

Consultation to finance Port Marlborough's share of the Waitohi Picton Ferry Precinct Redevelopment



Mayor John Leggett

Welcome, overview of content, introductions

Mark Wheeler

Council CE

Waitohi/Picton Ferry Precinct Development

– MDC's Roles and Process

Presented by Mark Wheeler CE of Marlborough District Council



Port Marlborough must upgrade assets to provide safe, efficient berthing for two new Interislander Ferries

Investment required by Port Marlborough **\$110 million**

Council borrows from Local Government Financing Agency and on lends to MDC Holdings and Port Marlborough

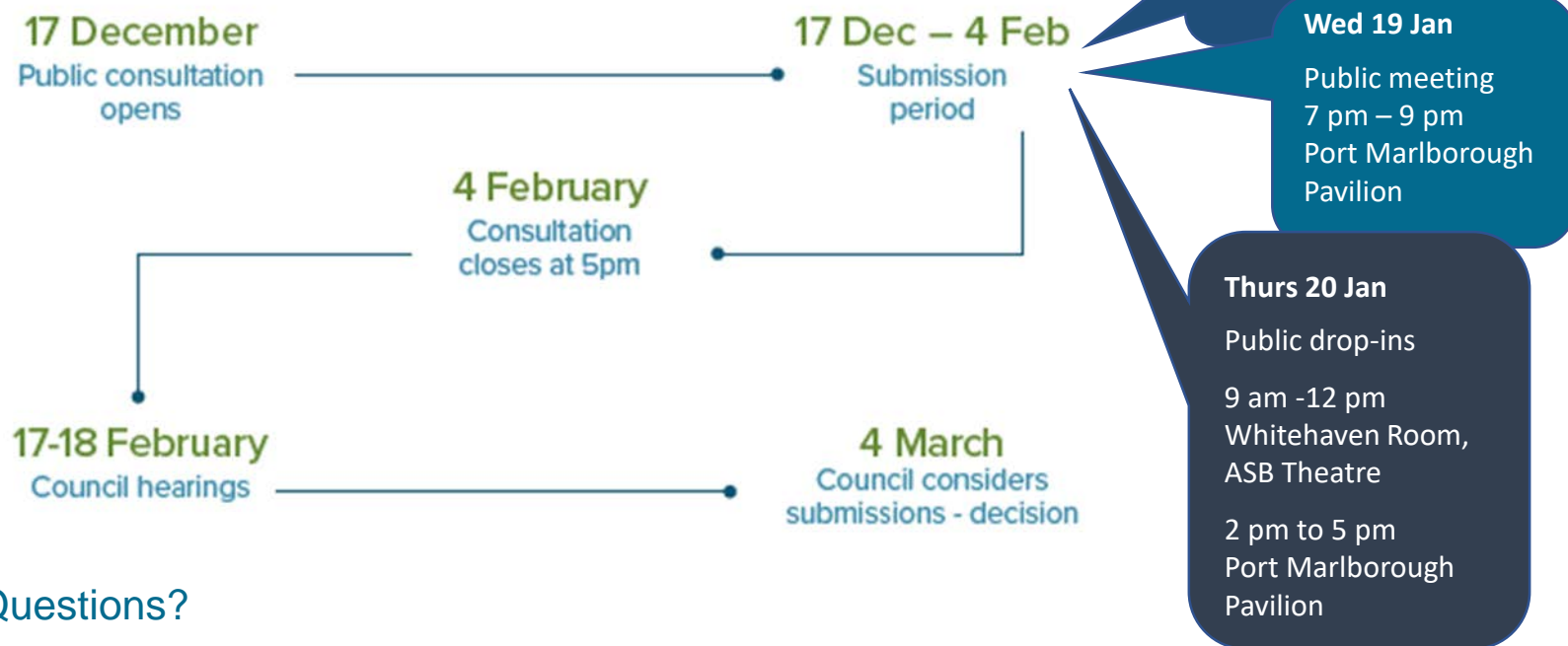
Requires approvals under Companies Act and Local Government Act

- MDC Holdings (completed)
- By Council (consulting)



S.83: Local Government Act 2002 Special Consultative Process

Timeline



Questions?

