

MAI TE PUKU O TE IKA A MAUI KI TE PUKU O TE IKA A MAUI LOWER NORTH ISLAND

AT A GLANCE

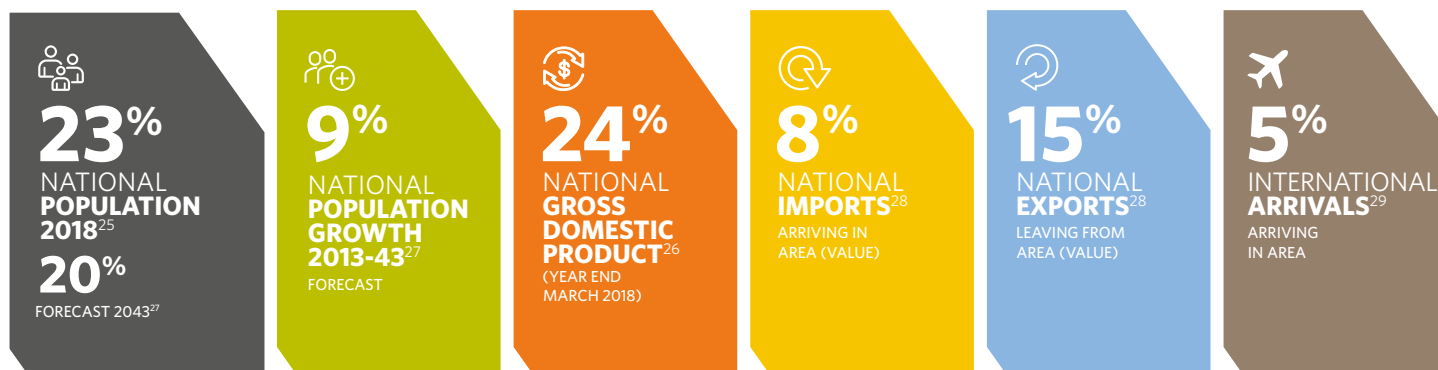
The lower North Island is made up of Gisborne, Hawke’s Bay, Taranaki, Manawatū-Whanganui and Wellington regions. In 2018 it was home to over 1,077,000 residents, or 23% of New Zealand’s population.²⁵

COVID-19 OVERVIEW

While it is possible to anticipate the potential short-term (1–2 years) impacts of COVID-19, considerable uncertainty exists about the medium and long-term impacts (3–10 years). This is a result of a range of factors: a lack of clarity about the likely duration of border restrictions including the potential of a ‘trans-Tasman bubble’, the potential depth and duration of a global economic shutdown, and the speed and scale of resumption of international tourism. Future levels of migration will also depend on how well the New Zealand economy performs relative to other countries, particularly Australia.

The impacts of the COVID-19 downturn on the lower North Island is forecast to be less intense than in the other pan-areas, with lower North Island (LNI) regions expected to ‘bounce-back’ sooner than most others. This is because economies

in many regions with large primary production sectors, are expected to be relatively stable during the recovery. The LNI regions also have less reliance on international tourism, and compared to the upper North Island (UNI) and South Island (SI), have received less population growth over recent years as a result of net migration. The Wellington region is buffered to a degree by the presence of large numbers of government sector jobs and the associated support services. Larger urban regions across the LNI are expected to recover over the long-term as service industries recover. While there is likely to be a decline in tourism’s contribution to the economy over the medium-long term, this will not necessarily result in significant structural change to the economy.



Pre-COVID-19 data

POPULATION

Pre-COVID-19 the LNI was forecast to grow over the coming decades, albeit at a slower rate than forecast for the UNI and SI. By 2043 the LNI was forecast to be home to 1,170,000 residents, or 20% of New Zealand's population.²⁷ Projected growth was not forecast to be evenly spread, with the majority of growth expected in the main urban centres.³⁴

Wellington is the largest urban area in the LNI, with a population of approximately 415,000,²⁵ and it was forecast to have stronger growth than other regional centres. New Plymouth, Palmerston North, Napier and Hastings and to a lesser extent Gisborne, are also forecast to experience growth.

Across the LNI there are a number of rural areas that are predicted to experience population decline over the coming decades.¹

Over recent years net migration has been less of a driver of population growth in the LNI regions, compared to many regions in the UNI and SI. While the reduction in migration resulting from border closures will likely slow the speed of growth in the LNI (Gisborne is the exception as the majority of its growth is from natural increase), the impact will be less pronounced than for the UNI and SI. This slowing of growth may be offset in part by increased internal migration as a result of the LNI economy performing relatively well compared to other parts of the country.

ECONOMY

The Wellington region dominates the LNI economy in terms of GDP contribution. The Wellington economy is the country's second largest, contributing 13% of the national GDP.²⁶ As the home of central government, it is dominated by public administration and service industries although knowledge-based industries, specialist manufacturing and distribution industries make significant contributions.

