



BRIEFING

Centre of Digital Excellence

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|---------------------------------|---------------|-------------------------|------------|
| Date: | 24 June 2019 | Priority: | Medium |
| Security classification: | In Confidence | Tracking number: | 3985 18-19 |

| Action sought | | |
|--|--|--------------|
| | Action sought | Deadline |
| Hon Grant Robertson Minister of Finance | Approve or decline a grant for \$10 million from the Provincial Growth Fund towards the Centre of Digital Excellence, and decide how to fund the 'Games for Health' proposal. | 26 June 2019 |
| Hon Phil Twyford Minister of Transport | | 26 June 2019 |
| Hon David Parker Minister for Economic Development | | 26 June 2019 |
| Hon Shane Jones Minister for Regional Economic Development | | 26 June 2019 |
| Fletcher Tabuteau MP Parliamentary Under-Secretary to the Minister for Regional Economic Development | Note the contents of this briefing. | 26 June 2019 |

| Contact for telephone discussion (if required) | | | |
|--|---|----------------------------|-------------|
| Name | Position | Telephone | 1st contact |
| David van der Zouwe | Head of Investment Management | Privacy of natural persons | ✓ |
| Jessica Sandford | Policy Advisor, Provincial Development Unit | Privacy of natural persons | |

| The following departments/agencies have been consulted |
|--|
| N/A |

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments

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Purpose

This briefing asks for you to either approve \$^{Commercial Information} subject to the applicant securing \$^{Commerc} **Commercial Information** or agree that the \$^{Commercial Information} should be absorbed into the \$10 million Centre of Digital Excellence (CODE) project.

Recommended action

The Provincial Development Unit (PDU) recommends that you:

- a. **Note** that the Labour Party Manifesto 2017 includes a commitment to invest \$^{Commercial Info} **Commercial Information** to establish a Centre of Digital Excellence in Dunedin. *Noted*
- b. **Note** that Dunedin City Council has presented the Centre of Digital Excellence as two separate but connected components. *Noted*

Part one - Centre of Digital Excellence

- c. **Approve** the Dunedin City Council's application for a \$10 million grant from the Provincial Growth Fund (PGF). *Agree / Disagree*

OR

- d. **Decline** the Dunedin City Council's application for a \$10 million grant from the PGF. *Agree / Disagree*

Part two - ^{Commercial Information}

- e. **Note** that Dunedin City Council has requested an additional \$^{Commercial Information} from the PGF towards their ^{Commercial Information} proposal. *Noted*
- f. **Note** that the ^{Commercial Information} proposal has been subject to the standard PDU assessment process. The PDU suggests that the additional \$^{Commercial Information} should be funded within the \$10 million funding provided for Centre of Digital Excellence.

Noted

- g. **Agree** to approve \$^{Commercial Information} from the PGF towards the ^{Commercial Information}, subject to the applicant securing \$ ^{Commercial Information}, as the project has some alignment with PGF objectives.

Agree / Disagree

OR

- h. **Agree** that Dunedin City Council's request for \$^{Commercial Information} should be absorbed into the \$10 million funding towards the Centre of Digital Excellence.

Agree / Disagree

David van der Zouwe
Head of Investment Management
Provincial Development Unit
Ministry of Business, Innovation and Employment

..... / /

Hon Grant Robertson
Minister of Finance

..... / /

Hon Phil Twyford
Minister for Transport

..... / /

Hon David Parker
Minister for Economic Development

..... / /

Hon Shane Jones
Minister for Regional Economic Development

..... / /



Centre of Digital Excellence

Project overview

| | |
|--|--------------------------------------|
| Name of the project | Centre of Digital Excellence |
| Region | Otago |
| Applicant | Dunedin City Council |
| Total project value | \$ ^{Commercial Information} |
| Amount of funding sought from the PGF | \$ ^{Commercial Information} |
| Financial instrument recommended | Grant |

Project overview

1. The Labour Party Manifesto 2017 (Manifesto) includes a commitment to invest \$10 million over 10 years to establish a Centre of Digital Excellence (CODE) in Dunedin, with the vision of a \$1 billion computer gaming industry in New Zealand.
2. The Manifesto recognises that Dunedin is well-positioned to contribute to this vision through building on the city's emerging gaming and digital businesses, thriving start-up ecosystem, strong Māori partnerships, global linkages, and internationally-recognised academic centres.
3. This briefing presents Regional Economic Development Delegated Ministers (RED Ministers) with the option to fund the Centre of Digital Excellence, as well as options on how to fund the ^{Commercial Information} proposal. The application has been made by the Dunedin City Council.
4. The project comprises of two parts:
 - i. **Part one:** the manifesto commitment of \$10 million will focus on how to develop the human capital required to grow the gaming industry. This will include:
 - a. developing digital skills,
 - b. growing digital capability,
 - c. supporting innovation through contestable funds, and
 - d. attracting digital businesses to Dunedin.
 - ii. **Part two:** the \$^{Commercial Information} requested will focus on the development of the ^{Commercial Information}
^{Commercial Information}
5. While CODE will primarily be focused on supporting and growing the video games industry, it will develop a complementary focus on **Commercial Information**
^{Commercial Information}