Call: Mark Wheeler (MDC) 03 520 7400
Martin Fletcher (MDC) 03 520 7400
Rhys Welbourn (Port Marlborough) 03 520 3399

Or email: Portconsultation@marlborough.govt.nz

Council has been considering:

Benefits

- Certainty that Picton retains ferries for 30 years (minimum)
- National transportation route future proofed
- \$\$ paid by KiwiRail leasing Port assets
- Minimum 30 year returns
- Improvement to Picton infrastructure

Costs

- Funding costs
- Certainty of recovery of other costs



Council has been considering: Project Risks

Some Key Risks

Controls

KiwiRail unable to pay lease

- Government investment in KiwiRail and iReX
- Nationally critical infrastructure
- Parent Company guarantee
- Bank guarantee
- Reduced initial proposed investment

“Stranded Assets” (if lease terminated after 30 years)

- Port only investing in assets with other potential uses
- 30 year lease term with payment for defined “strandable” portion of assets if 2nd 30 year lease not taken
- Loan repaid within 1st 30 year lease term

Asset Procurement costs and timing

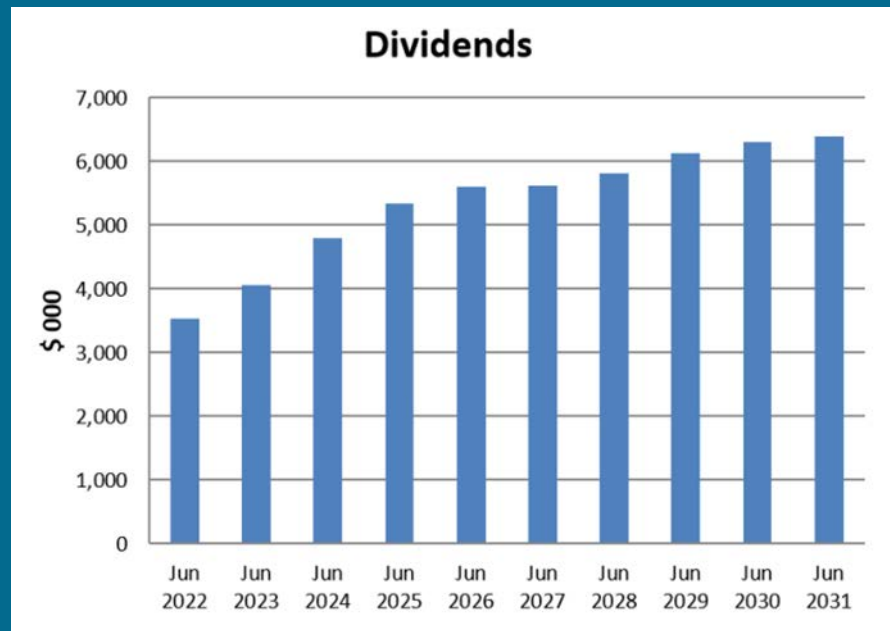
- Port has fixed the cost of its investment
- Port has governance role for design
- KiwiRail deliver the project at that fixed cost and take timing risks

Interest Costs

- Regular lease review includes cost of capital
- Match lease review term with loan term
- Good fair risk margin negotiated
- Local Government Financing Agency very cost effective borrowers raising funds in major markets (similar to Government)
- Council maintains AA+ credit rating but moves to negative credit watch (Standard and Poors)
- This ensures very low cost borrowing (similar to interest earned from a Bank Term Deposit)

NB: There has been a detailed analysis of many other risks – these are just some key ones

\$\$ Dividend projections are excellent once the project is completed



Additionally Port Marlborough will retain some post tax profits plus payments made for asset depreciation. In 2027 this will total \$7.5 million per annum and be used to repay debt fully during the 1st 30 year lease term

If the project doesn't proceed the current ferry related assets will no longer generate a dividend contribution estimated at \$1 million per annum

Council has negotiated separate agreements with KiwiRail to mitigate some project consequences and opportunities:

Traffic

A **road over rail overbridge** will be built at the Dublin/Auckland Street intersection constructed by KiwiRail

This will enable the Dublin Street east/west link across Picton to be unaffected by more frequent trains