In other regions, primary production is a major focus, particularly dairy, forestry and agriculture. Viticulture and tourism have an increasing focus on the East Coast and in the Wairarapa. Taranaki and Manawatū-Whanganui have a goal to increase visitor numbers. Other economic activity in the region includes oil and gas exploration and production in Taranaki, tertiary education and research in Palmerston North, and the growing concentration of defence force activities in Ohakea and Linton.

Pre-COVID-19, much of the LNI had been outperformed economically by other areas of New Zealand. While the Wellington economy performed strongly, Gisborne, Hawke's Bay and Manawatū-Whanganui had been identified as surge regions by the government with a focus on Provincial Growth Fund investment to support regional development.

In contrast, forecasts indicate that the depth and duration of the COVID-19 downturn will be less severe in the LNI, than that experienced in the UNI and SI. All LNI regions will be negatively impacted in the short-term with a drop in employment levels relative to business as usual (BAU) of between -5.0 and -6.3 to 2021. By 2025 most regions are close to returning to BAU, and Gisborne is ahead of BAU. All regions have returned to, or exceeded, BAU by 2031.³⁵ Within the LNI, the Napier, New Plymouth and Wellington urban areas are generally forecast to be impacted harder than rural areas, because of their increased reliance on the retail, tourism and service sectors.

Post-COVID-19, primary production will be critical to supporting the wider economic recovery. Across the LNI, there will be significant areas of forest that will be ready for harvest in the next 10 to 15 years. While the scale and timing of the harvest will depend on export and processing demand, there is potential for a significant increase in the movement of logs to port and processing hubs.

Pre-COVID-19, all regions in the LNI were seeking to grow the contribution that tourism made to local economies. While border restrictions will dramatically reduce international visitor numbers for the foreseeable future, the regions in the LNI are less reliant on international tourism, with domestic visitors contributing higher proportion of visitor spend when compared to the UNI and SI.

Oil and gas exploration and production has been a significant contributor to the Taranaki economy since the 1970s. With ongoing fluctuations in global fuel prices, changes to government policy on exploration and increasing pressure to reduce carbon emissions, there is some uncertainty around the long-term contribution of this industry in Taranaki. The region is exploring other technologies, notably hydrogen, to broaden their energy industry base.

Looking forward, current economic drivers are largely expected to continue, with an ongoing emphasis on primary production for much of the LNI. The urban centres of Wellington, New Plymouth, Palmerston North, Napier/Hastings and Gisborne will remain the key economic hubs within their respective regions.

LAND TRANSPORT SYSTEM

The LNI has a diverse transport network that provides access to a wide range of economic and social opportunities. The transport corridors that pass through the area are a key part of New Zealand's transport system, enabling movement of people and goods between key centres of production, consumer markets and freight distribution hubs.

The centre of the North Island is characterised by challenging terrain, higher elevations and relatively unproductive land. These factors have combined to form a sparsely populated area stretching from northern Taranaki in the west, through the Central Plateau, to northern Hawke's Bay and Gisborne in the east.

Four key road and rail journeys connect the LNI regions and main urban centres. Freight journeys converge on Palmerston North as the primary logistics and distribution hub. Passenger journeys, particularly movements to and from Wellington, tend to remain on SH1 as the most direct north-south route through the LNI.

In addition to the inter-regional corridors, the rural road network also plays a key role in the efficient movement of freight from production to processing sites, domestic distribution centres or international ports. This is particularly true for the first and last kilometre of journeys.

The COVID-19 slowdown is likely to reduce demand on the transport networks in the LNI over the short to medium-term because of fewer work journeys, and less discretionary trips. This impact is expected to be most noticeable in larger urban centres. Similarly, it's expected that COVID-19 will reduce freight volumes in the short to medium-term because of lower rates of economic activity, reduced consumption and a slowing of population growth. With employment across the LNI forecasts to return to BAU levels in the second half of this decade, it is expected that transport demand will return to pre-COVID-19 levels over the medium to long-term, with existing strategic connections continuing to support critical inter-regional journeys.

There remain significant pressure points and resilience issues on the networks in and around Wellington, as a result of increasing populations and heavy reliance on two highways and two rail lines for access. There are also a number of resilience and safety hotspots outside Wellington, including the resilience of SH4 between Whanganui and Raetihi. Resilience challenges on the now-closed section of SH3 through the Manawatū Gorge will be addressed by the construction of Te Ahu a Turanga, the alternate road connection between Manawatū, Tararua and Hawke's Bay.

