

Stepping forward

Implementing transport sector reform

Domestic sea freight development fund Information sheet



November 2008

In May 2008, New Zealand's domestic sea freight strategy was launched. *Sea change: Transforming coastal shipping in New Zealand* recognises that domestic sea freight is an important part of an integrated and resilient transport network. In response to the strategy, the government, through the NZ Transport Agency (NZTA), has made \$6 million of funding support available for domestic sea freight initiatives in 2008/09 and another \$30 million for the subsequent three years.

Total freight movements on the transport system are expected to more than double by 2040. To cope with this increase, alternative transport modes including coastal shipping will be essential. Sea freight offers a number of benefits over other forms of transport, including reduced energy use and lower carbon emissions per tonne-kilometre carried and reduced demand on our roads.

The domestic sea freight development fund is a new activity class and does not replace existing funding for rail and sea freight available to approved organisations such as local and regional authorities, through the National Land Transport Programme (NLTP). The domestic sea freight development fund is contestable and applications are encouraged from both the public and private sectors.

Funding proposals that best contribute to the aims of *Sea change: Transforming coastal shipping in New Zealand* and the *New Zealand transport strategy 2008* may be eligible for funding. Among the types of applications that could be funded are:

- > domestic sea freight studies and investigations
- > new coastal shipping operations within and between regions
- > new coastal shipping infrastructure
- > improvements to existing services.

Funding proposals

Activities will be considered for funding on the basis that they are likely to become commercially viable within a set time. The timeframe is to be provided by the applicant. Where new services are funded, the expectation is that they will become self-supporting. Funding is unlikely to be approved for initiatives that are already commercially viable or would proceed without domestic sea freight development funding. The same would apply to applicants who could obtain funding to cover all their needs from other relevant sources. Proposals for funding must show how they contribute to the aims and objectives of the *New Zealand transport strategy 2008* and *Sea change: Transforming coastal shipping in New Zealand*. Funding can be allocated for more than one year.

Funding timetable

The proposed timetable for the 2008/09 financial year, which runs from 1 July 2008 to 30 June 2009.

DATE	MILESTONE
22 September 2008	Invitation to submit proposals – Round 1
31 October 2008	Proposals due
November 2008	Proposals assessed
18 December 2008	Recommendations considered by the NZTA Board
From 19 December 2008	Applicants advised of outcome
February 2009	Invitation to submit proposals – Round 2
March 2009	Proposals due
April – May 2009	Proposals assessed
June 2009	Recommendations considered by the NZTA Board
June 2009	Applicants advised of outcome

During consultation on Sea change, it was identified that more flexibility was required around central government funding mechanisms to meet the business needs of the freight sector. The process that has been adopted for the sea freight development fund responds to this. The amount of money available for the second funding round will depend on what is allocated in the first round.

Successful applicants will be notified about seven weeks after applications close and will receive a formal offer of funding. This will specify the amount and conditions of funding, reporting requirements and how payment should be claimed.

Preparing your application

The NZTA can provide advice on its requirements and offer useful feedback on applications.

It is also recommended that you discuss your proposal with local government, as they are responsible for regional transport planning and talking with them may help get the best outcome for your application. The NZTA is encouraging local government to include domestic sea freight activities in their long-term planning and to consult with sea freight operators in their regional and local planning processes. However, it is not mandatory to discuss applications with local government, and applicants who choose not to will not be penalised. Applicants also do not have to disclose commercially sensitive information in their discussions with councils.

Applicants should use an economic valuation benefit of \$0.22 for flat terrain and \$0.32 for hilly or mountain terrain. The table below provides terrain descriptions.

TERRAIN TYPE	DEFINITION
Level	Level or gently rolling country with gradients from flat up to 3%, which offers few obstacles to an unrestricted horizontal and vertical alignment.
Rolling	Rolling, hilly or foothill country with moderate grades generally from 3% to 6% in the main, but where occasional steep slopes may be encountered.
Mountainous	Rugged, hilly and mountainous country (and river gorges) often involving long, steep grades over 6% and considerable proportions of the road with limited sight distance.

	Horizontal terrain (degrees/km)			
Vertical terrain (rise and fall, m/km)	Straight (0-50)	Curved (50-150)	Winding (150-300)	Tortuous (>300)
Flat (0-20)	Flat	Rolling	Hilly	Mountainous
Rolling (20-45)				
Hilly (45-60)	Rolling	Hilly	Mountainous	
Mountainous (>60)				

In the economic evaluation worksheet, total financial cost means the cost of capital or operating cost for the planned activity. For example if a new Auckland to Lyttleton shipping service is planned the total cost would include:

- > any new infrastructure required such as roll-on roll-off ramps for ships providing the service
- > operating cost including extra staff to operate the new activity as well as chartering and other vessel related expenses.

The NZTA requires this information to ensure all possible costs have been considered so we can determine the funding percentage we are prepared to contribute to a proposal.

The funding assessment process

Applications will be subject to limited due diligence and assessed on the following key criteria:

- > Value for money.
- > Seriousness and urgency.
- > Effectiveness and economic efficiency .
- > How the proposal contributes to the aims of *Sea change: Transforming coastal shipping in New Zealand* and the *New Zealand transport strategy 2008*.

Applications will be prioritised against other applications. Those with the best assessment profiles will be given the highest priority for funding.

A panel of NZTA staff will assess applications and make recommendations to the NZTA Board on which projects should be approved. The Board then decides on funding approval. The NZTA panel may recommend changes/ conditions to a proposal. These will need to be agreed between the NZTA and the applicant before funding is approved.

Finding out more

The funding guide and application forms are available at <http://www.landtransport.govt.nz/sea-freight/>.

You can also contact the Domestic Sea Freight Development Fund Coordinator, NZ Transport Agency, Private Bag 6995 Wellington 6141, or telephone 04 894 6225 or e-mail seafreight@nzta.govt.nz.