Other intersections will also be affected and improvements will be made including at the Wairau Road/Kent Street intersection

Laura Skilton (Marlborough Roads Transport Planner) will cover these in her presentation

Culverts

Heads of Agreement are being finalised to upgrade the undersized triple culverts (which carry Waitohi Stream and the Kent Street drain waters out to the harbour) at the same time that the iReX upgrades to the rail yards are constructed

Resource Consents for the ongoing water diversion require renewal by 2026

Costs will be shared 2/3 KiwiRail, 1/3 Port Marlborough

The upgrades will greatly reduce flood risks in the Dublin South area including impacts of sea level rise



Our presenters from Port Marlborough, KiwiRail, Waka Kotahi and Harbours will provide further project details



Make a submission if you have a view
on the proposed preferred alternative

Go to
<https://www.marlborough.govt.nz/your-council/waitohi-picton-ferry-precinct-redevelopment-financing-consultation>

Rhys Welbourn

Port Marlborough CE

owns



Waitohi Picton Ferry Precinct Redevelopment Project



Port Marlborough



Funding Consultation Presentation

Why is Port Marlborough investing?

Two new ferries arriving in 2025

- Specifically designed for the Cook Strait Crossing and the Marlborough Sounds
- More efficient – 40% reduction in CO2 emissions
- Use electric power in harbour
- Future proofed for alternative fuels
- More manoeuvrable than current
- More capacity for rail– take more freight off roads

For that reason

- Our infrastructure needs to be upgraded to meet the needs of the new fleet



Why is Port Marlborough investing?

National importance of ferries

- Cook Strait is extension of:
 - SH1 and main trunk line
- Vital to NZ supply chain
- Connects North and South Island
- KiwiRail/Govt. investing \$1.4Bn in overall iReX project
- Port Marlborough is the provider of essential infrastructure for Cook Strait connection
- This is a must do project for NZ



Why is Port Marlborough investing?

Regional importance of ferries

- Economic driver for Marlborough
- Brings tourism, business and job opportunities – we fought long and hard to keep the ferries in Picton for this reason.
- New contract anchors KiwiRail to our region for at least 30 years



Why is Port Marlborough investing?

Right time for investment

- Existing ferries coming to end of life
- Existing port infrastructure coming to end of life – originally designed for *Aramoana*, the first “roll on – roll off” Cook Strait service in 1962.



Opportunities for Marlborough

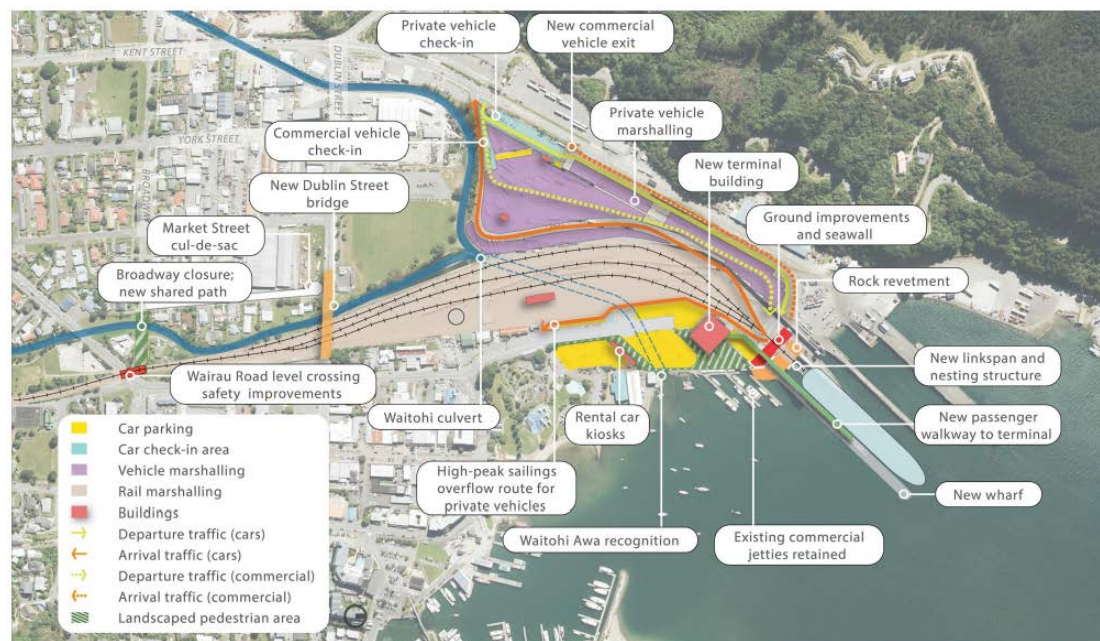
- Building landmark new, welcoming visitors' facilities of which Marlborough can be proud.
- Provision of sustainability improvements
- Partnering with iwi for correct cultural recognition
- Opportunity for wider community benefits e.g transport infrastructure improvements for Picton



