

2. Strategic Context

The strategic context provides an overview of KiwiRail's key strategic objectives. It also provides an overview of other organisations who would benefit from investment in a Regional Economic Growth Hub in Palmerston North.

Table 2: Alignment with key stakeholders

Integrated Alignment with this Business Case	
Partners	Aligned Focus Areas
Mana Whenua	<ul style="list-style-type: none"> Economic development for Maori with consideration to the overall environmental, cultural and sustainability of the Region as well as full consideration and respect of Mana Whenua.
NZ Transport Agency	<ul style="list-style-type: none"> Safe, efficient and resilient transport infrastructure implementation to support a productive, sustainable economy, which aims to minimise greenhouse emissions.
Accelerate 25	<ul style="list-style-type: none"> Accelerating economic growth in the Manawatu-Whanganui Region through strategic integrated transport planning.
Horizons Regional Council	<ul style="list-style-type: none"> Resilient, efficient and safe multi-modal transport links that maximise the strategic advantage of the Central NZ location for hubbing to benefit and grow the City.
Palmerston North City Council	<ul style="list-style-type: none"> 'Small City Benefits, Big City Ambition': enabling opportunities for employment and growth and providing infrastructure and a transport system that links people and opportunities.

2.1.1. Organisational Overview

KiwiRail owns, operates and optimises rail and ferry transport and supply chain networks to facilitate the efficient movement of freight and passengers within New Zealand²². It currently transports 18 million tonnes of freight each year²³.

KiwiRail's Strategic Land Use Team is focussed on overseeing a group-wide rail development programme to improve the quality, location and layout of its operational yards and terminals, to create a more efficient and dependable network for the future. The program seeks to optimise its operational layouts, using improved technologies, automation and new operating models to ensure the provision of safe, reliable and efficient, services and terminals.

A future site in the North East Industrial Zone (NEIZ) of Palmerston North, will support KiwiRail's key objectives to:

- Support New Zealand's export growth
- Provide resilience to the national freight transport system
- Reduce New Zealand's carbon footprint
- Reduce congestion and make roads safer
- Improve operational layout and optimise rail management

The key strategies that KiwiRail uses to deliver the above are to Simplify, Standardise and Invest.²⁴

²² KiwiRail's Statement of Corporate Intent 2018-2020 'Reshaping and Delivering'

²³ KiwiRail's Annual Integrated Report 2017, page 7

²⁴ KiwiRail's Annual Integrated Report 2017, page 10

Reliability for freight customers remains KiwiRail's core strategic focus. KiwiRail implemented a number of improvements under the strategy during 2017 to simplify train plans, improve network reliability and invest in new rolling stock. Reliability can only be achieved if there is the required infrastructure in place to deliver on New Zealand's growing freight demands.

KiwiRail also strive to achieve a number of non-commercial imperatives as outlined in the Company's Statement of Corporate Intent, including: Safety outcomes (Zero Harm), Customer Engagement and Operating Performance Standards²⁵.

Strategic land acquisition is underpinned by KiwiRail's Commercial Property Strategy 2017-2020, which is focussed on protecting the active rail portfolio, by creating key distribution hubs to enable the wider business through increased freight flows.

KiwiRail recognise the urgent need to re-look at existing requirements at this crucial stage where PNCC and NZTA are contemplating how the region's roads and the City plan would best be planned and reconfigured.

KiwiRail's freight strategy is to:

- Grow regional intermodal terminals;
- Accommodate predicted freight growth; and
- Ensure rail remains linked to wider transport, regional and economic development plans.

In order for KiwiRail to best deliver on supporting New Zealand's national distribution requirements, it needs to secure and protect strategically placed land to enable its ability to deliver to the regions and to sustain increasing freight demands.

KiwiRail needs the facilities to keep up with growing freight demands and as part of its 'Active Rail Corridor' initiative, aims to develop key a Regional Economic Growth Hub to help support the wider business and Central New Zealand through predicted freight growth.

Investment in a Regional Economic Growth Hub in the NEIZ, Palmerston North will:

- Enable a more resilient freight network to accommodate predicted national and regional freight growth;
- Result in improved linkages to other regions;
- Provide employment for anticipated population and economic growth in the Palmerston North area;
- Contribute to the future economic success of local Māori by way of enabling employment opportunities and working together with mana whenua as part of a synergistic, mahi tahi approach;
- Support PNCC's strategy to move excess freight traffic away from the city centre, aiding improvements to road safety in the city; and
- Mitigate negative environmental effects in central Palmerston North caused by heavy load-bearing vehicles, by diverting them away from the CBD.

²⁵ EY 2016 Report 'The Value of Rail in New Zealand' prepared for the New Zealand Transport Agency

KiwiRail Customer Insights Programme

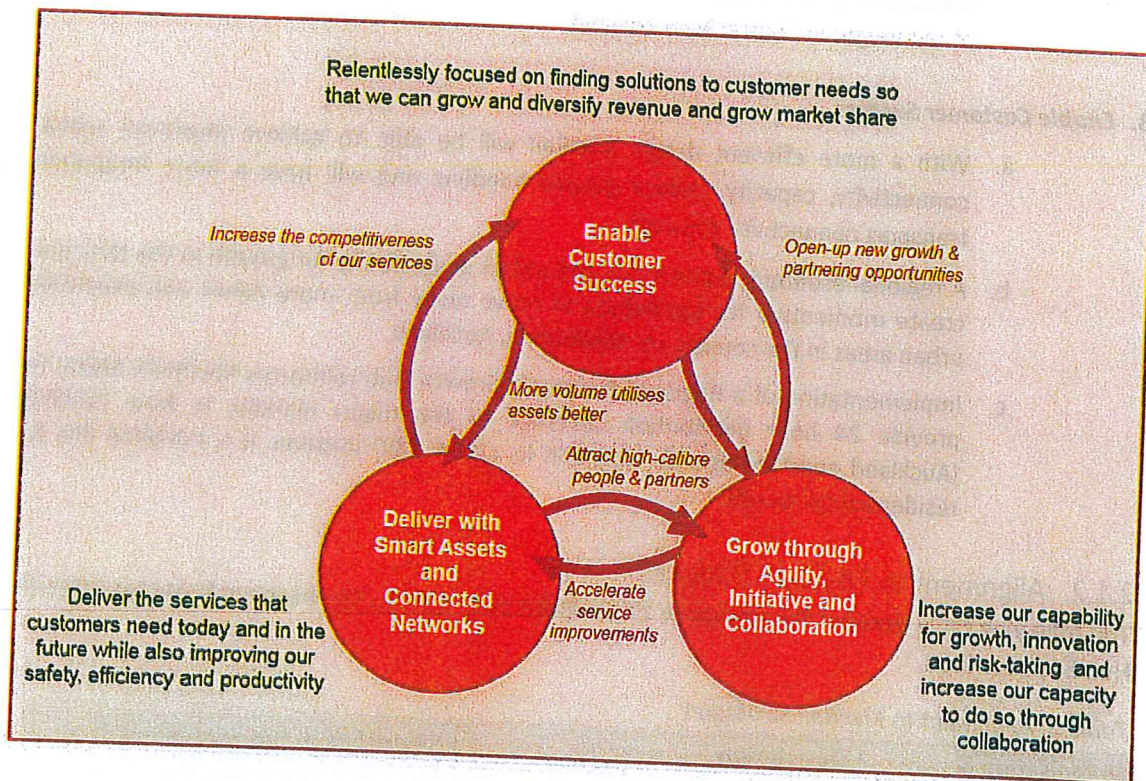
In late 2017, KiwiRail launched a strategic customer insights programme named Project Wā Heke. This internal project provided insight on the future of the New Zealand transport and tourism markets through the eyes of key industry players and influencers.

