



BRIEFING

Bay of Islands Airport Upgrade Project

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|---------------------------------|---------------|-------------------------|--------------|
| Date: | 27 April 2018 | Priority: | High |
| Security classification: | In Confidence | Tracking number: | 5000 17 - 18 |

| Action sought | | |
|----------------------------------------------------------------------|--------------------------------------------------------------------------------------|------------|
| | Action sought | Deadline |
| Hon Grant Robertson Minister of Finance | Note the contents of this brief in preparation for your meeting on 2 May 2018 | 2 May 2018 |
| Hon Phil Twyford Minister of Transport | | |
| Hon David Parker Minister for Economic Development | | |
| Hon Shane Jones Minister for Regional Economic Development | | |

| Contact for telephone discussion (if required) | | | |
|------------------------------------------------|---------------------------------|----------------------------|-------------|
| Name | Position | Telephone | 1st contact |
| Nigel Bickle | Head of PDU | Privacy of natural persons | ✓ |
| Robert Pigou | Acting Head of Investments, PDU | Privacy of natural persons | |

| The following departments/agencies have been consulted |
|---------------------------------------------------------------------------|
| The Ministry of Transport was consulted in relation to the business case. |

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn



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Purpose

This paper seeks Provincial Growth Fund (PGF) Ministers approval to proceed to preparation and execution of investment agreement documentation for the provision of \$1.75m in grant funding for the Bay of Islands Airport Upgrade Project (**the Project**).

Executive summary

On 12 February 2018, PGF Ministers resolved to approve funding of \$1.75 million for the Bay of Islands Airport Upgrade Project, subject to business case.

The Provincial Development Unit (**PDU**) have received a business case and have completed further due diligence.

The proposal is now ready for the preparation and execution of investment agreement documentation.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** the investment was approved on 12 February 2018 by PGF Ministers subject to business case.
- b **Note** that a business case has been received and high-level due diligence has been substantively completed.
- c **Note** that the business case and due diligence has not identified any reason not to progress with the investment.
- d **Approve** the Head of the Provincial Development Unit preparing a full investment agreement for a \$1.75 million grant and executing the agreement.

Nigel Bickle
Head of PDU
Provincial Development Unit, MBIE

Hon Shane Jones
**Minister for Regional Economic
Development**

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Background

1. On 12 February 2018, PGF Ministers resolved to approve funding of \$1.75 million to Far North Holdings Limited (FNHL) for the Project, subject to business case.
2. Since February, the PDU has received a business case from FNHL. Further due diligence to better understand the risks of the Project is now substantively complete.

Project overview

3. The Project involves demolition and rebuild of the terminal building at the Bay of Islands airport, as well as associated ancillary improvements. The sponsor is FNHL, a Council Controlled Trading Organisation owned by Far North District Council. FNHL is the current owner and operator of the Bay of Islands airport.
4. The total estimated project cost is \$ ^{Commercial Information}.
5. This will be funded as follows:
 - \$ ^{Commercial Information} – ^{Commercial Information};
 - \$1.75 million from the Fund; and
 - The residual from internal FNHL funding.
6. Approximately \$ ^{Commercial Information} of the \$ ^{Commercial Information} in project cost has already been incurred – this will not be eligible for PGF funding.
7. The CEO of Air New Zealand sent a letter to Hon Phil Tywford on 18 April that noted (among other things) that Air New Zealand has been working with FNHL to develop Bay of Islands Airport.

Due diligence

8. The PDU has substantively completed due diligence and has not identified any reason not to progress with the investment.

9.

Commercial Information

Next steps

10. FNHL have indicated that they require a funding commitment by Monday 30 April to align with internal processes and commitments.
11. The PDU have therefore sent a letter to FNHL, outlining the status of government's position.
12. The next steps for the PDU are:
 - Finalise due diligence;
 - Prepare and negotiation full investment agreement documentation; and
 - Execute the investment agreement.