



## COVER SHEET

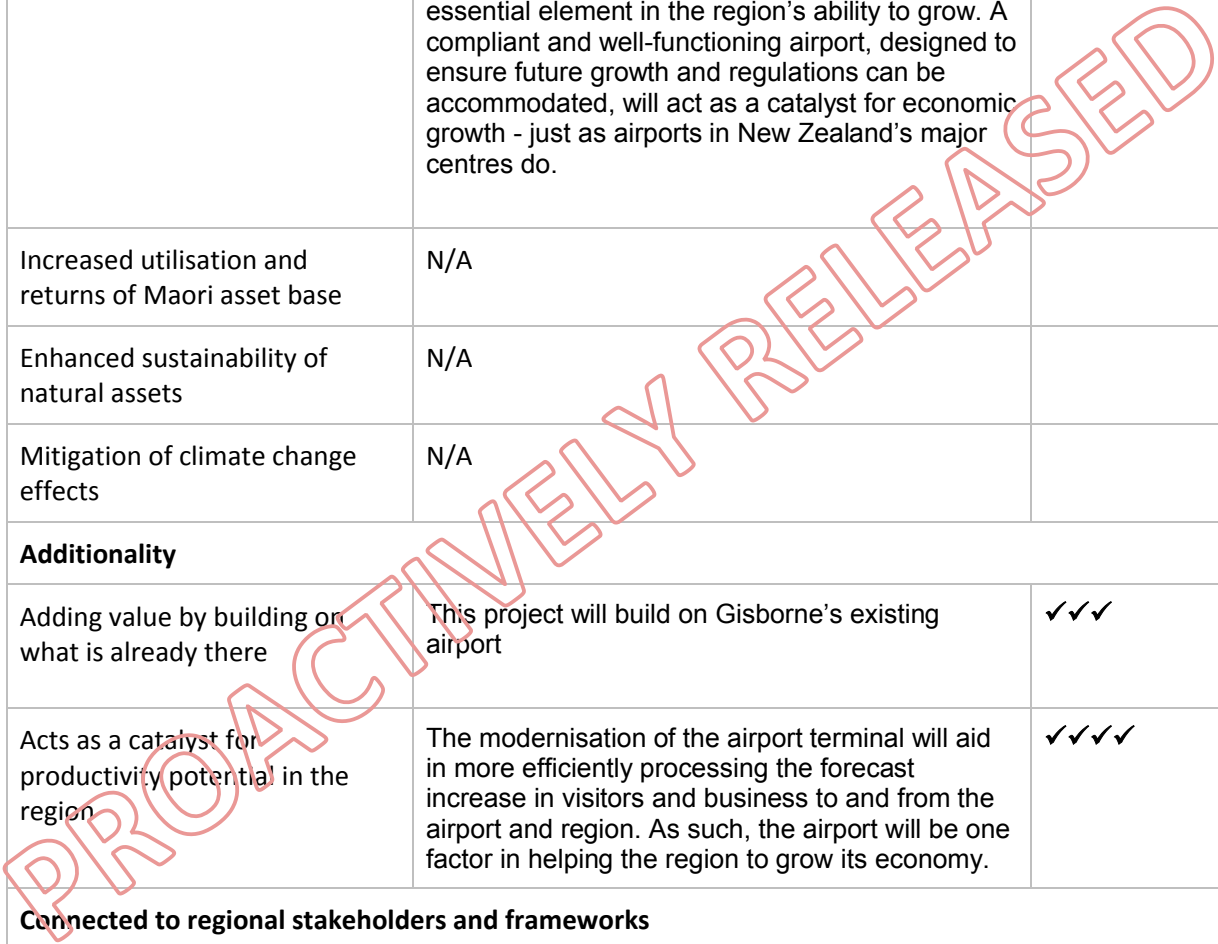
<h3>3.1 Gisborne Airport Terminal Redevelopment Project PGF Application</h3>	<p style="text-align: center;"><b>For: Approve</b></p>
<p><b>Background &amp; context:</b></p>	<p><b>Recommendation:</b></p>
<p><b>Applicant Organisation:</b></p> <ul style="list-style-type: none"> <li>• Eastland Group Ltd (EG).</li> <li>• EG is Eastland Community Trust's primary commercial arm and has full management control of Gisborne Airport</li> </ul> <p><b>Location:</b></p> <ul style="list-style-type: none"> <li>• East Coast/Tairāwhiti</li> </ul> <p><b>Proposal:</b></p> <ul style="list-style-type: none"> <li>• EG is proposing to develop a new terminal building at Gisborne Airport</li> </ul> <p><b>Funding Sought:</b></p> <ul style="list-style-type: none"> <li>• Total project value: <small>Commercial Information</small></li> <li>• PGF Funding: \$5,500,000</li> </ul> <p><b>Background:</b> An airport is a vital piece of regional infrastructure. This is reflected in New Zealand's major centres all placing strong levels of resource into ensuring their airports can aid in the development of commerce and regional/ national growth opportunities. These factors are no different for New Zealand's regions.</p> <p>Increasingly, regional New Zealand is receiving visitors, and conducting business via air travel. As such, ensuring visitors and business can be efficiently processed is essential to aid commerce, including tourism.</p> <p style="text-align: center;"><small>Commercial Information</small></p> <p>Issues with the current terminal include:</p> <ul style="list-style-type: none"> <li>• <small>Commercial Information</small></li> </ul>	<p><b>We recommend that the IAP:</b></p> <ol style="list-style-type: none"> <li><b>Discuss</b> Gisborne Airport Terminal Redevelopment</li> <li><b>Note</b> The application has been assessed by the PDU, MOT and NZTA</li> <li><b>Note</b> MOT is progressing work on air connectivity in regional New Zealand. MOT believe regional airport funding decisions should be held until that work is completed (estimate end of August 2018).</li> <li><b>Note</b> PDU has worked with the applicant to receive additional information in an effort to address deficits correctly identified by MOT. Forecast passenger increases from Air New Zealand are attached (Annex 2) as is information from CAA referring to potential increased compliance (Annex 3). Of note is that Air New Zealand's projected forecasts, supplied in 2016 have been exceeded, providing confidence in the applicant's growth projections</li> <li><b>Support</b> the recommendation to approve up to \$5,500,000 PGF funding subject to:             <ul style="list-style-type: none"> <li>• The funds being drawn down only after EG and ECT have completed their project funding rounds;</li> <li>• The PDU being happy with the final design cost; and</li> <li>• Due diligence completed on any business contracted to the project</li> </ul> </li> </ol>