Inherent in the universal customer feedback received, was that KiwiRail needs to play a more central role in the modern transformation of New Zealand's regional economy. Consequently, KiwiRail is seeking to redefine its business away from traditional boundaries and behaviours, shifting its focus from being sales-driven to customer-focussed.

The combination of a well-positioned, expanded, modernised intermodal freight hub, will complement a series of strategic partnerships and packages which will aim to lift service levels and support the customer-focussed business model.

Project Wā Heke's strategy diagram provides a summary of the key focus areas and how these are interlinked.

Figure 10: Project Wā Heke Key focus areas



Proceeding to acquire NEIZ land in order to develop a Regional Economic Growth Hub would directly support the three strategy initiatives:

1. **Deliver with Smart Assets and Connected Networks**
 - a. Changing from a historic breakbulk facility to a modernised Regional Growth Hub, would improve efficiency, reduce costs and through improved design would promote better safety whilst reducing double handling.
 - b. Through being closer to its freight partners (well connected in the NEIZ) efficiency and operating costs would be improved.
 - c. Designing a bespoke regional economic growth hub means that KiwiRail can implement the latest innovations in technology enabling enhanced communications

channels throughout New Zealand; improved energy efficiency, storm water and water quality.

- d. This aligns with creating a 'fit-for-future' regional economic growth hub that would enable and support Manawatū and the greater regions, linking road, rail and air as part of a broader better connected network. Wellington, Napier and Taranaki will also gain from the improved connection and capability.

2. Grow through Agility, Initiative and Collaboration

- a. Designing a bespoke Regional Economic Growth Hub would enhance communication channels throughout New Zealand, contributing to a more connected national distribution network.
- b. KiwiRail will specifically be engaging with local iwi, PNCC, Horizons Regional Council, NZTA, its freight partners and the local ports to ensure an aligned synergised approach is planned.
- c. The general nature of infrastructure related projects requires a long-term planning perspective (50-100 year); essentially KiwiRail are investing in the long term future of rail freight in Central New Zealand.

3. Enable Customer Success

- a. With a more efficient design KiwiRail will be able to achieve improved speed, connectivity, capacity, reduce double handling and will have a more integrated transport connectivity network.
- b. A regional economic growth hub will unlock opportunity for growth in the NEIZ and create momentum for businesses to move away from more dense and expensive urban areas in the country i.e. Wellington, Auckland.
- c. Implementation of a Regional Economic Growth Hub reinforces KiwiRail's ability to provide 24 hour distribution coverage to the major markets in New Zealand (Auckland and Wellington), where in its current CBD location, it is inhibited due to residential surrounds.

2.1.2. Alignment to Existing Strategies

The following table explains the relevance of KiwiRail's strategies to the Regional Economic Growth Hub Business Case.

Table 3: Alignment to KiwiRail Strategies

Organisation & Strategy Identified	Description	Relevance to this Business Case
KiwiRail Group Statement of Corporate Intent 2018 -2020	Over the next three years KiwiRail's focus will be on delivering a reliable and sustainable business, meeting shareholders' expectations, empowering its people and ensuring KiwiRail plays its role in an integrated transport system fit for New Zealand's future needs. KiwiRail will continue to drive its	KiwiRail's network is an integral part of New Zealand's transport infrastructure and requires a location that will ensure its future success with growing national freight demands. A new site would not only provide space to develop a freight infrastructure to accommodate current demands, but also the

Organisation & Strategy Identified	Description	Relevance to this Business Case
	strategy of 'simplifying our business, standardising our assets, and investing in our people to support our customers' growth while delivering financial and operational results.	capacity to expand in the future. KiwiRail can only support the growth of its customers if it has the facilities to enable it to do so; a new the site provides this opportunity.
KiwiRail Freight Strategy (Drafting for completion, August 2018)	KiwiRail's Freight strategy is to: <ul style="list-style-type: none"> ▪ Grow intermodal terminals; ▪ Accommodate predicted freight growth; and ▪ Ensure rail remains linked to wider transport and regional development plans. 	Investing in land for a 'fit-for-future' intermodal freight hub in the NEIZ would: <ul style="list-style-type: none"> ▪ Allow KiwiRail to expand its facilities; ▪ Enable KiwiRail to deliver on the growing demands of the National freight economy; and ▪ Will be well positioned in the NEIZ part of Palmerston North, thus complimenting wider transport and regional development plans.
KiwiRail Property: Commercial Strategy 2017-2020	<p>KiwiRail's Property Strategy looks to strengthen the alignment between its property assets and its core business objective: to move freight and people.</p> <p>The 2017-2020 strategy focusses on protection of the active rail portfolio, optimisation of the yard and terminal assets and maximising the release of capital from non-active rail land. It also considers the disposal of land outside of its active rail portfolio for re-investment into its future rail business.</p> <p>As part of KiwiRail's "Active Rail Corridor" initiative, it aims to develop key freight hubs to help support the wider business through predicted freight growth.</p> <p>KiwiRail's Strategic Land Use team have been mandated with over-seeing a group-wide rail development programme that</p>	<p>Ensuring that KiwiRail is prepared for future National freight growth, by investing in strategically placed locations with suitable functionality is key for its preparedness to best service the country.</p> <p>A new intermodal growth hub will support the opportunity to develop:</p> <ol style="list-style-type: none"> a) an expanded Intermodal Freight Hub, capable of managing the increasing demands of predicted regional freight flow; b) a modernised Hub facility where suitable design layouts to support maximum efficiency can be implemented; c) an opportunity for improving the overall quality of the working environment; the current Palmerston North Freight Yard is nearing the end of its useful life and is being maintained to keep it at a basic operational standard.

