

2.11 AN AFFORDABLE AND EFFICIENT DREDGING OPTION FOR PORT OF GREYMOUTH

PGF Application		For: Approval	
Applicant:	Grey District Council (GDC)	Pipedrive ID #	1013
Entity Type:	Local Authority	PGF Funding Sought:	The applicant seeks \$ ^{Commercial Inform} PDU recommends to approve \$800,000
Region	West Coast	Total Project Value:	\$ ^{Commercial Inform}
Tier:	3 - Infrastructure	Co-contribution rate:	^{Comm} %
Sector:	Transport - Ports	Funding Structure:	Grant
<p>We recommend that the SROs:</p> <p>a) Approve up to \$800,000 from the PGF towards an affordable and efficient dredging option for Port of Greymouth, to improve the resilience of a critical piece of regional infrastructure and to ensure the viability of the port for the fishing and processing industries on the West Coast.</p> <p>b) Note that without an affordable permanent solution the port will have to continue to rent a dredge and some parts of the lagoon will remain undredged, possibly leading to commercial fishing operating having to cease operations. This would result in a decline in:</p> <ul style="list-style-type: none"> • regional economic development/output • productivity and growth • access to jobs, • national and regional resilience • access through transport links <p>c) Note that the approval is subject to:</p> <ul style="list-style-type: none"> - Maritime New Zealand approving the final design for the dredge. - The applicant providing evidence to the PDU that the co-contribution has been sourced (^{Commercial Information} ^{Commercial Information}). - Confirmation that the Port will fund ongoing operating and maintenance expenditure. <p>d) Note PDU has already funded a \$^{Commercial Inform} contribution for urgent remedial dredging of Greymouth Port Lagoon last year (SRO approval on 26/7/2018).</p> <p>e) Note PDU has funded \$^{Commercial Informa} for 2 feasibility study projects related to development and a joint governance model for the West Coast Ports:</p> <ul style="list-style-type: none"> - \$^{Commer} Upgrade and development of Westport Port and \$^{Commer} Port of Greymouth (SRO approval on 			

3/7/2018)

- ^{Commercial} Development Plan for Governance Structure for West Coast Ports (SRO approval on 30/5/2019). The process of investigating the joint governance model as part of a wider S.17A (Local Government Act 2002) investigation has not started yet.

f) Commercial Information

Proposal:

Grey District Council (GDC) seeks funding to purchase a custom-made dredge (a long-reach digger on a pontoon and a separate self-propelled bottom dumper barge) and depth-sounder to dredge the Greymouth Lagoon. The new dredge would replace the existing one that has proven to be inadequate. GDC have advised that there are no suitable dredgers (up to 15m max) that can be readily acquired from the market.

Dredging the lagoon to a depth of 4 metres is necessary to facilitate safe access of fishing vessels. The ability to effectively, efficiently and safely dredge the port is essential to secure existing economic activity and productivity. The Port had shoaled up to the extent that vessel movement was restricted to high tide only and, even then it had to be done with extreme care.

The port is used by the local fishing fleet for berthage and two large Fishing Companies to offload fish, one undertaking extensive local processing. Fish unloading, fish receipt, processing and ice facilities are available by arrangement with Westfleet Fishermen's Co-operative Ltd and Talleys Fisheries Ltd.

Assessment against the PGF criteria:

Eligibility Criteria

This application is eligible for PGF funding.

Productivity Potential

Economic development on the West Coast is constrained. It is 86 percent conservation land, native logging is precluded. Government policy is for no new mining on conservation land and expanding dairy farming is undesirable in the context of emissions objectives. That is why it is a surge region. It is left with tourism and fishing as potential growth sectors. The PGF part funded the dredging of Greymouth Port which has had the effect of being able to land more fish at the Port. The barge and digger is necessary to maintain dredging into the inner harbour to ensure the benefits are sustained. Without it, the harbour will quickly silt up again.

Policy objectives and regional priorities

The project is one of the key issues in the Council's 2019/2020 annual plan.

