



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;
- Does not have the ability to easily incorporate forthcoming regulations relating to passenger screening; and
- **Commercial Information**

A redevelopment of the terminal is proposed costing \$^{Commercial Information}, 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.

The Ministry of Transport (MoT) is currently undertaking work on regional air connectivity which is due to be completed at the end of August 2018. MOT believe a decision on this project (and the funding of any other regional airport projects) should be deferred until this work is complete.

Recommendation

Project description & benefits	Risks	Total cost of project	Appropriation and amount to be approved	Recommendation
Gisborne Airport terminal – to accommodate and facilitate regional tourism growth	<ul style="list-style-type: none"> • Meeting October 2019 deadline 	\$ ^{Commercial Information}	\$5.5m	Approve

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 through to the late 1990s, ^{Commercial Information}. 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 \$^{Commercial Information}.



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 a significant 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.

Regions covered by proposal

6. The project covers the Tairāwhiti/Gisborne region.

Local support for proposal

7. The project has a strong level of local support. Eastland Group has been working closely with local hapu and iwi, Gisborne Chamber of Commerce, and Activate Tairāwhiti as well as the GDC and Eastland Community Trust.

Key milestones and outputs

8. Key milestones are high level at this stage, with greater clarity to be developed once funding has been agreed. Geotechnical investigations, designs and consultation with key stakeholders are complete. Building consent and procurement of a suitable contractor is to be complete following agreement to fund. The project will need to be completed before October 2019, which is when the Tuia – First Encounters 250 celebrations are scheduled to commence. To meet this deadline, the project will need to commence in August 2018.

Management and governance

9. The project will be managed by Eastland Group. Due to the nature of the infrastructure-intensive assets Eastland Group manages (port, airport and electricity generation and distribution), it has developed extensive project management experience.
10. It is expected that a governance group will be set up for the project made up of representatives of key funding agencies and stakeholders. The Eastland Group project manager will report on a monthly basis to this group over the delivery period of the project.

Cost and funding sources

11. The Gisborne Airport terminal redevelopment project will cost \$^{Commercial Inform}. The funding is anticipated to come from the following sources:
 - a. Provincial Growth Fund (\$5.5m – to be confirmed)
 - b. ^{Commercial Information} (\$^{Commerc} - confirmed)
 - c. ^{Commercial Information} (\$^{Commerc} - confirmed).



Assessment against the PGF criteria

Criteria	✓	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

- 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.



13. 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 Eagle Flight School to present a better offering to their market. Additionally, it will serve as a catalyst for new business opportunities into the region.
14. 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 hapu.

Risks

15. Eastland Group will develop a detailed risk register as part of the project documentation once funding is confirmed.
16. 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 <small>Commercial Information</small>
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

17. The PDU has assessed this risk register. The completed mitigations provide confidence the project can be undertaken and EG's previous project's, including the port upgrade, provide further confidence in the party managing this project.
18. The IAP has expressed concerns about the funding request. A number of members voiced concerns about the level of funding being sought. The option for the project to be reduced in scale was discussed. The applicant seeking a market solution for the funding gap was discussed. Commercial Information
Commercial Information A possible change in ownership to enable EG to take the airport assets onto its balance sheet was also discussed.
19. The PDU notes that MOT wishes all regional airport decisions to be placed on hold pending their 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. A further delay, should MOT not have their policy finished, could hinder completion within the required timeframe.



Next steps

20. Subject to Ministers agreement to the Gisborne Airport terminal redevelopment project, the next steps are as follows:
 - a. **Commercial Information** and **Commercial Information** to confirm funding rounds (this is required prior to drawing down PGF funds).
 - b. PDU to review final design and costs of the project, necessary to deliver a fit-for-purpose new terminal with wider benefits to the region including the ability to facilitate increased freight and passenger volumes.
 - c. Resource consent obtained.
 - d. Negotiation of the contract for construction of the new terminal.
 - e. PDU to undertake due diligence on the successful construction contractor to the project.

PROACTIVELY RELEASED