Organisation & Strategy Identified	Description	Relevance to this Business Case
	aims to improve the quality, location, layout and efficiency of the operational yards and terminals.	
KiwiRail Group Project Wā Heke	<p>Project Wā Heke is an internal project which is enabling KiwiRail to consider the future of the New Zealand transport markets through the eyes of key players and influencers.</p> <p>Inherent in the feedback from KiwiRail's customers was the feedback that KiwiRail needs to play a more central role in the modern transformation of New Zealand's regional economy.</p> <p>The project has highlighted a range of insights and opportunities. Now KiwiRail needs to convert these into imaginative and actionable commercial opportunities.</p>	<p>To support Project Wā Heke's agenda to deliver on a customer focussed model, KiwiRail needs the facilities to keep up with growing demands.</p> <p>Purchasing an NEIZ site provides the opportunity to develop an Intermodal Freight Hub capable of keeping up with the demands of New Zealand's transforming economy and increasing freight growth demands.</p> <p>The combination of a well-positioned, expanded, modernised intermodal freight hub will compliment a series of strategic partnerships and packages which will aim to lift service levels and support the customer focussed business model.</p>

KiwiRail's Palmerston North Regional Economic Growth Hub Business Case also aligns with several national and regional strategies relating to freight transportation in general.

NATIONAL STRATEGIES

An investment in a regional economic growth hub in the NEIZ aligns with a number of national strategic plans for the country.

Table 4: Alignment to National Strategies

Organisation & Strategy Identified	Description	Relevance to this Business Case
Ministry of Transport Safer Journeys Strategy: New Zealand's Road Safety Strategy 2010-2020	<p>This document is designed to guide New Zealand's efforts to improve road safety for the next 10 years. It sets out the direction and actions MIT will take to reduce the number of deaths and injuries on New Zealand's roads.</p> <p>Specifically, in its "Safe Roads and Roadsides" actions, it supports</p>	<p>Improving rail freight connectivity and capacity, will be an important facet of reducing the impact of more trucks on the road. Crashes involving trucks are usually more serious than those involving lighter vehicles because of their greater size and weight.</p> <p>By creating a Regional Economic</p>

	<p>"Better integrate road safety into land-use planning". Furthermore, MIT's findings show a rapidly growing Freight market in New Zealand.</p> <p>Freight is predicted to double by 2040 and the largest share of it is likely to continue to be transported by road.</p> <p>Growing international demand for oil – it is predicted that demand for liquid fuels will grow by 32 percent by 2030. If fuel prices rise, then the way people choose to travel may also change. This could have positive and negative impacts for road safety.</p> <p>Environmental: Addressing climate change commitments – over the next decade it is anticipated that measures will be taken to reduce transport emissions. These measures are likely to influence people's choice of transport. An increase in public transport, motorcycling, walking and cycling may be seen. It will be important to address the safety needs of all modes of transport.</p>	<p>Growth Hub in the NEIZ as an alternate to the CBD located yard, heavy vehicles would be diverted out of central Palmerston North, reducing congestion and impacts from large trucks through the CBD.</p> <p>This outcome directly compliments MIT's strategy to consider and integrate road safety into land-use planning.</p> <p>The NEIZ area, compliments wider transport and regional ring road development plans.</p> <p>There are significant road safety and carbon emission benefits to be achieved by establishing an intermodal freight hub on the outskirts of central Palmerston North, as opposed to remaining at the current Palmerston North Freight Yard. For both freight and passenger transport rail performs well against both road and aviation in terms of carbon dioxide (CO²) emissions. KiwiRail's performance to date has seen a 10% improvement in carbon intensity of rail freight since 2010.</p> <p>KiwiRail's Integrated Annual Report 2017 has identified that for every tonne of freight carried by rail, there is a 66% emission saving over road.</p> <p>Further, an Economic Growth Hub in the NEIZ supports MIT's initiatives on road safety and land-use planning by enabling the distribution of various products throughout the country by rail as opposed to road.</p>
<p>New Zealand Transport Agency</p> <p>Government Policy Statement on Land Transport (GPS) 2018</p>	<p>The Government Policy Statement on Land Transport (GPS) 2018 helps guide investment in transport by providing a longer-term strategic view of how the transport network is prioritised and why.</p> <p>While the GPS provides a national picture of land transport funding,</p>	<p>Land acquisition and intermodal growth hub development aligns with GPS' national land transport objectives and the long term results the Government wishes to achieve by:</p> <ul style="list-style-type: none"> ▪ Addressing future freight demands

