



## 2.15 DEVELOPMENT PLAN FOR GOVERNANCE STRUCTURE FOR WEST COAST PORTS

PGF Application		For: Approval	
<b>Applicant:</b>	Development West Coast	<b>Pipedrive ID #</b>	Commercial
<b>Entity Type:</b>	Registered Charitable Trust	<b>PGF Funding Sought:</b>	up to \$100,000
<b>Region</b>	<b>West Coast</b>	<b>Total Project Value:</b>	\$ Commercial Inform
<b>Tier:</b>	<b>1 - Regional</b>	<b>Co-contribution rate:</b>	0%
<b>Sector:</b>	<b>Regional Projects</b>	<b>Funding Structure:</b>	Grant
<p><b>We recommend that the IAP / SROs:</b></p> <ul style="list-style-type: none"> <li>a) <b>Approve</b> \$100,000 from the PGF fund towards testing the recommendation of the study into the development of the West Coast Ports. This further investigative work is a recommendation from the feasibility study (funded by the PGF on 3 July 2018) into the West Coast Ports which has now been completed. The further work is required in order to make a determination on the best way forward.</li> <li>b) <b>Note</b> that \$ Commercial Info remains from the previous feasibility study funding by the Provincial Growth Fund (PGF) on 3 July 2018</li> <li>c) <b>Note</b> that funding will be in the form of a grant</li> <li>d) <b>Note</b> funding is Commercial % from the PGF</li> <li>e) <b>Note</b> that an additional funding application to the PGF is likely for upgrade work following the feasibility study</li> </ul>			
<p><b>Proposal:</b></p> <p>The second stage of the project picks up the recommendations in the feasibility study to place the ports under a single ownership and governance model. The work is recommended to ensure any significant funding sought is based on expert evidence and opinion, avoids duplication and inefficient capital expenditure, enhances the West Coast region and meets the objectives of the PGF.</p> <p>Specifically, funding is sought to:</p> <ul style="list-style-type: none"> <li>a) Determine options for managing West Coast Ports under one ownership and governance structure</li> <li>b) Define the needs for West Coast Ports for resilience requirements, maritime safety requirements and future needs</li> <li>c) Determine capital costs to “right-size” each port for future requirements.</li> </ul> <p>The full scope of this study is to be determined.</p>			

The report has concluded that the status quo for Westport and Greymouth ports is not tenable and that they should come under one ownership and governance arrangement. **Commercial Information**. We now need expert advice that draws from the history of port ownership models in New Zealand, a cost-benefit analysis of joint versus separate ownership, the existing and likely future purpose of each port, and a sustainable pathway to provide advice on the way forward that will best meet the needs of the West Coast region.

**Assessment against the PGF criteria:**

**Eligibility Criteria**

This project is eligible for PGF funding.

**Productivity Potential**

The study will help define the “right sizing” and the right governance structure for the West Coast ports to promote economic growth. **Commercial Information**.

**Policy objectives and regional priorities**

This project has strong support from the Buller District, Grey District and Westland District and will be governed by Development West Coast.

Under the Cabinet paper PGF investment in skills and infrastructure, project support for economic development projects, feasibility studies and capability building has been identified as necessary for the West Coast. Also stated in the Cabinet paper “the PGF will invest in liftings the skills of managers and governors of assets to provide the skills needed to deliver the larger and more complex projects made possible through the PFG and needed for growing regional economies”.

