

## COVER SHEET

2.26 Marlborough Sounds Smart Services Deployment Project PGF Application		For: Approve	
Tier:	3 - Infrastructure	Sector:	Regional Projects Business case
Background & context:		Recommendation(s):	
<p><b>Applicant Organisation:</b></p> <ul style="list-style-type: none"> <li>Marlborough District Council (MDC)</li> </ul> <p><b>Location:</b></p> <ul style="list-style-type: none"> <li>Top of the South/ Te Tau Ihu</li> </ul> <p><b>Proposal:</b></p> <ul style="list-style-type: none"> <li>This application is to fully develop the Smart Services Sounds business case. The business case will assess how the installation of a monitoring network in Pelorus Sound, home to the majority of the district's 580 marine farms, will provide the industry with vastly improved data.</li> <li>The next phase of the programme will seek to use existing and emerging technology infrastructure in the Marlborough Sounds to place smart devices including sensors and data collection arrays in selected locations to automate monitoring requirements and activities for the region.</li> <li>The information captured will be linked back to Council and the information collected will be available to Government agencies and participating businesses, including, but not limited to aquaculture.</li> </ul> <p><b>Funding Sought:</b></p> <ul style="list-style-type: none"> <li>Total project value: \$ <small>Commercial Inform</small></li> <li>PGF Funding: \$ <small>Commercial Info</small></li> <li>Co-funding: <small>Commercial</small> \$ <small>Commercial Inform</small></li> </ul>		<p><b>We recommend that SROs:</b></p> <p>a) <b>Discuss</b> The Marlborough Sounds Smart Services Deployment project seeking \$ <small>Commercial Info</small> of a \$ <small>Commercial Inform</small> project</p> <p>b) <b>Note</b> The project has been assessed by the PDU</p> <p>c) <b>Note</b> The project is <b>not in a Surge Region</b>; has <b>strong district support</b> from Marlborough District Council; is <b>in a PGF priority sector</b>, digital</p> <p>d) <b>Note</b> The PDU has sought Technical Advice from MBIE Commerce, Consumers and Communications (CCC) team and Crown Infrastructure, and that both units have noted issues with project partner <small>Commercial Information</small> <small>Comme</small>.</p> <p>e) <b>Support the recommendation to Approve</b> \$99,000 from the PGF to the Smart Sounds subject to:</p> <ul style="list-style-type: none"> <li>Confirmation application of the benefits will not be limited to Marlborough but will support the Top of South aquaculture sector</li> <li>Demonstrated support and need for this information from potential users</li> </ul>	

**Background:**

Marlborough District Council (MDC) has applied for PGF funding to help develop an ICT solution/ network relating to data capture and monitoring, with a particular focus on the marine environment and industry in the Marlborough Sounds. The project is a collaboration between MDC and Commercial Information (Commer). Commer has provided consultancy services to MDC and has worked in the region to roll out internet connectivity in the Waihopai Valley.

This project has strong district and industry support and is a PGF priority for MDC. The applicant has supplied letters of support from:

- Commercial Information
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

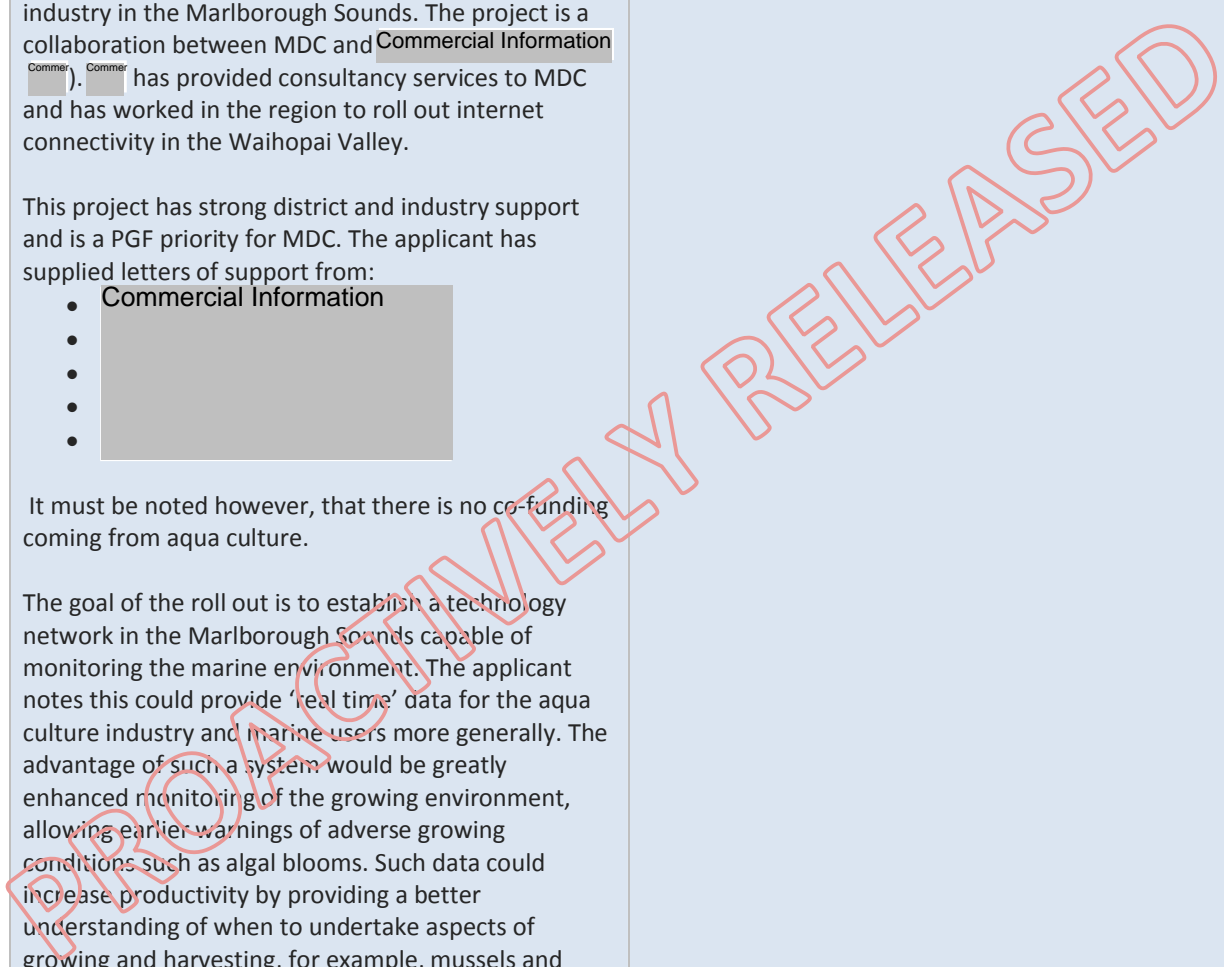
It must be noted however, that there is no co-funding coming from aqua culture.

The goal of the roll out is to establish a technology network in the Marlborough Sounds capable of monitoring the marine environment. The applicant notes this could provide 'real time' data for the aqua culture industry and marine users more generally. The advantage of such a system would be greatly enhanced monitoring of the growing environment, allowing earlier warnings of adverse growing conditions such as algal blooms. Such data could increase productivity by providing a better understanding of when to undertake aspects of growing and harvesting, for example, mussels and salmon.

The applicant notes the focus of this application is to: *'prepare detailed design and confirmed costs to support a full PGF submission to introduce automated compliance, environmental and maritime monitoring across the Marlborough Sounds'*.

The PDU would like SROs to consider in making their decision:

- The appetite for the wider roll out of this network. The applicant notes this costings application is being sought to inform a PGF application for the full roll out. This is



estimated to be upwards of \$<sup>Commercial</sup> (the applicant notes <sup>Commercial</sup> has allocated \$<sup>Commercial</sup> in their annual plan for this project).

A further point to note concerns the project partner **Commercial Information**). The PDU has sought Technical Advice from MBIE’s Commerce, Consumers and Communications (CCC) team and Crown Infrastructure.

Both units have had previous experience with project partner **Commercial Information**). Although they note the company is knowledgeable in this field, they have had negative experiences dealing with the Directors, providing concern in relation to this project partner. <sup>Commercial</sup> missed out on the tender process for the first stage of Rural Broadband 2 (RB2).

CCC has also been asked to assess the additional material sought from the applicant by the PDU (Annex 2). CCC believes the employment figures are high and the commercial model being proposed has a number of issues as the applicant notes, the opportunity to generate revenue. This would be difficult if government funding is provided to establish the network, and the data is owned by MDC. Despite being asked, CCC also note the ongoing ownership, and therefore, opex, is not well articulated. The PDU believes this is fundamental as a marine environment is likely to be burdensome on maintaining the network.

SRO, <sup>Privacy of natural persons</sup> and Regional Lead, Pip Jamieson met with the applicant (MDC) on 7/12/18. The meeting provided them with confidence in the project and MDC’s CIO and project lead, <sup>Commercial Information</sup>. Following this meeting, the PDU has more confidence in the project scope and deliverables.

