

COVER SHEET

2.5 Advanced Aviation Hub Project PGF Application		For: Approve	
Tier:	1 - Regional	Sector:	Regional Projects
Background & context:		Recommendation:	
<p>Applicant Organisation:</p> <ul style="list-style-type: none"> Whanganui District Council Holdings Limited (WDCHL) <p>Location:</p> <ul style="list-style-type: none"> Manawatu/Whanganui <p>Proposal:</p> <ul style="list-style-type: none"> Funding for the engagement of an external consultant for the delivery of a full business case for the establishment of an Advanced Aviation Hub (AAH) at Whanganui airport. The AAH will provide an advanced simulation centre to enable pilots to undertake type-rating training on modern airlines. <p>Funding Sought:</p> <ul style="list-style-type: none"> Total project value: \$^{Commercial Inform} PGF Funding: \$400,000 (Grant – 80%) <p>Background:</p> <ol style="list-style-type: none"> WDCHL was established as a regional economic development holding company and is wholly owned by the Whanganui District Council. In 2017 WDCHL established the New Zealand International Commercial Pilot Academy (NZICPA) at Whanganui Airport to provide commercial pilot training for students nationally and internationally. WDCHL has invested \$^{Comme} to establish the NZICPA training facility. WDCHL also owns a 50% share (as a joint venture partner with the Crown) in the Whanganui Airport. The establishment of the proposed AAH facility is seen as complimentary to NZICPA and would leverage the expected global demand for pilot training. 		<p>We recommend that the SROs:</p> <ol style="list-style-type: none"> Note the applicant is seeking the equivalent of ^{Comm} % of funding for the cost of engaging an expert consultant to prepare a detailed business case for the establishment of the Advanced Aviation Hub at Whanganui Airport. PGF grant funding is typically limited to a maximum of ^{Comm} %. Note the applicant has already committed approximately \$^{Comme} for the establishment of the complementary International Commercial Pilot Academy at the Airport and will contribute ^{Comm} % for the AHH business case. Note The PGF recommendation is to approve funding at ^{Comm} % of the total cost. This is on the basis that the project has the potential to generate considerable benefits beyond the Advanced Aviation Hub with the accommodation industry and related services set to benefit. WDCHL indicates the proposed contribution of \$^{Commercial Inform} is at a maximum. The focus is on developing funding options (with rates increase a possibility) to support investment on the basis that the business case is positive. Note the business case will deliver: <ul style="list-style-type: none"> The financial and economic case; Market analysis; A concept for operating an AAH; Procurement plan for technical equipment; Building and infrastructure requirements; The case for companion projects; Socio-economic and cultural/iwi case; and Risk analysis and Project plan. 	

- f) A fully operational AAH would allow provision for the type-rating of commercial airline pilots on the Airbus A320, Boeing 737 and ATR aircraft types; licensing and qualification for flight attendants and aeronautical engineers; and a necessary degree of aviation training for ancillary crew members (flight nurses, and helicopter crew for example).
- g) WDCHL has completed a high-level environmental analysis supporting proceeding to a full business case. Key findings:
- The global demand for pilots is significantly higher than supply.
 - The demand for aeronautical engineers and flight attendants is equally high.
 - The aviation eco system on and surrounding the Whanganui Airport is well developed.
 - New Zealand pilot training and ultimately licenses are highly regarded globally.
 - A high tech aviation training system does not exist in New Zealand, outside of Air New Zealand or the Royal New Zealand Air Force (RNZAF).
- h) WDCHL has issued an RFP seeking proposals from experienced, high calibre consultancy companies for the delivery of the Business Case for the AAH facility.
- i) It is expected that a further application will be made to the PGF for project implementation funding if the business case establishes a viable case for AAH. Overall costs of phase 1 are projected to be \$Commercial - \$Commercial Inform
- e) **Note** the applicant has received responses to the tender process for the selection of a consultant but has not indicated the preferred consultant and specific cost.
- f) **Support** the recommendation to **Approve** 400,000 grant from the PGF fund towards the Advanced Aviation Hub Project subject to:
- i) PDU agreement of the consultant/consultant firm contracted to undertake the work;
 - ii) Agreement between the PDU and WDCHL as to the project deliverables, and associated detailed budget; and
 - iii) Confirmation of the co-contribution of \$Commercial Inform