The majority of the country's imports arrive in the UNI, approximately 70% by volume and 80% by value.²⁸ With nearly 50% of the country's population living outside of the UNI, there is a significant freight task, involving coastal shipping, rail and road, to move imported products to consumers in the LNI and SI.

Palmerston North has emerged as the key distribution and logistics hub for the region, reflecting its strategic location and access to both road and rail networks connecting to Wellington, the Wairarapa, Hawke's Bay and Taranaki. It is the key staging point for freight moving from the UNI and offers good access to rural locations that produce export commodities.

Palmerston North also provides a collection and distribution hub for products exported through the ports of Napier, New Plymouth, Wellington, Tauranga and Auckland. As a result, Palmerston North has become the centre for many of the inter-regional journeys occurring in the LNI.

Wellington's CentrePort, the northern terminus for Cook Strait ferry services, is a key strategic hub for the movement of people, including significant numbers of tourists, and goods between the North and South Islands. The CentrePort Access business case is considering options to support the movement of people and goods through improved access to the port and ferry terminals.

CentrePort’s freight task is growing with connections to inland hubs in Palmerston North, Whanganui, and Waingawa in the Wairarapa. This growth is partly driven by the significant volume of wood making its way from Waingawa to Wellington, and by growth in general commodities and consumables.

There are significant rail and road flows to and from Taranaki focused on the movement of raw and processed dairy products to and from the large Hāwera processing plant.

Movements to the east are primarily goods moving by road to and from Napier Port. Flows to the south are dominated by goods to service the large Wellington market, although some goods do continue to the South Island, and vice versa via the Cook Strait ferry service.

Given the East Coast’s remoteness and difficult terrain, and the export direction of much of its economic activity,

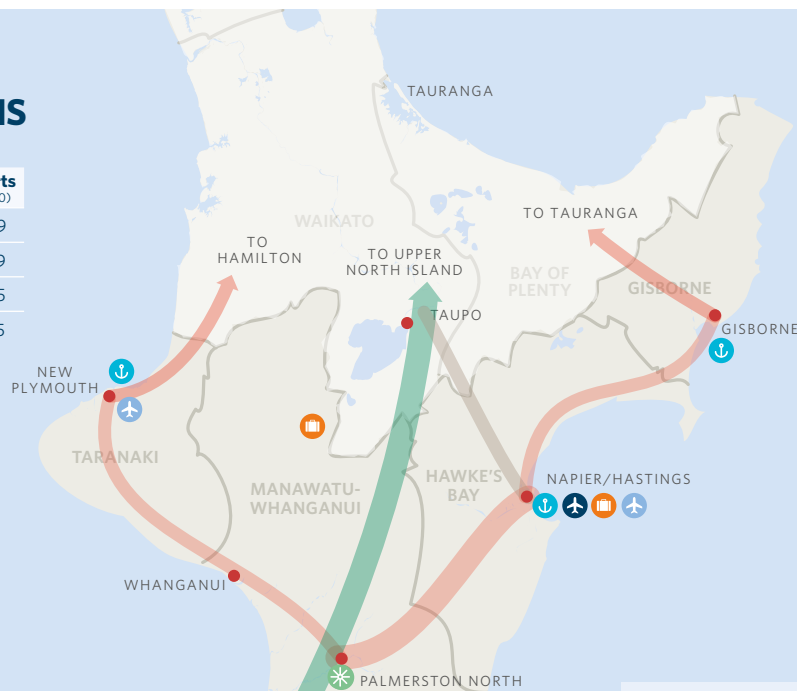
transport connectivity is highly important to access labour, supplies, and domestic and international markets. The Gisborne region depends heavily on its state highway connections north-west to Bay of Plenty and south to the rest of the LNI via Napier. These connections serve as essential lifelines that support social and economic outcomes in the Gisborne region.

While Wellington sits at the southern-most tip of the North Island, it attracts goods, services, and tourists from around the country and internationally. There are strong daily commuter flows into and out of central Wellington from across the greater Wellington area, extending as far as the Horowhenua and Kāpiti Coast, and the Wairarapa. Frequent passenger rail services run between Waikanae and Wellington on the west coast and between Masterton and Wellington to the north-east.