**PGF criteria that this proposal supports. Please note a number of the assessments speak to the roll out of the network rather than solely the business case (this project)**

PGF Criteria	Assessment Commentary	Rating (1✓ to 5✓)
<b>Link with fund and government outcomes</b>		
Creates permanent jobs	<ul style="list-style-type: none"> <li>The application notes ‘a range of specialised employment at Council, and has provided follow up figures (Annex 2). CCC believes these figures are above projects for similar pieces of work</li> </ul>	✓✓

Delivers benefit to the community	<ul style="list-style-type: none"> <li>The outcomes of this project, should it be successful, will provide opportunities to better connect remote communities in the Sounds. The ability of the technology to enable this needs to be verified as the applicant notes NIWA is undertaking research currently</li> </ul>	✓✓✓
Increased utilisation and returns of Maori asset base	<ul style="list-style-type: none"> <li>The applicant notes that <sup>Commercial Inform</sup> and other Maori interests in aqua culture will benefit although exactly how is not clearly articulated</li> </ul>	✓✓
Enhanced sustainability of natural assets	<ul style="list-style-type: none"> <li>As below, this project is unlikely to directly enhance natural assets but could help in monitoring what is going on in the marine environment</li> </ul>	✓✓
Mitigation of climate change effects	<ul style="list-style-type: none"> <li>The technology will not mitigate Climate change but could act to better monitor a number of factors associated with climate change</li> </ul>	✓✓
<b>Additionality</b>		
Adding value by building on what is already there	<ul style="list-style-type: none"> <li>This is a new project seeking to place a network into a district not well served by ICT technology</li> </ul>	✓
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> <li>Could provide strong benefits to the region, especially in relation to the monitoring of aspects relating to the environment. The applicant notes: <ul style="list-style-type: none"> <li>Water temperature</li> <li>Toxin levels</li> <li>Could provide strong additional data to projects also being considered in the region including <sup>Commercial Information</sup></li> </ul> </li> </ul>	✓✓✓✓
<b>Connected to regional stakeholders and frameworks</b>		
Alignment with regional priorities	<ul style="list-style-type: none"> <li>The project comes to the PGF from the District Council MDC and regional lead <sup>Commercial Information</sup> has noted it is a priority project</li> </ul>	✓✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> <li>There is strong support from Council. All Maori support unclear (<sup>Commercial Inform</sup> supportive)</li> </ul>	✓✓✓
<b>Governance, risk management and project execution</b>		
Robust project management and governance systems	<ul style="list-style-type: none"> <li>The application has provided evidence of good PM/ G.</li> </ul>	✓✓✓
Risk management approach	<ul style="list-style-type: none"> <li>The applicant has provided a good R/ M register. The register does, however, focus on the 'whole of project' rather than this application stage. Elements</li> </ul>	✓✓✓✓

	of this application including affordability, technology availability, dependency on Crown funding are noted								
Future ownership / operational management	<ul style="list-style-type: none"> <li>The application is slightly muddled in relation to aspects of this. It speaks to MDC owning the data. The application then notes ownership model for the infrastructure are to be explored</li> </ul>		✓✓						
<b>The purpose of this briefing is to consider recommending PGF funds to Smart Services Business Case</b>									
<p><b>Risks Issues:</b> The applicant has supplied a strong R/ M register. The PDU has assessed this and believes it well articulates the project's risks.</p> <p>It should be noted CCC and CI have had difficult relationships at times with this project's collaborator <span style="border: 1px solid black; padding: 0 2px;">Commercial Inform</span> <span style="border: 1px solid black; padding: 0 2px;">Commercial Information</span></p> <p>Furthermore, issues around ownership of the final entity/ data are not well defined. This should be addressed through the development of the business case</p> <p><b>Eligibility points of note:</b></p> <ul style="list-style-type: none"> <li><i>Due diligence:-</i> Full due diligence has been completed.</li> <li><i>Conflict(s) of interest:-</i> Based on the information provided no conflict of interest is evident.</li> <li><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.</li> <li><i>Alignment with Regional development plans:-</i> The wider project could be of considerable value to the region. This project has strong support from Marlborough District Council.</li> <li><i>Commercial funding availability:-</i> Given the nature of the project which is to develop a business case, access to commercial funding is not considered a feasible option.</li> </ul>									
<b>Consultation undertaken or implications:</b>									
Legal	N/A	HR	N/A	Finance	N/A	MBIE policy	N/A	Other	MBIE CCC, Crown Infrastructure
<b>Supporting proposal:</b>		Yes							
<b>Appendices:</b>		Yes – Application, Investment summary (Annex 1) Supporting material (Annex 2)							
<b>Sponsor(s):</b>		N/A							
<b>Manager/Author of paper:</b>		ELH Investment Team							