick Hough, Investment Team