LOWER NORTH ISLAND: STRATEGIC CONNECTIONS

PORT ²⁸ (2018)	Imports (VALUE \$M)	Exports (VOLUME TONNE 000)	Imports (VOLUME TONNE 000)	Exports (VOLUME TONNE 000)
Eastland Port	0	528	0	2,999
Napier Port	913	3,895	718	3,679
Port Taranaki	271	1,791	855	3,335
CentrePort	2,539	1,435	1,442	1,945

AIRPORT (2018)	Passenger (000)
Napier	697 ³⁶
New Plymouth	455 ³⁷
Palmerston North	687 ³⁸
Wellington	6,337 ³⁹



LEGEND

CONNECTIONS

- Nationally significant
- Regionally significant

KEY FLOWS

- Freight & tourism
- Freight
- Tourism

AIRPORTS

- International & domestic airport
- Domestic airport
Top ten by passenger numbers

SEAPORTS

- Cruise ship port only
- Main sea port

OTHER

- Freight hubs
- Visitor destinations

STRATEGIC AREAS OF FOCUS: 2021-31

(Numbers relate to locations shown on following map)

LOCATION	KEY INSIGHT	WHY IT'S IMPORTANT	POTENTIAL COVID-19 IMPACTS	FOCUS
1 Palmerston North to Wellington (SH1, SH56 & SH57, rail)	Forecast growth in population, freight and domestic tourism will place increasing pressure on the corridors. The road corridor has existing safety and resilience issues, particularly in the section between Ōtaki and Levin, although these will be addressed by the new SH1 corridor from Otaki to north of Levin.	Palmerston North is the primary distribution hub for the LNI, while Wellington is the largest market and also the northern terminus for Cook Strait ferry connections to the South Island. The connections between the two are critical.	Some reduction in transport demand in the short-term, but nature, scale and location of demand expected to largely return to pre-COVID-19 levels in the medium to long-term.	Deliver safe and reliable road and rail journeys between Palmerston North and Wellington.
2 Urban Wellington (multi-modal)	The Wellington strategic road network experiences significant congestion at peak periods, negatively impacting the predictability of travel time. Forecast growth in population and freight over the medium to long-term will worsen these issues.	Unpredictable journey times on Wellington's strategic urban road network impacts on inter-regional journeys of people and goods to key hubs including the Cook Strait ferries and airport.	Some reduction in transport demand in the short-term, but nature, scale and location of demand expected to largely return to pre-COVID-19 levels in the medium to long-term.	Support inter-regional movement of people and goods to key hubs, through improved journey time reliability within urban Wellington, with a primary focus on increased use of public transport (road and rail), walking and cycling.
3 Gisborne to Hawke's Bay/Bay of Plenty (SH2)	The corridors linking Gisborne region to the rest of the country are subject to regular disruptions and significant resilience challenges, and these are expected to increase over time because of the impacts of climate change.	Gisborne region is relatively remote with an export-oriented economy. It relies heavily on connections to the Bay of Plenty and Hawke's Bay to supporting economic and social outcomes in the region.	Transport demand likely to drop in the short-term, but connections remain critical to supporting economic activity within the Gisborne-East Cape area.	Deliver safe and reliable connections between Gisborne and Bay of Plenty/Hawke's Bay, to support regional development in the Gisborne region.
4 Palmerston North to the upper North Island (road and rail) (SH1 & SH3, rail)	Forecast growth in freight and tourism will place increasing pressure on the road and rail corridors between the upper and lower North Island. The SH1 corridor has existing safety and resilience issues, including closures of SH1 at Desert Road because of snow, and capacity issues on parts of the Desert Road and sections of the route beside Lake Taupō.	This is an important corridor and supports the movement of people and freight between the UNI and LNI, including journeys that continue on to Wellington. It also provides access to multiple visitor destinations in the central North Island. Palmerston North hosts a university and is the primary distribution hub for the LNI, including for goods travelling southwards from Auckland and Port of Tauranga.	Some reduction in transport demand in the short-term, but nature, scale and location of demand expected to largely return to pre-COVID-19 levels in the medium-long-term. Connections remain critical to support the movement of people and goods between the upper and lower North Island areas (and on to the SI).	Deliver safe and reliable journeys between Palmerston North and the UNI.
5 Urban Palmerston North (road and rail freight)	Palmerston North is emerging as the primary freight distribution hub in the LNI, resulting in increased heavy vehicle movements on local roads in and around Palmerston North.	The majority of freight movements into Palmerston North are required to travel on local roads to access distribution hubs. Increasing freight volumes are creating safety challenges on local road networks, amenity issues for adjacent communities, and reducing the efficiency of freight movements.	Some reduction in transport demand in the short-term, but nature, scale and location of demand expected to largely return to pre-COVID-19 levels in the medium to long-term.	Work with partners, through development of Palmerston North Integrate Transport Improvements Programme, to agree the sequencing and timing of investment required to support Palmerston North as the primary distribution hub in the LNI.



EXISTING AND EMERGING SIGNIFICANT LEVEL OF SERVICE DEFICIENCIES

LEGEND

- Rail constraint
- Journey reliability
- Safety*
- Resilience*
- 1 (Numbers relate to table shown on previous page)
- Rail network
- State highways
- Urban centres



* Work is currently underway on the Road to Zero – Road Safety Strategy (2020-2030) and National Resilience Programme Business Case. This work may result in amendments to the safety and resilience layers in the above map.