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>N/A</li> </ul>	N/A
Delivers benefit to the community	<ul style="list-style-type: none"> <li>The results from the study will provide good governance to the ports.</li> <li>The ports provide support to a number of businesses that provide services to fishing fleets</li> </ul>	✓✓✓
Increased utilisation and returns of Maori asset base	<ul style="list-style-type: none"> <li>N/A</li> </ul>	N/A
Enhanced sustainability of natural assets	<ul style="list-style-type: none"> <li>N/A</li> </ul>	N/A
Mitigation of climate change effects	<ul style="list-style-type: none"> <li>N/A</li> </ul>	N/A

**Additionality**

Adding value by building on what is already there	<ul style="list-style-type: none"> <li>This study will provide the business case that builds on the previous feasibility study to obtain greater outcomes for the future sustainability and development of the ports in the West Coast</li> </ul>	✓✓✓
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> <li>It will provide positive outcomes to the region if the ports remain open as it provides both social and employment benefits and is critical to maintaining and growing the fishing industry</li> </ul>	✓✓✓✓
<b>Connected to regional stakeholders and frameworks</b>		
Alignment with regional priorities	<ul style="list-style-type: none"> <li>There is strong alignment with regional priorities</li> </ul>	✓✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> <li>There is strong support from the three local districts</li> </ul>	✓✓✓✓
<b>Governance, risk management and project execution</b>		
Robust project management and governance systems	<ul style="list-style-type: none"> <li>This has not been discussed in the application, however, Development West Coast has delivered on the previous feasibility</li> </ul>	✓✓
Risk management approach	<ul style="list-style-type: none"> <li>This has not been discussed in the application. The proposed study is designed around the risks associated with the status quo</li> </ul>	✓
Future ownership / operational management	<ul style="list-style-type: none"> <li>This will be a deliverable of this study</li> </ul>	✓✓
<b>Analysis of the benefits and costs</b>		
<p>The feasibility study will determine/ define the “right sizing” of each port in the West Coast to promote economic growth, as well as the ownership and governance structure for managing the West Coast ports. This study will seek to make both ports financially viable for the region, including ongoing opex.</p>		
<b>Financial Analysis</b>		
<p>No financials have been provided in the application. The draft feasibility study had a high level financial summary for each port.</p>		
<p>Westport Port Income for 2018 was \$<sup>Commercial Information</sup> and expenditure was \$<sup>Commercial Inform</sup>. <sup>Commercial Information</sup></p>		
<p>Greymouth Port income for 2017-2018 was \$<sup>Commercial Information</sup> and its expenditure was \$<sup>Commercial Information</sup>.</p>		
<b>Funding Arrangements</b>		

\$100,000 is expected to be allocated over a **Commercial Information**

Deliverables:	\$ (excluding GST)
Engage specialist to deliver on development plan	\$ Commercial Info
Draft plan	\$ Commercial Info
Delivery of final report to the Ministry	\$ Commercial Info
Total	\$ Commercial Inform

### Due Diligence and Ownership

*Due diligence:* is to be completed on the consultant when Development West Coast has completed the procurement process.

#### Shareholders:

Shareholder	%
WEST COAST DEVELOPMENT HOLDINGS LIMITED	Commercial %

#### Directors:

- Mark Stephen DAWSON
- Christopher John MACKENZIE
- Patrick Herd MULLIGAN

#### Key Management Personnel:

- Not discussed in the application

### 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
<b>Cost</b>	Not enough funding to engage the right specialist	<ul style="list-style-type: none"> <li>• Understand the scope of the deliverables and identify specialist knowledge required</li> </ul>	Low
<b>Personnel</b>	Engaging the right specialist to deliver on the project	<ul style="list-style-type: none"> <li>• Ensure credentials and experience match the deliverables required</li> </ul>	Low
<b>Personnel</b>	Stakeholders to the project do not support the findings	<ul style="list-style-type: none"> <li>• Ensure strong stakeholder management by specialist on the project</li> </ul>	Low
<b>Project</b>	Understanding the scope of the feasibility study	<ul style="list-style-type: none"> <li>• Before engaging in the specialist understanding the whole scope of the project</li> </ul>	Low

### Consultation undertaken or implications:

**Supporting proposal:**

Yes

**Appendices:**

Yes – Applications and supporting letters are as annexes

**Author of paper:**

AY, Investment Analyst, PDU Investment Team

PROACTIVELY RELEASED