6. Part two is not a manifesto commitment and would leverage part one for successful delivery. The application presents CODE parts one and two as two separate but connected components. It appears to make the assumption the \$10 million manifesto commitment cannot include ^{Commercial Information} and that any 'additional' activity needs to be funded separately.

Business case overview

7. The PGF funded the business case to outline how Dunedin City will deliver on the overall project (\$95,000).
8. The business case established that the project presents an opportunity to have a complementary focus on ^{Commercial Information} and to establish a key point of difference for CODE. ^{Free and frank opinions}
9. The digital economy is the fastest growing segment of the global economy. The business case found that the video games industry, supported and grown through CODE, will be a catalyst for a stronger digital economy within New Zealand.
10. The Dunedin City Council is requesting \$ ^{Commercial Information} with co-contribution of ^{Commercial Information} from Dunedin City Council, ^{Commercial Information}
11. The proposal suggests this investment would accelerate the growth of the gaming industry in New Zealand which would lead to more skilled jobs and higher export revenues.

PDU recommendation

12. The PDU recommends \$10 million be provided, in the form of a grant, over 10 years to cover both the original intention by the Labour Party for CODE and the ^{Commercial Information} opportunity that has been identified through the development of the Business Case.
13. ^{Commercial Information}
14. Given that the \$10 million Part One project still has a reasonably broad scope, including \$ ^{Commercial Information} per annum for several contestable funds and competitions. The PDU recommends that the \$ ^{Commercial Information} per annum sought from the PGF for ^{Commercial Information} is funded from the original \$ ^{Commercial Information} per annum.

Benefits

15. Over a ten-year period the Dunedin City Council suggests CODE would result in:
- 30-50 new small video game studios, each employing on average ^{Commerc} employees; and
 - 3-5 large video game studios, each employing on average ^{Comme} employees.



- c. There are currently 41 gaming studios in New Zealand (with two of these based in Dunedin) and this is a high growth industry in New Zealand and around the world. CODE will leverage Dunedin's strength as a centre of knowledge, innovation and expertise in the digital economy.
- d. This project will also build on the **Commercial Information** project by focusing on **Commercial Information** segment.

Stakeholder support

16. The overall project has received support from the Dunedin City Council, Southern DHB, University of Otago, Ngai Tahu and NZ Game Developers Association.
17. The project strongly aligns with the Otago Regional Development framework themes – innovation and productivity and Dunedin Economic Development Strategy 2012-23.

Costs and funding

18. The financial analysis in the business case is based on the assumption that the PGF would fund \$ **Commercial Information** and other investors would fund \$ **Commercial Information** towards the total project cost of \$ **Commercial Information** over the years **Commercial Information**.
19. The co-contribution of \$ **Commercial Information** has not yet been confirmed.
20. There is a one off cost of \$ **Commercial Information** over **Commercial Information** to cover the establishment of CODE.
21. The Council has suggested that the \$10 million be paid out over the first year of the project. However, the PDU will follow its standard processes, providing funding as \$ **Commercial Information** over 10 years.

Risk assessment

| Type of risk | Risk description | Mitigations | Risk Rating L/M/H |
|-----------------------|---|---|-------------------|
| Investor Risk | Other investors – Commercial Information | <ul style="list-style-type: none"> All parties should engage early and develop an investment plan along with terms. | Low |
| Financial Risk | Lifecycle costs are not managed within the funding allocated. | <ul style="list-style-type: none"> Tight monitoring of project budget. Fixed price offers from third party vendors. | Medium |

Agency comments

MBIE Innovation Policy Team

22. **MBIE Innovation Policy Team** support the core elements of the proposal relating to developing the gaming industry in Dunedin, but consider that there is also



considerable opportunity to leverage **Commercial Information** and the region's **Commercial Information** expertise through the gaming for **Commercial Information** which expand on the original proposal but have attracted third party co-funding.

PROACTIVELY RELEASED