What is the Waitohi Picton Ferry Precinct Project?

Overall circa \$360M investment - part of \$1.4 Bn project iReX

- Partnership between KiwiRail, Port Marlborough, Waka Kotahi and MDC
- New wharf and berth development
- New passenger walkway & gangway
- Upgrade to carpark and landscaping
- New ferry terminal building
- Upgrades to car and rail marshalling
- Road Network improvements
- Demolition of existing assets



What is Port Marlborough's investment in the Project?

\$110M fixed investment for:

- New wharf
- Berth development and dredging
- New seawalls and ground improvements
- New passenger walkway & gangway
- Upgrade to carpark and landscaping
- All designed for:
 - Improved seismic capability
 - Sea level rise
 - Minimum 'excellent' environmental rating - ISCA



What is the Commercial Agreement with KiwiRail?

60 year contract based

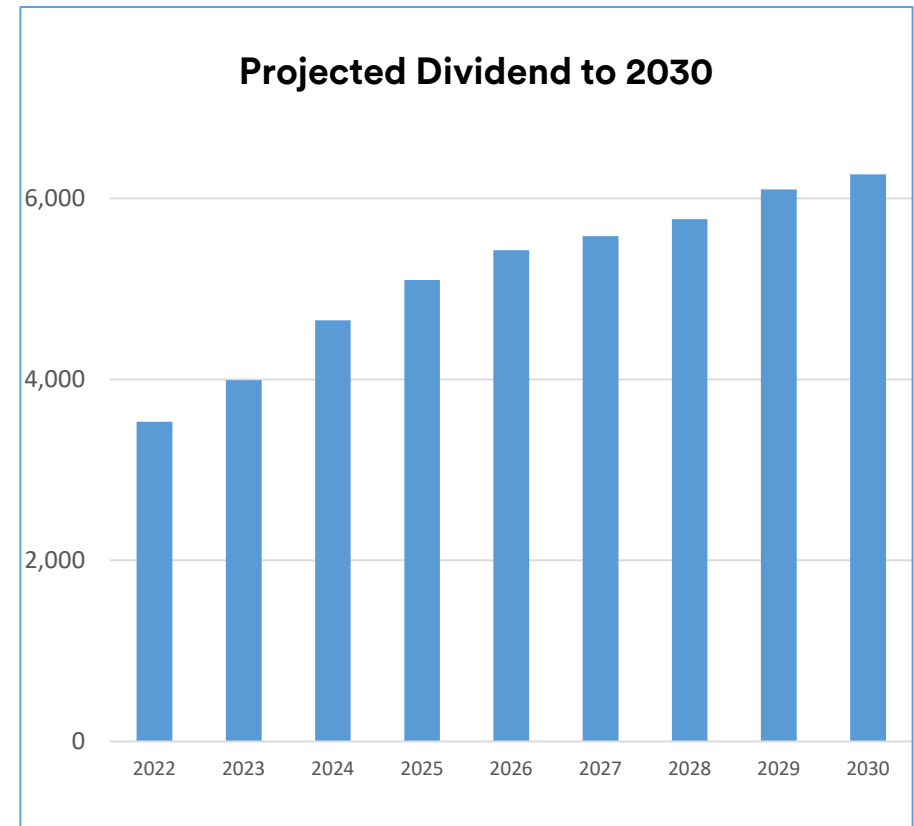
- Term: 60 year term (30 years plus 30 years)
- Fixed price investment by Port Marlborough capped at \$110M
- KiwiRail will procure/construct assets
- KiwiRail provide securities on investment
- KiwiRail pay Port Marlborough a fixed annual fee
- Annual fee will be reviewed regularly to ensure alignment with market conditions



What does Marlborough get from this investment?

