



Gisborne Airport Terminal Redevelopment Project

Executive summary

The Gisborne Airport terminal is struggling to process an increasing number of passengers. In 2016, Air New Zealand provided the Gisborne District Council (GDC) with forecast arrival and departure numbers. These have been exceeded through 2017 and now into 2018, providing confidence to forecasted continued growth. The existing airport terminal building is no longer fit for purpose as it:

- Struggles to handle passenger volumes which will be exacerbated if current trends continue;
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A redevelopment of the terminal is proposed costing \$ [redacted], with a \$5.5m contribution from the Provincial Growth Fund (PGF). The proposal has a high degree of regional buy-in, local co-funding, and has been signalled by the region as a priority.

The project will help improve access to the region, creating opportunities in social and economic inclusion. In particular, the project fits in with other opportunities that seek to develop the region's burgeoning tourism sector.

Regional Economic Development (RED) Ministers considered this application on 13 August 2018 and asked officials for further clarification around timelines. GDC have provided these to the Provincial Development Unit (PDU).

The Ministry of Transport (MOT) is currently undertaking work on regional air connectivity. This is due to be completed at the end of September 2018. The MOT view is that decisions around the funding of regional airports and air services would be better informed by this work.

Recognising that the next RED Ministers' meeting is not till mid-October we are seeking approval to advance by way of loan the funding for this project subject to acceptable terms and conditions being negotiated. We will need some time to negotiate the loan, and the applicant needs certainty of funding before it can enter into the construction contract.

Project overview

1. The project seeks funding toward the redevelopment of the Gisborne Airport terminal building and supporting infrastructure, which is no longer fit for purpose. The existing terminal building dates back to the early 1960s, with additions made in the late 1990s, [redacted]. The terminal building handles a growing number of air travellers (visitation rate set to increase to 2 million per annum), with continued growth forecast, and congestion already occurring during peak hours when two 50-seat Q300 aircraft arrive simultaneously.
2. The redevelopment is costed at \$ [redacted].
3. The terminal redevelopment will aid in more efficient processing of passengers and business to and from the region.



4. The new terminal, with its significant cultural design elements, will be an important portal to the region, and contribute to helping the region grow its economy.
5. Gisborne Airport is owned by the GDC, which has a long-term lease and management arrangement for the airport with Eastland Group, the primary commercial arm of the Eastland Community Trust.

Timelines

6. In July 2018, RED Ministers considered this application and had further questions on the timelines for the project. Officials have consulted with GDC and have established that the timeline is as follows:
 - i. A building consent is required and should be granted within 20 days
 - ii. Resource consent is required for the carpark and flood water run-off - GDC inform us that this should not take long. Note, GDC has appointed a Planning Officer to this project
 - iii. Neither of these two consents are likely to be problematic
 - iv. Tenders for construction are out for response with a due date of 20 September 2018
 - v. GDC expect to award contract in Mid-October
 - vi. Work will commence 1 November 2018
 - vii. This will ensure that the new, expanded airport is ready for the Sestercentennial celebrations in October 2019

Assessment against the PGF criteria

Criteria	Rating 1✓ - 5✓	Comment
Sustainable regional economic development	✓✓	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.
Productivity and innovation	✓✓✓✓	Increase in visitors and business will facilitate growth in the regional economy.
Increased employment, training or work readiness for the sectors workforce	✓	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.
NZ's ability to meet climate change commitments		N/A
Māori aspirations for utilising land and other resources and achieving cultural objectives	✓	The airport redevelopment will be one factor in enabling better land utilisation for Māori.
Additionality	✓✓✓	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. This makes the airport one factor in helping the region grow its economy.
Connections and alignment with regional priorities	✓✓✓✓	The project is a regional priority in the Tairāwhiti Economic Action Plan. The project has been consulted widely and in development with iwi and other local groups.
Environmental sustainability and/or productivity of natural assets		N/A

Benefits

7. The new Gisborne Airport terminal will be large enough to accommodate forecast increased passenger numbers through the airport and will facilitate fast and efficient movement of visitors into and out of the region. It will also be compliant with current earthquake regulations and able to accommodate forecast regulation relating to passenger screening.
8. The new terminal will attract additional and better commercial offerings such as scenic flights, tour operators, support the Aviation Museum as a genuine visitor attraction, and also allow other operators such as **Commercial Information** to present a better offering to their market. Additionally, it will serve as a catalyst for new business opportunities into the region.
9. The terminal will reflect the unique cultural aspects of Tairāwhiti, closely linking with the region's 'Navigations' themed tourist initiative, and the October 2019 '250 Te Ha celebrations'. The design incorporates elements that are unique to the Rongowhakaata iwi and Ngai Tawhiri hapū.



Risks

- 10. Eastland Group will develop a detailed risk register as part of the project documentation once funding is confirmed.
- 11. The following risks/mitigations have been identified:

Risk	Mitigation
Meeting October 2019 Deadline	<ul style="list-style-type: none"> • Detailed programme developed with staging required and key milestone dates. • Use of negotiated contract rather than open tender to ensure early start.
Poor Ground Conditions	<ul style="list-style-type: none"> • Extensive geotechnical testing undertaken on site.
Staging of Construction Impacting Airport Operations/Programme/Cost	<ul style="list-style-type: none"> • Detailed designs of staging programme completed. • Project manager based on site to oversee staging works and liaise with key stakeholders. • Peer review will be completed by Wellington International Airport Limited.
Cost Over-run	<ul style="list-style-type: none"> • QS estimate of cost to complete finalised. • Scope well defined and documented. • Detailed design drawings. • Early contractor engagement in process.
Freight not considered as part of project	<ul style="list-style-type: none"> • The applicant should provide further information to demonstrate whether the project can facilitate freight capacity and connection improvements.

- 12. The PDU has assessed this risk register. The completed mitigations provide confidence the project can be undertaken and Eastland Group's previous projects, including the port upgrade, provide further confidence in the party managing this project.

- 13. Free and frank opinions



- 14. The PDU notes that the MOT view is that decisions around the funding of regional airports and air services could benefit from the MOT policy work on regional air connectivity. There is an immediate development risk associated with this approach. The airport terminal development has a tight project timeline, forced by the 2019 Tuia – First Encounters 250 celebrations. **Commercial Information**



- 15. The MOT have given the Gisborne application further consideration and applied some interim criteria to assess the application given the time pressures that the PDU is under to approve this application. Some of the MOT's consideration is outlined below.
 - i. Gisborne is isolated – around three hours by road to Napier, Tauranga or Rotorua.
 - ii. The facilities are inadequate at peak times. This is apparently caused by scheduling at Auckland and Wellington, which means the services arrive and depart at the same



time. **Commercial Information**

[REDACTED]

iii. **Commercial Information**

[REDACTED]

- iv. The redevelopment would ensure that there is sufficient space in the terminal should aviation screening be necessary in the future.
- v. The Eastland Group has good experience managing infrastructure projects and has developed its plans in conjunction with Air NZ – reflecting Air NZ’s requirements and forecast growth.

16. For the reasons outlined above, the MOT have indicated that they would not oppose progressing with the Gisborne application.

PROACTIVELY RELEASED