

## 2.18 WOOD PROCESSING RESOURCE ASSISTANCE

PGF Application		For: Approval	
<b>Applicant:</b>	Eastland Community Trust (ECT)	<b>Pipedrive ID #</b>	Commercial Information
<b>Entity Type:</b>	Trust (please provide your Trust Deed)	<b>PGF Funding Sought:</b>	Up to \$ Commercial Information
<b>Region</b>	Tairāwhiti	<b>Total Project Value:</b>	Up to \$100,000
<b>Tier:</b>	1 - Regional	<b>Co-contribution rate:</b>	Commercial Information
<b>Sector:</b>	Wood Processing	<b>Funding Structure:</b>	Grant
<p><b>We recommend that SROs:</b></p> <p>a) <b>Approve up to \$100,000</b> from the PGF fund towards Wood Processing Resource Assistance because:</p> <ul style="list-style-type: none"> <li>The region is seeking to work with government to assess and develop strategies for the acknowledged opportunities that exist to increase wood processing in Tairāwhiti</li> <li>Following consultation with the region it has been agreed this is the next step in the development of a regional wood processing strategy</li> <li>This position will be a catalyst for significant economic activity in Tairāwhiti.</li> </ul> <p>b) <b>Note</b> The funding request is for an up to figure as while the role required is well understood, the position has not been filled yet.</p> <p>c) <b>Note</b> Funding is requested via a grant.</p> <p>d) <b>Note</b> ECT will provide co-funding Commercial Information</p> <p>e) <b>Note</b> It is understood that the PGF will fund a position based in the region, with 'government' providing funding for a position in Wellington. The two resources will work together to develop an understanding of the opportunities and obstacles for and to investment.</p>			
<p><b>Proposal:</b></p> <p>On 1 May 2019 a meeting was held by Ministers to assess the opportunities and obstacles associated with wood processing in Tairāwhiti. Following that meeting, on the 28<sup>th</sup> May 2019, a hui was held in Gisborne to discuss the same opportunities and obstacles. It was decided that clear opportunities were present noting the wood harvest profile for the next 15-30 years. Equally clear, was that obstacles including power, the port and heat are present.</p> <p>Following the Gisborne hui, the PDU spoke with ECT to establish 'next steps'. It was decided two people with strong industry knowledge, one in Wellington and one in Tairāwhiti.</p>			

This funding request is to meet the cash costs of the contractor to be based in Tairāwhiti. The person will liaise with the contractor based in Wellington to ensure, between the two, a clear strategy can be developed that is agreed by both the region and Wellington, and, then help develop the roadmap and aid its implementation.

It was acknowledged at the hui that specialised skills were required, noting the size of the possible opportunity, >\$<sup>Commercial In</sup>.

The public benefit of getting appropriately skilled contractors in place could help avoid mismanagement of the process and a loss of opportunity, thus derisking such work and the wider future investments

**Assessment against the PGF criteria:**

**Eligibility Criteria**

This application is eligible for PGF funding.

**Productivity Potential**

N/ A

**Policy objectives and regional priorities**

Wood processing is noted as a significant sector in Tairāwhiti, being the largest revenue generator in the region. This application comes to the PGF with support from ECT and Eastland Group as well as GDC.

PGF Criteria	Assessment Commentary	Rating (0✓ to 5✓)
<b>Link with fund and government outcomes</b>		
Creates permanent jobs	<ul style="list-style-type: none"> <li>Not at this stage.</li> </ul>	✓
Delivers benefit to the community	<ul style="list-style-type: none"> <li>A well-delivered strategy for investment will bring considerable community benefit.</li> </ul>	✓✓✓
Increased utilisation and returns of Māori asset base	<ul style="list-style-type: none"> <li>Māori have strong forestry interests in the region. It is noted that they will need to be consulted heavily in the development of a strategy. Limited at this stage.</li> </ul>	
Enhanced sustainability of natural assets	<ul style="list-style-type: none"> <li>If developed correctly but too early to assess.</li> </ul>	
Mitigation of climate change effects	<ul style="list-style-type: none"> <li>As above.</li> </ul>	
<b>Additionality</b>		
Adding value by building on what is already there	<ul style="list-style-type: none"> <li>Investment into the sector has been made by the PGF (in principle \$<sup>Commercial In</sup>). This potential scale of investment is beyond the PGF (&gt;\$<sup>Commercial In</sup>) but the fund notes the opportunities and has proposed that</li> </ul>	✓✓✓

	placing resource in the region is essential to help develop such goals.	
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> <li>As above.</li> </ul>	✓✓✓
<b>Connected to regional stakeholders and frameworks</b>		
Alignment with regional priorities	<ul style="list-style-type: none"> <li>The TEAP notes wood and forestry as regional priorities.</li> </ul>	✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> <li>The Gisborne hui was well attended by stakeholders including, council, ECT &amp; EG and Māori. This is one of the action points out of that meeting.</li> </ul>	✓✓✓
<b>Governance, risk management and project execution</b>		
Robust project management and governance systems	<ul style="list-style-type: none"> <li>To be established once the position is filled. The PDU has confidence in ECT being the co-funding party.</li> </ul>	
Risk management approach	<ul style="list-style-type: none"> <li>As above</li> </ul>	
Future ownership / operational management	<ul style="list-style-type: none"> <li>N/A</li> </ul>	
<b>Analysis of the benefits and costs</b>		
<p>The PDU has assessed the opportunities and obstacles associated with wood processing, forestry and regional infrastructure within the sector. This was undertaken in the \$<sup>Commercial info</sup> application submitted by ECT. It is clear that the private sector should be heavily involved but it is equally acknowledged that strategic public investment can help maximise the opportunities of private investment. This model is well developed both in New Zealand and overseas.</p> <p>Both direct and indirect benefits will be seen in the region with direct employment and economic activity to the wider region.</p>		
<b>Financial Analysis</b>		
The role sought in this application will help determine how investment is best developed.		
<b>Funding Arrangements</b>		
It is proposed that funding be undertaken through ECT.		
<b>Due Diligence and Ownership</b>		
DD is not required for ECT as they are an arm of GDC. DD on the contractor will be undertaken once the PDU has confirmation of the person.		

<b>Risk Assessment</b>	
Risk is noted in relation to engaging the correct contractor. The scale of the opportunity is considerable and gaining the services of an appropriately qualified person will be key to ensuring project success. ECT has a strong knowledge of the region and people available. The PDU should work with ECT but also undertake its own DD to mitigate risk.	
<b>Consultation undertaken or implications:</b>	
<b>Supporting proposal:</b>	Yes
<b>Appendices:</b>	No.
<b>Author of paper:</b>	ELH, Investment Team.

PROACTIVELY RELEASED