A better return from Port Marlborough

- Port Marlborough borrows from MDC
- Port Marlborough pays all associated fees
- Port Marlborough pays interest on loan
 - Plus principal
 - Plus pay higher dividends to MDC



What are the main risks?

KiwiRail is unable to pay fees (Counterparty risk)

KiwiRail is a stable company:

- Backed by central government:
- New funding mechanism (NLTF)
- KiwiRail is investing \$1.1 Bn into overall iReX project alone
- Since 2017 earthquake the Crown has invested \$1.47Bn in restoring road and rail link
- Overall has received commitment of over \$8Bn since 2017

Port Marlborough securities

Additional protections:

- Reduced investment to reduce exposure and ensure affordability of fees
- Parent company guarantee
- Bank guarantee from KiwiRail

KiwiRail does not renew at year 30 (Stranded asset risk)

To mitigate this risk we have:

- Only invested in non-specialised assets
- Negotiated a balloon payment on strandable components of assets
- Front weighted fee
- Able to repay loan before end of first term

What are the main risks?

Project construction costs are higher than anticipated (Procurement risk)

To mitigate this risk we have agreed that

- Port Marlborough contribution is capped at \$110M
- KiwiRail procure all assets
- KiwiRail accept all cost escalation risk
- KiwiRail accept all programme risk
- Port Marlborough has a governance role to ensure quality



Other FAQ's

Why can't Port Marlborough pay for it directly or borrow the money directly?

PMNZ does not have \$110m on balance sheet.

PMNZ could borrow directly, however:

- The debt would still be on MDC balance sheet
- Risks to MDC would be similar
- Interest rates would be higher for PMNZ
- Return to ratepayers would be smaller
- There is no advantage to Marlborough ratepayers



Other FAQ's

What's happening with the cruise industry?

PMNZ working with relevant agencies to ensure the sustainable return of the cruise industry to Picton.

Eastern-side of new berth would be a good location for cruise ships up to 300m

- Closer to town
- No need for shuttle buses

The \$110M will not be used for cruise and a separate business case would be needed

However, PMNZ will look to future-proof the eastern-side of the new berth for cruise



Conclusion

New Agreement

- Anchors KiwiRail to the region for at least 30 years
- Bring millions of dollars to Marlborough economy
- Provides a more environmentally sustainable ferry operation
- Delivers higher return for lower risk than current contract
- Provides greater sustainable dividends to the shareholder and Marlborough region overall

Must Do Project for:

- New Zealand
- Marlborough
- KiwiRail
- Port Marlborough
- Once in a generation opportunity
- Please have your say



Stephen O'Keefe

KiwiRail Project Director

owns



Stephen O'Keefe iReX Project Director

January 2022



KiwiRail 


interislander

iReX

Important for New Zealand

- Strategic national asset, owned and operated by New Zealand
- State Highway 1 and Main Trunk Railway Essential for freight flows and connecting our people together.