PGF Criteria	Assessment Commentary	Rating (0✓ to 5✓)
Link with fund and government outcomes		
Creates permanent jobs	The purchase of a dredge will not directly create new jobs but it is seen as a crucial enabler of being able to support the fishing industry and maintaining existing jobs.	✓✓✓
Delivers benefit to the community	N/A	
Increased utilisation and returns of Maori asset base	N/A	
Enhanced sustainability of natural assets	N/A	
Mitigation of climate change effects	N/A	
Additionality		
Adding value by building on what is already there	The dredging solution will ensure a safely navigable port for vessels of up to 4 m in draft.	✓✓✓
Acts as a catalyst for productivity potential in the region	<p>While the project will not increase regional economic development or productivity in the short-term, it will ensure that these will not decline and will support opportunities for future growth. It is also a crucial infrastructure asset for the Grey Port and an enabler for the West Coast.</p> <p>It is clear that without investment in this dredge, the port will have to continue to rent a dredge and some parts of the lagoon will remain undredged, possibly leading to commercial fishing operations having to cease operations. This would result in a decline in:</p> <ul style="list-style-type: none"> • regional economic development/output • productivity and growth • access to jobs, • national and regional resilience • access through transport links 	✓✓✓
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	The project is one of the key issues in the council 2019/2020 annual plan.	✓✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	This is one of the local council's key projects.	✓✓

Governance, risk management and project execution		
Robust project management and governance systems	The council will follow standard local body procurement processes.	✓✓✓
Risk management approach	The Council has a risk management framework, experienced project managers, and the final design approval sits with Maritime New Zealand.	✓✓✓
Future ownership / operational management	It will be held by Council no matter the outcome of the West Coast Ports governance study.	✓✓✓✓

Analysis of the benefits and costs

Benefit:

The purchase of this asset would deliver indirect benefits to the West Coast as the infrastructure would support the ongoing operation of the port (accessibility and use) as well as enabling the commercial fishing industry to continue and expand its operations. The benefits relate to securing existing economic activity and productivity than necessarily create new opportunities.

The Port is a regional asset, not only in that it is the fishing port closest to the lucrative Hoki Trench, but also in that it represents an important post-disaster function. The availability of a slipway access through the Greymouth Lagoon is another strong reason for it. Safe access is a crucial enabler for the fishing industry which is a key economic earner for the Coast.

Cost:

PGF grant funding \$800,000, with the balance of the capital expenditure and operating costs coming from the region.

Financial Analysis

Commercial Information

Funding Arrangements

The applicant is applying for a grant funding. The following is proposed payment schedule.

Description	Invoice Value	%	Invoice Date
Initial Payment (on signature of the funding agreement and the delivery of start-up)	Commercial Info	Comm	Commercial Information

report)			
Delivery of dredging option	Commercial Inform	Comm	Commercial Informatio
Retention Payment	Commercial In o	Comm	Commercial Information

PDU will ensure GDC co-contribution before releasing PGF funding in every stage.