<ul style="list-style-type: none"> <li>• A lack of any unifying design, due in part to the adhoc nature of periodic expansion</li> <li>• Strained processing capacity at peak times with two and sometimes three flights arriving simultaneously</li> <li>• A critical decision point has arrived. This is the result of:             <ol style="list-style-type: none"> <li>I. forecast growth (Commercial Information )</li> <li>II. Increased compliance issues including passenger screening that will require significant upgrading of the terminal</li> </ol> </li> </ul> <p>The project concept is submitted to the PGF in an advanced stage. The design has been largely completed with Architects Commercial Information (lead) and Commercial Information (local) working together to develop a fit for purpose terminal with future expansion and regional design elements at its centre.</p> <p>The project has been costed at Commercial Information. The breakdown of the project's costs is still relatively high level and will be further developed through the contracting and project plan development phase.</p> <p>It must be noted, however, that the applicant acknowledges that in 2016 a more modest design was developed and costed at Commercial Information. This figure did not contain the strong Tairāwhiti regional elements reflected in the design that the updated project does.</p>	
---	--

**PGF criteria that this proposal supports:**

PGF Criteria	Assessment Commentary	Rating (1✓ to 5✓)
<b>Link with fund and government outcomes</b>		
Creates permanent jobs	Employment will be generated during the construction of the terminal. Stronger transport links into and out of the region will act as a catalyst for business including tourism. The applicant has provided projected passenger figures supplied by Air New Zealand. Importantly, these projections have already been exceeded. Continued growth in arrivals can therefore be	✓✓