The
Interislander
operates

3,800
Services a year

Transporting

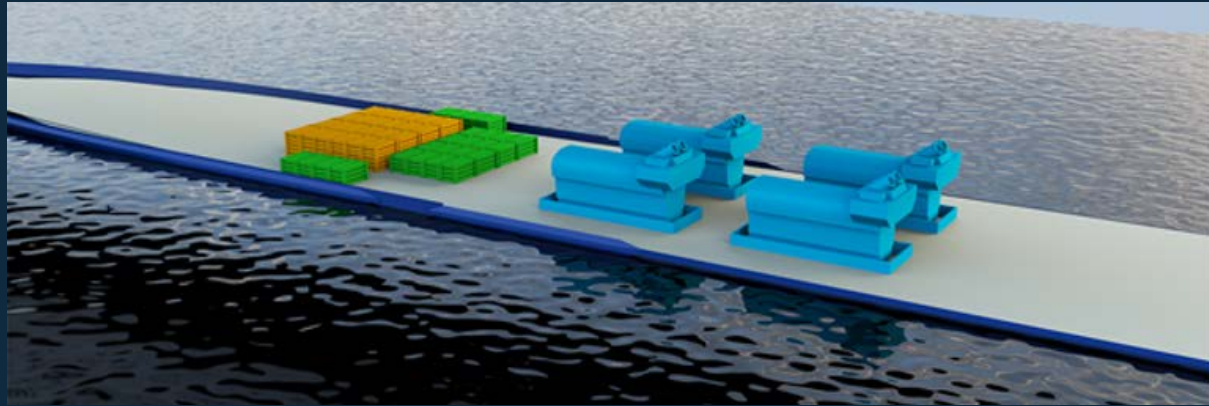
\$14b
worth of freight

Above **850,000** passengers
and **250,000** cars

For Waitohi Picton and Sounds



Design considerations



Comfort

- Smoother ride
- Larger ships – two replace three
- Modern and purpose built
- Spaces designed by and for our customers



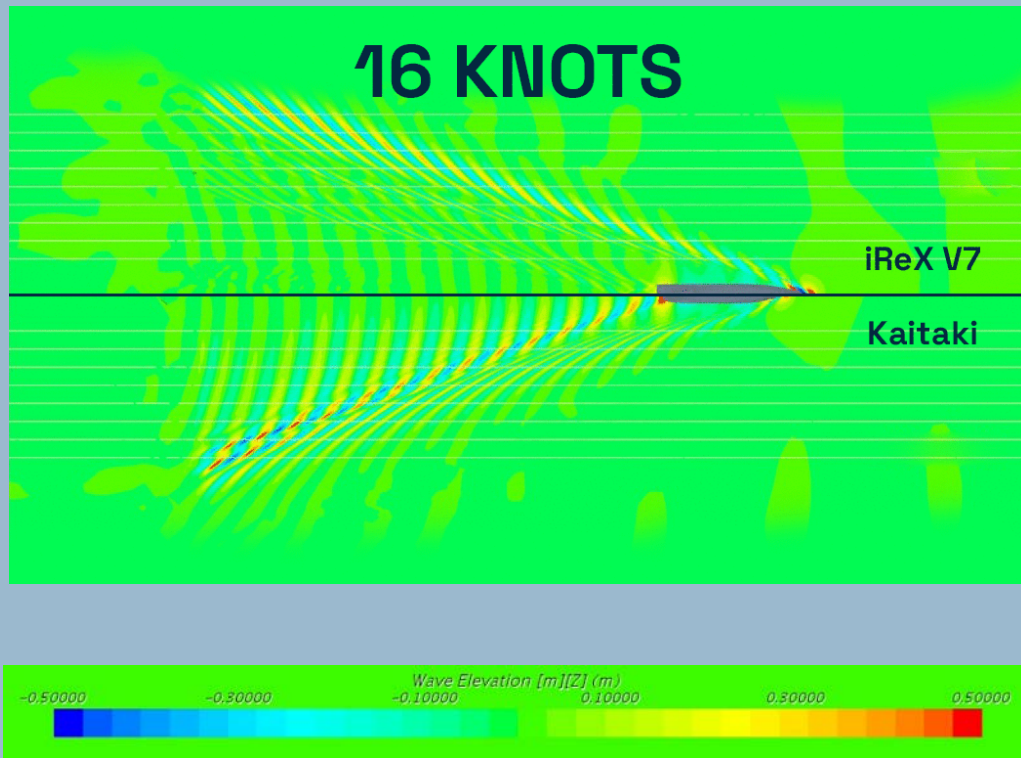
Sustainable

- Reduces fleet emissions by 40%
- Gets more freight off the roads and onto rail
- Diesel/electric hybrid technology
- Allows for emerging low carbon fuel sources to replace diesel over time
- Already designed to allow for increased battery use

New ferries don't lock us into old fuel sources, they start our transition to a greener future