	<p>the specific detail of how funding is invested is the responsibility of the NZ Transport Agency. The NZ Transport Agency's investment in the land transport system is implemented through the Fund. The Fund is the main central government funding source for the land transport system²⁶.</p> <p>The GPS takes into consideration a range of government policies, including Regional Economic Development, whose focus is supporting productive, sustainable and inclusive growth in regional New Zealand through the recently established Provincial Growth Fund (PGF).</p> <p>GPS has a new focus that prioritises improving New Zealanders' access to economic and social opportunities. The increased focus includes: supporting nationally important freight connections that are safe, efficient, resilient and reduce greenhouse gas emissions.</p> <p>The four strategic priorities are:</p> <ul style="list-style-type: none"> ▪ safety ▪ access ▪ environment ▪ value for money. 	<ul style="list-style-type: none"> ▪ Developing a reliable and resilient intermodal freight hub to service the countries distribution needs ▪ Would divert load bearing trucks away from the Palmerston North CBD, contributing to a safer inner-city transport infrastructure ▪ Mitigates the effects of land transport on the environment. <p>As signalled in the GPS 2018, the Government is shifting towards a mode neutral approach to transport planning and investment decisions.</p> <p>Over time, this will mean that the scope of the GPS is likely to expand to investigate enabling funding for alternative transport modes, such as rail and coastal shipping, where it would improve resilience of the transport network²⁷. Increased accessibility may reduce other costs such as greenhouse gas emissions and deaths and serious injuries²⁸.</p> <p>A new and improved intermodal freight hub will improve productivity potential in the regions; GPS 2018 endorses the initiative of such developments from the planning stage to delivery.</p>
<p>Budget 2018</p> <p>Budget at a Glance: Foundations for the Future Minister of Finance</p>	<p>The Budget 2018 overview makes significant investment in the Coalition Government's key priorities, building on the 100-Day Plan. Included in its top five priorities is 'Promoting economic development and supporting the regions'.</p> <p>Budget 2018 invests in economic development and productivity with a focus on supporting regional economies to deliver shared</p>	<p>This Business Case aligns with the Budget 2018 objectives in a number of direct ways.</p> <p>Developing a Regional Economic Growth Hub would enable KiwiRail to deliver on the continuing freight demands of the country, supporting the economy, whilst providing employment to the surrounding Palmerston North area.</p> <p>The Budget specifically includes that</p>

²⁶ <https://www.transport.govt.nz/assets/Uploads/Our-Work/Documents/Draft-GPS-2018.pdf>

²⁷ <https://www.transport.govt.nz/assets/Uploads/Our-Work/Documents/Draft-GPS-2018.pdf>

²⁸ <https://www.transport.govt.nz/assets/Uploads/Our-Work/Documents/Draft-GPS-2018.pdf>

	<p>prosperity for all.</p> <p>The package supports \$1.1 billion of capital funding to 'Infrastructure, productivity and the regions'. It specifically states that it will provide funding to invest in KiwiRail to support a modern rail network.</p> <p>The Budget 2018 aims to boost productivity to the regions through the Provincial Growth Fund and enable 'our businesses to operate more efficiently'.</p>	<p>it intends to invest in KiwiRail initiatives.</p> <p>In alignment with the '2018 Budget' approach, KiwiRail group is looking to boost its productivity, enabling opportunities for the region through the support of the Provincial Growth Fund. With PGF's backing, a more efficient, 'fit-for-future', Regional Economic Growth Hub would ensure success in keeping up with growing national freight demands.</p>
<p>NZTA</p> <p>Accessing Central NZ Strategic Case</p> <p>2016 report</p>	<p>The NZTA, Accessing Central New Zealand, Strategic Case 2016 report acknowledges the importance of the Manawatū-Whanganui Region and Palmerston North as being a key enabler for economic growth in New Zealand from a freight hub perspective.</p> <p>It has identified the need for improved distribution services in the area and the urgent need for investment in these to accommodate freight growth.</p>	<p>This aligns with creating a 'fit-for-future', Regional Economic Growth Hub that would enable and support Manawatū and the greater regions; linking road, rail and air as part of a broader better-connected network.</p> <p>Wellington, Napier and Taranaki will also gain from the improved connection and capability.</p>

REGIONAL STRATEGIES

KiwiRail's intention to invest in the NEIZ aligns with a number of regional strategies and development plans.

Table 5: Alignment to Regional Strategies

Organisation & Strategy Identified	Description	Relevance to this Business Case
<p>Palmerston North: Consultation Document</p> <p>2018 – 2028, 10 YEAR PLAN</p>	<p>The 10 Year Plan outlines the PNCC's 'big picture'. It includes the projects and services that they are planning to deliver over the next ten years.</p> <p>Two of the top priorities PNCC is focused on, are as follows:</p> <ol style="list-style-type: none"> Ensuring that they have the land and essential infrastructure for sustainable growth in population and 	<p>PNCC recognises that KiwiRail is a key part of the transport supply chain and is a major enabler of freight in their region and across the Central New Zealand.</p> <p>An expanded, 'fit-for-future' Regional Economic Growth Hub in the NEIZ, supports the City's goal to enable its ability to cater for future predicted growth in distribution and logistics</p>

	<p>jobs; and</p> <p>2. Creating a more vibrant city centre which will in turn attract and retain business investment that will deliver further benefits to the people of Palmerston North.</p> <p>Palmerston North's Sustainable Growth Catalyst Projects aim to support a Regional Freight Ring Road, Rail and Airport (multi-modal) infrastructure to enable industrial growth in the area.</p>	<p>industries.</p> <p>Land acquisition and a Regional Growth Hub development will deliver the essential infrastructure required for KiwiRail to run a sustainable freight business. This will consequently provide employment opportunities to those in the city and surrounds. It will also align with preparing for predicted population increase in Palmerston North, unlocking the current land for more strategic city planning.</p>
<p>Palmerston North</p> <p>2018 City Development Strategy: small city benefits, big city ambition</p>	<p>To fulfil Palmerston North's vision of 'small city benefits, big city ambition' the PNCC supports two key priorities:</p> <ol style="list-style-type: none"> 1. Creating and enabling opportunities for employment and growth; and 2. Providing infrastructure to enable growth and a transport system that links people and opportunities <p>PNCC supports the initiative for industrial land being made available to the north-east of the city, earmarking it for large-format freight services.</p> <p>It recognizes the strategic importance of rail forming a significant intermodal freight and distribution hub and has identified how traffic flows compromise the industrial land adjacent to the rail corridor at Tremaine Avenue.</p>	<p>Bunnythorpe land, situated in the NEIZ, is well located to support the City priorities with a Regional Economic Growth Hub.</p> <p>By the PGF enabling KiwiRail and its freight partners to take this opportunity, rail will be enabled to form a key part of future freight, distribution and logistics activities for Central New Zealand.</p> <p>A greenfields site will enable KiwiRail to deliver on increasing freight demands, consequently providing employment growth and opportunities to the Manawatu-Whanganui area.</p> <p>KiwiRail see this strategic land as supporting the City's future economic growth and complimenting the key objectives that PNCC are setting out to achieve.</p>
<p>Palmerston North</p> <p>Economic Development Strategy: 2018 (PN EDS)</p>	<p>The Economic Development Strategy has been developed alongside the City Development Strategy. It focuses on five key priorities outlined as follows:</p> <ol style="list-style-type: none"> 1. Create and enable 	<p>Land acquisition and development of a Regional Growth Hub, either directly or indirectly supports all five key priorities included in the PN EDS.</p> <p>Logistics is recognised as a priority</p>