Due Diligence and Ownership

Due Diligence is not required as the applicant is a Local Authority

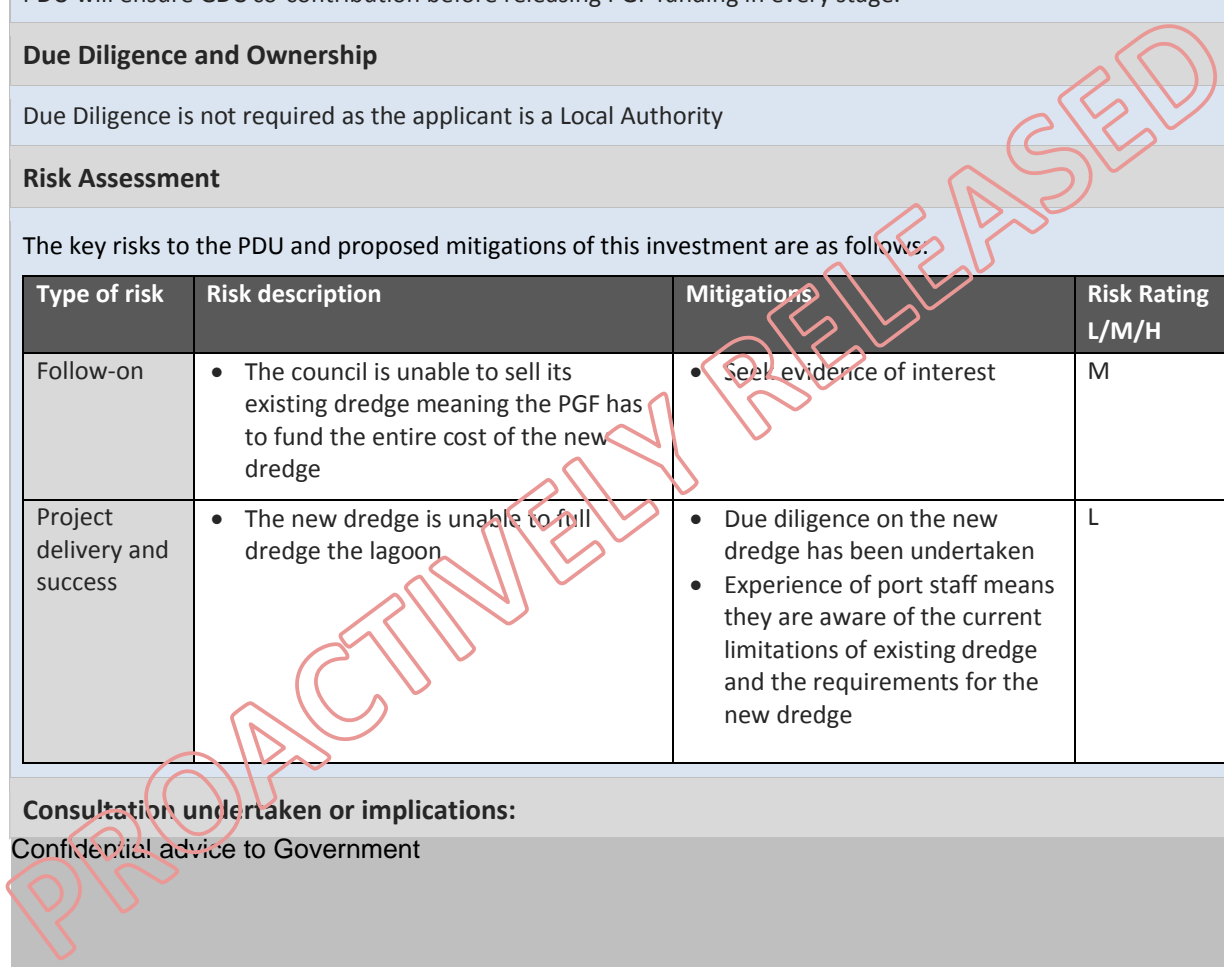
Risk Assessment

The key risks to the PDU and proposed mitigations of this investment are as follows:

Type of risk	Risk description	Mitigations	Risk Rating L/M/H
Follow-on	<ul style="list-style-type: none"> The council is unable to sell its existing dredge meaning the PGF has to fund the entire cost of the new dredge 	<ul style="list-style-type: none"> Seek evidence of interest 	M
Project delivery and success	<ul style="list-style-type: none"> The new dredge is unable to full dredge the lagoon 	<ul style="list-style-type: none"> Due diligence on the new dredge has been undertaken Experience of port staff means they are aware of the current limitations of existing dredge and the requirements for the new dredge 	L

Consultation undertaken or implications:

Confidential advice to Government



Confidential advice to Government

Supporting proposal:	Yes
Appendices:	Yes – Applications
Author of paper:	JN, Investment Analyst

PROACTIVELY RELEASED