	expected to have a positive economic impact and grow employment.	
Delivers benefit to the community	Gisborne is the major logistics hub for Tairāwhiti. Fit for purpose facilities to bring commerce into the region, and take product to market is an essential element in the region's ability to grow. A compliant and well-functioning airport, designed to ensure future growth and regulations can be accommodated, will act as a catalyst for economic growth - just as airports in New Zealand's major centres do.	✓✓✓✓
Increased utilisation and returns of Maori asset base	N/A	
Enhanced sustainability of natural assets	N/A	
Mitigation of climate change effects	N/A	
<b>Additionality</b>		
Adding value by building on what is already there	This project will build on Gisborne's existing airport	✓✓✓
Acts as a catalyst for productivity potential in the region	The modernisation of the airport terminal will aid in more efficiently processing the forecast increase in visitors and business to and from the airport and region. As such, the airport will be one factor in helping the region to grow its economy.	✓✓✓✓
<b>Connected to regional stakeholders and frameworks</b>		
Alignment with regional priorities	The project is a regional priority noted in the TEAP.	✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	The project has strong support, reflected in the level of co-funding from regionally acknowledged entities Eastland Group and Eastland Community Trust. The project has consulted widely and been developed with: <ul style="list-style-type: none"> <li>• Commercial Information</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> </ul>	✓✓✓✓
<b>Governance, risk management and project execution</b>		



<p>Robust project management and governance systems</p>	<p>A strong level of Governance for the project is outlined in the application. Eastland Group has experience in large scale infrastructure projects including:</p> <ul style="list-style-type: none"> <li>• Commercial Information upgrade of Gisborne's Port</li> <li>• Commercial Information geothermal greenfields development</li> </ul>	<p>✓✓✓✓</p>
<p>Risk management approach</p>	<p>The establishment of a governance group, consisting of members associated with the funding bodies is noted by the applicant as a possible oversight structure. This should be implemented.</p> <p>The development of a project plan with a risk/mitigation register will be a requirement, should this application be successful.</p>	<p>✓✓✓</p>
<p>Future ownership / operational management</p>	<p>GDC will maintain ownership of the asset. Eastland Group will continue to manage the airport.</p>	<p>✓✓✓✓</p>

**The purpose of this briefing is to consider recommending PGF funds to the Gisborne Airport Terminal Redevelopment**

**Risks Issues:**  
 The applicant has submitted a high level risk/mitigation register noting that a detailed register will be developed if the application is successful. This approach is reasonable.

**Risk/mitigation:**

1. *EG is hoping to complete the terminal redevelopment in time for the 250 celebrations (October 2019).*  
 This is a highly optimistic goal. The future viability of the project, however, does not hinge on this event.
2. *One of the capacity issues currently facing Gisborne airport relates to scheduling. Simultaneous landings of flights places pressure on the facility.*  
 Could consultation be undertaken with Air New Zealand to see if scheduling could be looked at to ensure Auckland and Wellington flights arrive in a staggered pattern?
3. *In 2016, a design was developed for a redevelopment of the terminal. This provided a figure of Commercial Information. The PGF application notes a redesign has taken place, better reflecting the region's culture and history. The cost, however, has risen Commercial Information.*  
 Is this a reasonable increase or could the project achieve its goals within a reduced budget?
4. *The application does not address freight.*  
 As a significant component of activity undertaken at the complex, has thought been given to freight logistics and capacity looking ahead?

**Eligibility points of note:**

- *Due diligence:* To be completed on any contracted entity should the application be successful.
- *Conflict(s) of interest:* Based on the information provided no conflict of interest is evident.
- *Illegal Activity:* Based on the application information provided and feedback from other agencies there is no indication that the applicant or project has been involved in, or associated with illegal activity.
- *Alignment with Regional development plans:* The project has strong regional support reflected in the level of co-funding from both ECT and EG.

**Consultation undertaken or implications:**

<b>Legal</b>	N/A	<b>HR</b>	N/A	<b>Finance</b>	N/A	<b>MBIE policy</b>	N/A	<b>Other</b>	MOT/ NZTA
<b>Supporting proposal:</b>		Yes							
<b>Appendices:</b>		Yes – Application/ Annex 1 Air New Zealand/ GDC projected figures/ Annex 2 CAA information							
<b>Sponsor(s):</b>		N/A							
<b>Manager/Author of paper:</b>		ELH Investment Team							

PROACTIVELY RELEASED