	<p>opportunities for employment and growth</p> <p>2. Provide infrastructure to enable growth and a transport system that links people and opportunities</p>	<p>sector in the region that will help determine the city's future economic wellbeing.</p> <p>A Regional Growth Hub supports the PNCC's goal to grow the freight sector.</p>
	<p>3. Diversify the economy to reduce reliance on traditional industries</p> <p>4. Support an 'innovation economy' to underpin growth into the future</p> <p>5. Transform the economy to a low carbon economy</p>	<p>For KiwiRail to be equipped to become a sustainable, reliable freight distribution centre, it needs to be in an area that is well connected, will accommodate our expansion goals (to deliver on the country's freight needs) and will allow it the facilities to upgrade and modernise. A site in the NEIZ would satisfy these objectives; enabling KiwiRail to contribute positively to local and national economic goals.</p>
<p>Palmerston North Strategic Transport Plan: 2018 – 2021 (PN STP)</p>	<p>The purpose of the Strategic Transport Plan is to provide infrastructure to enable growth and a transport system that links people and opportunities, and provides amenity, safety, interconnectivity, accessibility, resilience and reliability.</p> <p>It recognises that increasing connectivity is a key factor in Palmerston North's future prosperity. It has also identified that the road link to the Palmerston North Freight Yard terminal is under increasing pressure from congestion.</p> <p>PN STP programmes include:</p> <ul style="list-style-type: none"> ▪ Developing a plan, in collaboration with Kiwi Rail, to ensure rail forms a key part of future freight, distribution and logistics activities and interconnections in the north-east industrial zone ▪ Develop a plan to provide resilient and reliable 	<p>A number of PNCC's specific programmes to enhance the City's transport resilience align directly with this Business Case.</p> <p>By acquiring a site at the NEIZ, KiwiRail and its freight partners will be able to expand and upgrade their facilities to support Central New Zealand's future freight growth.</p> <p>The current Palmerston North Freight Yard is nearing the end of its useful life and is unable to expand due to being constrained by residential surrounds.</p> <p>The PN STP does not support the rail terminal on Tremaine Avenue remaining where it is, as it is inconsistent the PNCC's strategic plan for the City.</p> <p>In addition, PNCC is highly supportive of KiwiRail providing resilient and reliable intermodal rail distribution services to the regions.</p> <p>KiwiRail moving out of the city</p>

	<p>intermodal, road and rail connectivity for industry (by end of 2020/2021).</p> <ul style="list-style-type: none"> Investigate and recommend options for re-location of the rail terminal on Tremaine Avenue (by end of 2020/2021). 	<p>centre and into the NEIZ aligns with PNCC objectives.</p>
<p>Palmerston North: Eco City Strategy 2018</p>	<p>Palmerston North's Eco City Strategy outlines the goals and approach for the city to achieve its ambition of creating cleaner energy, lowered carbon emissions and reduced ecological footprint for the city.</p> <p>It notes the importance of effective planning of infrastructure and the protection, maintenance and enhancement of our natural and built environment. It also specifies the goal for the city to become a low carbon economy.</p>	<p>Contaminants such as those from vehicle tyres, brake pads, oil and grease and the wear of bitumen from road surfaces can all end up in the Region's air, water and land.</p> <p>By supporting the case to invest in a reliable intermodal Growth Hub outside of the CBD, load bearing traffic can be diverted away from the inner city.</p> <p>A more efficient and strategically located Growth Hub will provide New Zealand with a more sustainable, environmentally friendly transport method enabling it to meet carbon emission targets whilst still delivering on freight demands.</p> <p>By unlocking the current Palmerston North Freight Yard, the PNCC will have the opportunity to introduce public transport infrastructure that enables city dwellers and visitors to make low carbon transport choices.</p> <p>Furthermore, the Ministry of Business, Innovation and Employment (MBIE) forecasts the number of people visiting New Zealand to increase by approximately 38% over the next six years (increasing from 3.7 million in 2017 to 5.1 million in 2024)²⁹. By KiwiRail moving to the NEIZ, it will unlock PNCC plans for its City and enable the City to</p>

²⁹ <http://www.mbie.govt.nz/info-services/sectors-industries/tourism/tourism-research-data/international-tourism-forecasts/2018-2024-forecasts>

<p>Integrated Transport Strategy for Palmerston North (PN ITS)</p>	<p>The Integrated Transport Strategy supports transport choices as part of an easy to use and efficient transport system that meets the needs of people, businesses and the environment.</p>	<p>benefit from passenger rail and tourism potential.</p>
<p>November 2015</p>	<p>There are three main drivers that the Palmerston North ITS is focused on:</p> <ol style="list-style-type: none"> 1. Optimise Use, Access and Movement 2. Build resilience 3. Encourage walking and cycling 	<p>By moving to a NEIZ site, KiwiRail would be better connected to a planned regional Ring Road; supporting moving traffic flows away from the City centre and increasing accessibility to the freight Hub.</p>
	<p>The PN ITS has recognised that while rail transport is more environmentally sustainable, a 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 its capabilities.</p>	<p>Rail distribution services can only build resilience if they are well-equipped, modernised and located in an area where it can expand to cater for an increase in freight volumes. Relocating to the NEIZ will support these goals.</p>
	<p>It has been identified that growth in freight transport, particularly truck traffic volume and size, is contributing to road safety issues and areas of tension in the city.</p>	<p>PN ITS initiatives for a more pedestrian friendly city would be supported by moving KiwiRail's yard out of central Palmerston North. The roads will be safer with fewer load bearing trucks using inner city streets to access the Palmerston North Freight Yard and the current site would be unlocked for a potential city metro connection hub for public use.</p>
<p>Palmerston North City Council Sustainable City Strategy</p>	<p>The PNCC's vision, is for the city to be recognised as being vibrant, caring, innovative, sustainable and prosperous city.</p> <p>The Sustainable City Strategy includes a driver of 'sustainable energy use to get about the city' and sub-drivers to:</p> <ul style="list-style-type: none"> ▪ Increase the use of public transport 	<p>Securing land in the NEIZ for a Regional Economic Growth Hub, would enable heavy vehicles to be directed away from the Palmerston North Freight Yard and onto arterial routes.</p> <p>This would improve the safety of inner-city streets and encourage and accommodate cycling and walking as an alternative means for transport due to improved road safety.</p>