40%
**reduced
emissions**

Wave Energy



Safe

- Redundancies through split propulsion and control systems
- Battery storage system - third power source
- Improved manoeuvrability - Azimuth and Bow thrusters
- Reduced impact on Picton harbour traffic – ships to turn at Mabel Island and reverse into berth on battery power
- Enhanced Mass Rescue Capabilities - LifeCraft system, MES slides, helicopter landing & emergency towing
- Roll on / roll off for resilience

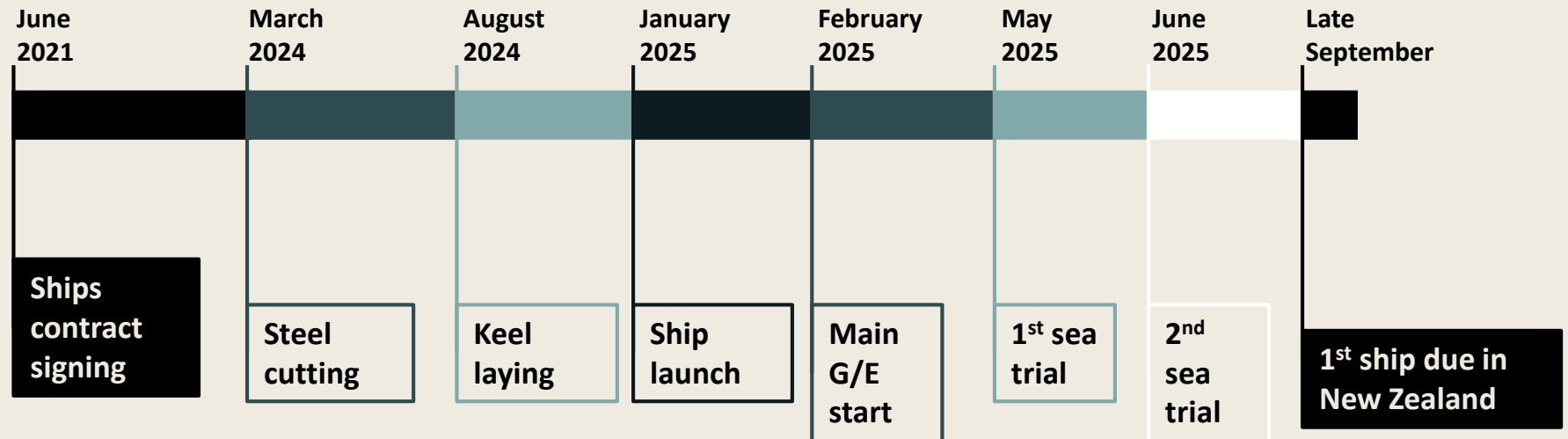


NH90 Helicopter



Ships' milestones

Ships main event



Luke Grogan

Marlborough Harbour Master

Navigation Safety

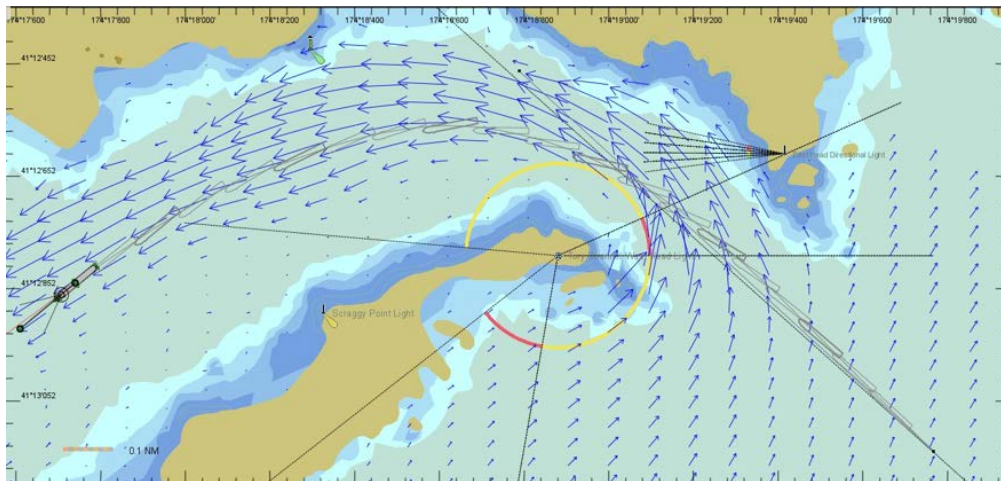
Tory Channel Risk Review Process

A history of serious incidents in Tory Channel

2016 Azamara Quest	Grounding
2011 Montel Stello	Grounding
2005 Santa Regina	Near Grounding
2004 Aratere	Near Grounding

In Addition:

Close quarters
Engine failures
Mechanical issues
Fast ferry wake



- Not limited to ferries and ships but ships carry more risk – more cargo, more people, more fuel, more salvage.
- Not limited to Tory Channel/Kura Te Au or Marlborough – TAIC watch list October 2018

Guidance

Industry wide effort to improve Maritime Safety

- Port and Harbour Safety Code Review
- Good Practice Guide for Pilotage Planning
- Key Principles for Marine Risk Management

The guidance within these documents directly informs MDC approach to ensuring maritime safety.

Including within in Tory Channel/Kura Te Au, Queen Charlotte Sound/Tōtaranui and Picton Harbour.



**Key Principles for
Marine Safety Risk Management**

Collaborative Risk Assessment

Phase 1

Technical experts (pilots, masters, harbourmaster, consultants etc) agree on safe passage plan.

Process is presently underway with passage plans and risk controls proposed by Ferry Masters being reviewed by the NZ Maritime School via simulation.

Next Phase

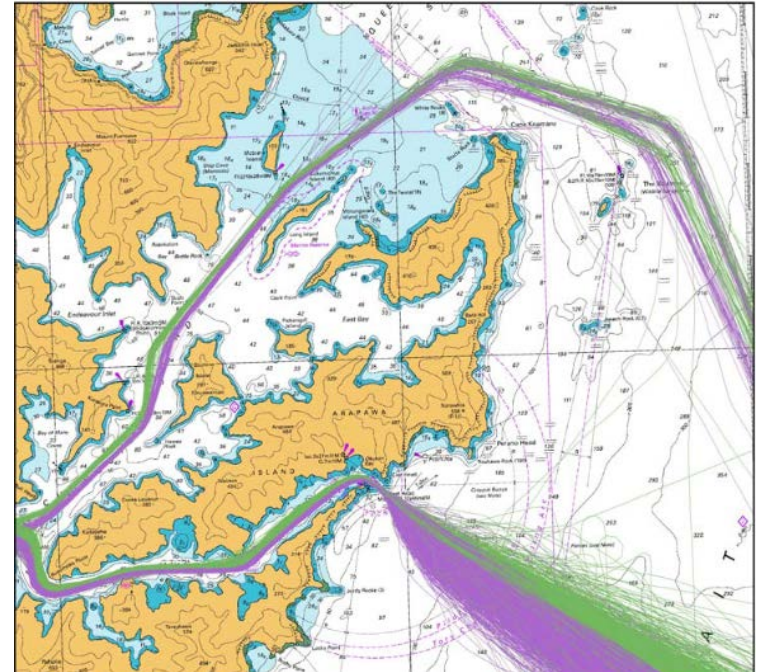
Passage plan as agreed by technical experts will be put forward for public consultation.

This process aligns with the Key Principles as risk management must consider'

- All users of the waterway
- The concept of social licence or 'community risk tolerance'

Final Phase

Regulation i.e. propose fit for purpose Bylaws (2023)



Outcomes

Regulation:

- Prescribed courses for ferries and ships
- Additional controlled navigation zones
- Restricted speed areas
- Restricted access areas
- Automated and continuous monitoring of speed, wake and adherence to operating parameters
- Immediate enforcement action for non-compliance

Existing Projects

- Common Passage Plan and simulation project
- 3x tide station install and creation of virtual current meter and forecasting tool.
- Real time wake monitoring device independent of ship.
- Routine and automated analysis of shipping transits to assess compliance.



Laura Skilton

Senior Transport Planner, Marlborough Roads

(see separate presentation –
Marlborough Roads,
Picton Waitohi Ferry Precinct
Redevelopment Consultation)





Any questions?



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