PGF criteria that this proposal supports:

PGF Criteria	Assessment Commentary	Rating (1✓ to 5✓)
Link with fund and government outcomes		
Creates permanent jobs	<ul style="list-style-type: none"> • Based on projections of 288 students per year, ^{Comm} full time instructor positions along with ^{Com} support staff positions are expected to be created. Further jobs are expected to be created via the expected need for accommodation, catering and other domestic services. 	✓✓✓
Delivers benefit to the community	<ul style="list-style-type: none"> • Alignment with <i>Accelerate25</i> (regional growth programme) of which the Whanganui District Council, Iwi and central government are key 	✓✓✓

	stakeholders.	
Increased utilisation and returns of Maori asset base	<ul style="list-style-type: none"> Te Pae Tawhiti is the Maori Economic development agency for the region. It has been engaged to ensure alignment between the AAH project and iwi related projects, with the expectation that AAH will have a positive impact in terms of job opportunities, training and education and in particular opportunities in the accommodation sector. 	✓✓✓
Enhanced sustainability of natural assets	<ul style="list-style-type: none"> N/A 	
Mitigation of climate change effects	<ul style="list-style-type: none"> Use of simulator for training reduces flying time required for certification and decreases use of fuel. 	✓✓✓
Additionality		
Adding value by building on what is already there	<ul style="list-style-type: none"> The business case for the AAH is that it is complementary to the existing NZICPA facility established at Whanganui Airport. Existing governance and management structures are already in place via WDCHL 	✓✓✓✓
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> It is expected that completion of a full Business Case will verify/quantify AHH's potential as a catalyst for productivity growth. 	✓✓✓
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	<ul style="list-style-type: none"> The applicant (WDCHL) is a wholly owned subsidiary of the Whanganui District Council, which is a key stakeholder in the region's regional growth implementation programme, Accelerate25. The expectation is that delivery of AHH will align with regional priorities by: <ul style="list-style-type: none"> Partnering with iwi, business community and education groups Support population attraction and retention 	✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> As above. Workshops have been held with relevant stakeholders in May and June 2018, with support coming from <ul style="list-style-type: none"> Whanganui District Council Iwi WDCHL NZIPAL Whanganui Economic Development Agency Accelerate25 	✓✓✓

	○ Local MPs		
Governance, risk management and project execution			
Robust project management and governance systems	<ul style="list-style-type: none"> There is a reliance on WDCHL's systems and processes. WDCHL is a Council Controlled Organisation which operates the Whanganui Airport and has previously delivered the NZIVPA project. 		✓✓✓✓
Risk management approach	<ul style="list-style-type: none"> WDCHL's systems and process in running tender processes. 		✓✓✓✓
Future ownership / operational management	<ul style="list-style-type: none"> WDCHL will own and operate the AHH if the project proceeds (consistent with NZICP) 		✓✓✓✓
The purpose of this briefing is to consider recommending PGF funds to the Advanced Aviation Hub Project.			
Risks Issues:			
<ul style="list-style-type: none"> Successful tenderer cannot perform assignment - management by timeline and selection of quality consultant Cost exceeds budget – fixed quote in tender process The inability to raise finance to support the investment in the AAH. 			
Eligibility points of note:			
<ul style="list-style-type: none"> <i>Due diligence:</i> Full due diligence is to be completed. It is a condition of approval that due diligence is to be to the satisfaction of the Head of PDU Investment team. <i>Conflict(s) of interest:</i> Based on the information provided no conflict of interest is evident noting that full due diligence will inform this item further. <i>Illegal Activity:</i> 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. <i>Alignment with Regional development plans:</i> The expectation is that delivery of AHH will align with regional priorities by partnering with iwi, business community and education groups. It will support population attraction and retention. <i>Commercial funding availability:</i> Given the nature of the project which is to undertake a full Business Case for the development of a pilot training simulator, access to commercial funding is not considered a feasible option. 			
Consultation undertaken or implications:			
Legal	N/A	HR	N/A
Finance	N/A	MBIE policy	N/A
Other			
Supporting proposal:	Yes		
Appendices:	Yes - Applications and supporting letters are as annexes		
Sponsor(s):	N/A		
Manager/Author of paper:	Nick Hough, Investment Team		