	<ul style="list-style-type: none"> ▪ Encourage walking and cycling ▪ Focus heavy traffic onto arterial routes ▪ Decrease the need for travel 	<p>Relocation from the Palmerston North Freight Yard would provide the opportunity to regenerate the site to achieve increased tourism rail patronage.</p>
<p>Horizons Regional Land Transport Plan: 2015 - 2025</p>	<p>The Horizons Regional Land Transport Plan sets out the strategic direction for land transport in the Manawatū - Wanganui region over the next 10 years.</p> <p>It describes what their Region is seeking to achieve for the land transport system and how this will contribute to an effective, efficient and safe land transport system in the public interest as required under the Land Transport Management Act 2003 (LTMA).</p> <p>Its findings show that the regional economy is largely based on the production of primary industries, and because of this, the Region's economy is reliant on the land transport network in transporting product from its point of origin to its destination. A large proportion of the Region's primary product eventually makes its way out of the Region for either export overseas or to be redistributed to other parts of New Zealand.</p> <p>The Horizon Plan has recognized the Palmerston North- Manawatū sub area is now a major freight hub and has superseded Wellington in importance as a distribution center. This is as a result of two important commodity flows:</p> <ol style="list-style-type: none"> 1. Palmerston North has become a key staging point for high-value imported and domestic freight between Auckland and 	<p>The Palmerston North - Manawatū sub area is now recognised as the hub of the growing freight distribution industry because of its Central New Zealand location, connecting to the surrounding regions of Taranaki, Hawke's Bay, Waikato and Wellington, via the State Highway, rail and air networks.</p> <p>As the Region's economy is reliant on the land transport network for export or redistribution, it is critical to New Zealand's economy that the transport links are resilient.</p> <p>PNCC have recognised growth expanding in the area and the requirement to future plan for this. A 126 ha extension of the NEIZ was introduced in 2015 through its Sectional District Plan review process to accommodate expected growth in the zone.</p> <p>KiwiRail plays a major role in supporting the Region's distribution of freight throughout New Zealand. Establishing a Regional Growth Hub in the NEIZ, would support New Zealand's national and regional requirements to support an expanding freight market.</p> <p>In line with Horizon's Strategy, the NEIZ is slated to play a large role in supporting the country's freight distribution needs through being better connected to key transport modes.</p> <p>The NEIZ area is well connected to</p>

	<p>Wellington or between Auckland and the South Island; and</p> <p>2. Palmerston North has good access to hinterlands that produce New Zealand export commodities and provides the staging point for export of these out of the ports in Napier, New Plymouth and Wellington, or even Auckland and Tauranga.</p>	<p>roads and PN City's airport, enabling it to protect and enhance New Zealand's growing distribution economy.</p>
	<p>Further to the above, the following Policies³⁰ are intended to guide and direct decisions and planning that needs to occur to support the Region.</p> <p>Policy 2.3 supports the efficient and effective movement of freight within and through the Region.</p>	
<p>Horizons: Draft Regional Land Transport Plan 2015-2025 (2018 Review)</p>	<p>This plan is the result of a three-yearly review of the 2015-25 Plan. It sets out the strategic direction for land transport in the Horizons Region.</p> <p>It states the regional priorities for the next ten years and outlines the proposed land transport activities in the next six years that seek to contribute to these priorities and secure and guide investment in the Region.</p> <p>Included in its findings, it recognises the Palmerston North - Manawatū sub-area as the hub of the growing freight distribution industry because of its location in the central part of the lower North Island. It has identified that it is critical to the economy of the Region, that transport links are resilient and efficient (which includes a high level of connectivity).</p> <p>The latest Review has identified a</p>	<p>Palmerston North's significant and growing freight distribution industry and the strategic network in and around the city will need to cater effectively for this now to be better prepared for the future.</p> <p>KiwiRail recognise that the key for future preparedness is ensuring that future growth of the North East Industrial Zone is planned for via an efficient road and freight network, consequently providing good access locally to Palmerston North and regionally to the rest of the North Island.</p> <p>'Distribution and Transport' has been identified as a key enabler in unlocking potential economic growth for the Region. Further, it has been recognised that Palmerston North has:</p> <ul style="list-style-type: none"> ▪ become a key staging point for high value imported and domestic freight between Auckland and Wellington or

³⁰ Horizons Regional Land Transport Plan: 2015 – 2025, Policy 2.3

	<p>key list of objectives as contributing to an effective, efficient, and safe land transport system in the public interest.</p> <p>These include:</p> <ol style="list-style-type: none"> 1. An optimised road, rail and public transport network that provides efficient, reliable access and movement for people and freight to and from key destinations, within and outside the region. 2. Maximise the strategic advantage of central New Zealand through efficient and well serviced hubbing and freight distribution activities, including better utilisation of rail corridors. 3. A safe land transport system increasingly free of death and serious injury. 4. A reliable multimodal transport system with less modal conflict, including walking and cycling, that mitigates potential environmental effects and improves environmental outcomes. 5. A resilient transport network with secure inter and intra-regional routes, that can perform following an unplanned event. 	<p>between Auckland and the South Island; and</p> <ul style="list-style-type: none"> ▪ has good access to hinterlands that produce New Zealand export commodities. <p>An enhanced, modernised, strategically positioned Regional Growth Hub in the NEIZ will support the Palmerston North - Manawatū sub-area as the centre of Central New Zealand's growing freight distribution industry.</p>
<p>Joint Manawatū-Palmerston North Transport Strategy (JTS), 2010</p>	<p>The JTS was developed in 2010 in collaboration with PNCC, Manawatū District Council, Horizons Regional Council and the NZ Transport Agency in response to poor strategic alignment.</p> <p>The JTS identified a series of road improvements to give effect to an evidence-based strategic network hierarchy, connecting key</p>	<p>Time is criticality important in freight distribution. A key component of ensuring suppliers meet time critical deadlines is an efficient road transport network.</p> <p>Acquiring and developing a Regional Economic Growth Hub in the NEIZ in Bunnythorpe, will provide better linkages into the Regional Freight Ring Road; as opposed to using the inner-city</p>

