



## Provincial Growth Fund and Digital Connectivity

Ministers Jones and Curran are intending to take a paper to Cabinet on 10 September to seek agreement to a digital connectivity investment plan. The draft paper is expected to be circulated to Ministers on 21 August for comment. This paper provides an overview of the proposed PGF investment in efficiently scalable digital connectivity to support economic growth in the regions for RED Delegated Ministers to discuss.

Digital connectivity is vital to the future growth and prosperity of the regions. Investment by the PGF in digital connectivity is planned so the regions can have reliable access to the broadband and mobile services necessary for them to grow and employ.

### Digital Connectivity Investment Plan

It is proposed that the PGF allocate \$100 million to make high performance and scalable digital connectivity infrastructure more accessible in the regions. There are three elements to this:

- Extending the reach of digital access infrastructure in remoter areas of New Zealand
- Enhancing the performance of digital infrastructure for the West Coast and Milford
- Supporting local communities to access digital infrastructure

The tentative current PGF funding allocations for these elements are as follows:

| PGF Digital Connectivity Investment Plan                                   |   |  |   |
|--|---|--|---|
| Element  | Deliverables  | PGF Funding Allocation<br>(*adjustable within overall \$100 million maximum)                                   | Funding approach  |
| <b>Extending the reach of digital infrastructure (RBI/MBSF expansion)</b>  | Network capability for further broadband coverage and greater cellular mobile coverage (targeting tourist destinations).                                    | <b>\$40 million*</b><br>(this is additional to the \$105 million already allocated to the RBI2/MBSF expansion) | Provide funds to CIP for contracting providers  |
| <b>Enhancing the performance and reliability of digital infrastructure</b> | Deployment of scalable network infrastructure to improve the performance and reliability of broadband and mobile services (for the West Coast and Milford). | \$ <small>Commercial Information</small>   | Provide funds to CIP for contracting providers  |
| <b>Supporting local connectivity</b>                                       | Establishing broadband connectivity for local communities.  | \$ <small>Commercial Information</small>   | Seek applications to the PGF for investment in local communities by the end of November |
| <b>All</b>   |   | <b>\$100 million</b>   |   |

## **Extending the reach of digital infrastructure**

The first element of the Digital Connectivity Investment Plan (Investment Plan) will support the tourism sector, and remote households and businesses, by extending broadband and cellular mobile coverage. It would be implemented by expanding the Rural Broadband Initiative phase two (RBI2) and the Mobile Black Spots Fund (MBSF) programmes to cover more areas in the regions, including the Chatham Islands and Great Barrier Island.

Crown Infrastructure Partners (CIP) has recently undertaken a procurement process for expanding these programmes with \$105m already allocated outside the PGF. Through the RBI2/MBSF procurement process, CIP has determined that total funding of \$<sup>Commercial Information</sup> (existing \$105 million already allocated plus an additional \$<sup>Commercial Information</sup> for expanding the RBI2 and MBSF programmes would enable infrastructure to be deployed to cover up to another 13,000 end users (households or businesses) for broadband services, and address up to 55 tourist destination mobile black spots.

PGF investment in the RBI2/MBSF expansion would introduce connectivity to key tourism sites and extend the availability of broadband to more remote households and businesses. It is proposed that \$<sup>Commercial Information</sup> is transferred from the PGF to CIP towards establishing some of the required common infrastructure for the RBI2/MBSF expansion. CIP are currently undertaking analysis on the value of PGF funding being allocated to extend the reach of digital infrastructure.

## **Enhancing the performance of digital infrastructure**

The second element of the Investment Plan will benefit regional businesses and households in the West Coast and Milford by extending broadband and mobile services which will support tourism and other economic growth opportunities. This can be implemented by co-funding with private sector infrastructure providers to target selected areas for enhancing network infrastructure performance.

The West Coast and Milford are considered to have the most pressing need, and it is proposed that \$40 million be allocated from the PGF for network infrastructure improvements in these areas, with procurement of the infrastructure managed by CIP.

## **Supporting local connectivity**

The third element of the Investment Plan is the establishment of digital infrastructure for local communities, with an emphasis on skills development and job training. Such infrastructure could be implemented by local community organisations (eg marae) that are funded to establish connectivity hubs. Other regional initiatives for improving community connectivity would also be considered for PGF funding.

Applications would be sought for investment projects through a specific two month funding round process (expected September – November 2018), with Ministerial approval by the end of the year of those applications to be pursued to contract.

It is proposed that \$<sup>Commercial Information</sup> of PGF funding would initially be allocated to the local connectivity elements of the Investment Plan. Depending on the applications received, the amount of funding allocated to the various elements could be adjusted so the investment mix will make the best use of the PGF.