	<p>transport nodes over the next 30 years.</p> <p>A key aspect of the JTS has been the development of a 'Regional Freight Ring Road', vital to unlocking the Region's distribution and logistics potential and reducing large commercial traffic volumes on local roads as well as providing fluid connectivity.</p>	<p>Palmerston North Streets to access its existing yard.</p> <p>Positioning the freight hub in the North East Industrial Zone, will compliment aligning its base and routes with improved connectivity, resilience and safety of strategic routes to and from key destinations.</p>
<p>Ministry of Business, Innovation and Employment; and the Ministry for Primary Industries</p> <p>Regional Growth Programme 2017</p>	<p>The Ministry of Business, Innovation and Employment and the Ministry for Primary Industries, lead central government's contribution to the Regional Growth Programme.</p> <p>The programme will investigate ways to prioritise investment and economic growth opportunities for all districts within the Region over the next 30 years.</p> <p>The Government wants all New Zealanders to benefit from economic growth. Ensuring our regions are as productive and innovative as they can be will not just improve regional living standards but lift our national exports and increase wealth throughout New Zealand³¹.</p>	<p>Transport is a key enabler of growth.</p> <p>By investing in a new 'fit-for-future' economic growth hub, potential growth for the region will be unlocked providing employment and greater resilience in a growing freight economy.</p> <p>Ensuring that KiwiRail and its freight partners are best equipped and positioned to deliver efficient distribution services will support the country's overall economic wealth.</p>
<p>2010 Palmerston North- Manawatū Strategic Transport Study</p>	<p>In 2010, at the same time as developing the Regional Land Transport Strategy, PNCC, Manawatū District Council, the Transport Agency and Horizons Regional Council undertook the Palmerston North-Manawatū Strategic Transport Study (referred to as the JTS).</p> <p>The intention of the JTS was to confirm a roading hierarchy for the Palmerston North-Manawatū sub area that would identify improvements and develop a</p>	<p>A 'fit-for-future' Regional Growth Hub will enable unlocking economic growth and development opportunities that will benefit the entire Region.</p> <p>By facilitating its development through strong and effective transport links, freight efficiency will be greatly improved opening up additional economic opportunities across the Region.</p>

³¹ Regional Growth Programme, page 2

	programme of works to give effect to the road hierarchy over a 30-year planning horizon.	
<p>Wanganui District Council (WDC)</p> <p>Urban Transportation Strategy: 2011</p>	<p>In 2011, the Wanganui District Council (WDC) adopted an Urban Transportation Strategy that sets the direction for future transportation investment over the following 30 years in the District.</p> <p>One of the major themes of the Strategy is to improve the efficiency and effectiveness of freight movement.</p>	<p>A 'fit-for-future' Regional Economic Growth Hub in Bunnythorpe will directly impact on the efficiency and effectiveness of KiwiRail and its freight partners being able to better accommodate predicted future freight growth in New Zealand.</p>
<p>Accelerate 25</p> <p>Manawatū-Whanganui Economic Action Plan</p> <p>[August 2016]</p>	<p>This Action Plan is the practical 'road map' to accelerate social and economic growth in the Manawatū-Whanganui region through to 2025.</p> <p>The source document for this plan is the 2015 Growth Study.</p> <p>It explains the interconnectedness between the sub-regions, and that if they are integrated strategically this will have a tangible and resounding impact on the New Zealand economy.</p> <p>The Plan has identified the importance of infrastructure connection between people, goods, services and markets on economic success.</p> <p>Some of the future network requirements it has identified are as follows:</p> <ul style="list-style-type: none"> ▪ Efficient and well-served hubbing. ▪ Scalability of operations. ▪ Palmerston North is a major intersection requiring more investment in streamlined transport movement. 	<p>A Regional Economic Growth Hub in the NEIZ will support Central New Zealand's needs by providing KiwiRail and its freight partners greater capacity to efficiently deliver on increasing distribution services.</p> <p>The NEIZ is well connected to the airport and a planned regional Ring Road.</p> <p>Creating a Regional Growth Hub in a greenfields NEIZ site will enable KiwiRail and its freight partners to meet their own strategic objectives while also working with the City and surrounding regions to deliver efficient, reliable freighting services around New Zealand; contributing to economic benefits for the country as a whole.</p>
Manawatū-Palmerston	There are currently plans in	An NEIZ located site will better

<p>North</p> <p>Regional Ring Road</p> <p>Key investment opportunity / Business Case</p>	<p>action for a Manawatū-Palmerston North Regional Ring Road (Rural Ring Road) to allow heavy through traffic to bypass Palmerston North's city centre).</p> <p>This is expected to enable growth not just for the Manawatū-Whanganui region, but growth for the betterment of the entire country.</p>	<p>connect with the planned regional ring road and will have easier airport access due to not having to cross CBD streets</p> <p>By the various transport strategies in the region being aligned, an integrated multi-modal approach can be created, enabling a more resilient distribution system for New Zealand to rely upon.</p>
<p>NZTA</p> <p>SH3 Manawatū Gorge Replacement Route March 2018</p>	<p>The proposed SH3 Manawatū Gorge Replacement Route aims to provide a safe and reliable, high quality road between Manawatū, Taranua District, Hawke's Bay and Northern Wairarapa.</p> <p>Essential for the economic wellbeing of New Zealand and our communities it would be complementary to and support the development of the Regional Freight Ring Road.</p>	<p>KiwiRail establishing within the NEIZ zone would align with the Ashurst to Palmerston North element of the SH3 replacement route.</p> <p>Connectivity in the region will be enhanced if road and rail strategies are implemented in a synergized way, to achieve best interconnected transport results.</p>
<p>NZ Transport Agency, 2009, Central Region Freight Analysis Final Report</p>	<p>According to the NZTA 2009, Central Region Freight Analysis Final Report, the Palmerston North's importance as a major distribution and logistics hub for the Central North Island is growing.</p> <p>The study reports that a flow of inter-regional freight reflects:</p> <ul style="list-style-type: none"> ▪ The central distribution location in relation to the large North Island import ports ▪ The region's relative proximity to the Wellington regional population (491,000 residents as at June 2014) ▪ The flow of import goods south through the North Island (from Auckland to Wellington). 	<p>KiwiRail needs to prepare itself to deliver reliable distribution services to New Zealand's growing freight economy. KiwiRail can only achieve this if it is strategically located and connected with wider regional transport initiatives. Its services will be optimized if road, rail and air are able to work in harmony for best results.</p> <p>An acquisition of land in the NEIZ would enable KiwiRail to establish a facility where it can be well connected with the main transport modes in the Region, leveraging itself and key stakeholder with synergized multi-modal supply chain.</p> <p>KiwiRail are aware that Palmerston North is a key area for Central New Zealand freight distribution requirements.</p>

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		At the current Palmerston North Freight Yard, expansion is restricted; consequently, there would be limitations on servicing New Zealand's predicted growing freight demands.
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Regional Integrated Transport Planning Approach

KiwiRail intends to partner with key stakeholders in the Region including local iwi, PNCC, NZTA, Accelerate 25 and Horizons to develop a high level integrated regional transport master-plan as part of Phase 2. KiwiRail would collaborate on design to support wider regional objectives and best business outcomes, taking full consideration of mana whenua protocols throughout.

This Business Case compliments a number of other connected transport projects. The PNCC is supportive of this collaborative approach to intermodal transport planning. Cooperating with key stakeholders will ensure that future connectivity by way of air, road, rail and ports is synergised, complimentary and efficient. This will ensure delivery of a best overall regional outcome, aligned with rail objectives, and creating the maximum capacity to deliver a dependable multimodal transport network for Central New Zealand's future.

An overview of how the phasing for this Business Case fits into wider transport initiatives in the Region is summarised below.

Table 6: Integrated Intermodal Transportation Master-Plan Overview

Phase of work	Explanation
Phase 1a	<ul style="list-style-type: none"> ▪ This Business Case: Site identification, master-planning, designation and due diligence.
Phase 1b	<ul style="list-style-type: none"> ▪ This Business Case: KiwiRail acquisition of a NEIZ greenfield site (subject to satisfactory Phase 1a requirements being met).
Phase 2a	<ul style="list-style-type: none"> ▪ Detailed integrated design and construction of a Palmerston North Regional Economic Growth Hub. ▪ KiwiRail's former Palmerston North Freight Yard is rezoned for uses aligned with PNCC strategic plan. ▪ Main passenger line stays with appropriate rail corridor for future inner-city metro hub.
Phase 2b	<ul style="list-style-type: none"> ▪ Planning for several new rail spurs to connect to new businesses, distribution centers and manufacturing plants which connect to existing North East Industrial Zone. <p><i>Note: This is to happen in parallel with the new Palmerston North Regional Growth Hub development.</i></p>
Phase 3	<ul style="list-style-type: none"> ▪ Manawatū-Palmerston North Regional Ring Road and planned route Business Case is submitted by PNCC for funding, linking into the North East Industrial Zone plan.

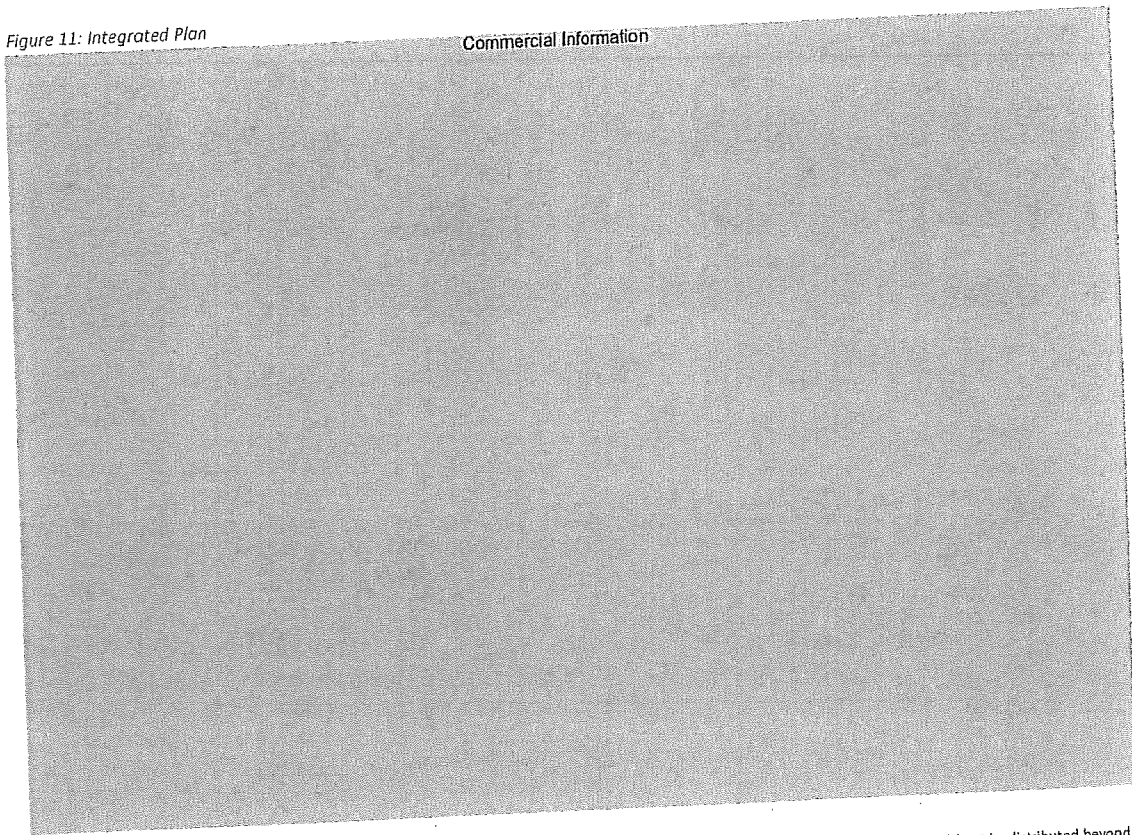
Phase of work	Explanation
Phase 4	<ul style="list-style-type: none"> ▪ The Palmerston North Airports Jet Logistics, Distribution and Airfreight Plan is submitted linking into: <ol style="list-style-type: none"> 1. Palmerston North Regional Growth Hub; and 2. Manawatū-Palmerston North Regional Ring Road.
Phase 5	<ul style="list-style-type: none"> ▪ Palmerston North Airport's International Freight & Runway Extension Business Case is completed as part of the integrated regional transport strategy.

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Figure 11: Integrated Plan

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