

2.18 Ngati Waewae direct sourcing and management of Pounamu

Project:	Ngati Waewae direct sourcing and management of Pounamu		FOR: Approval
Applicant:	Te Runanga o Ngati Waewae Incorporated		Pipedrive ID: Commercial
Application type:	WM	(A) Total Project Value:	\$Commercial Information
Funding type:	Grant	(B) PGF Funding Sought:	\$995,500
Entity Type:	Incorporated Society	(C) PGF Funding Recommended:	up to \$995,500
Region:	West Coast	(D) Applicant Contribution:	\$Commercial Information
Tier:	2 - Sectors	(D/A) Co-contribution Rate:	Contribution/total = Commercial %
Sector:	Mining		
Application summary:	<p>The purpose of the application is to contribute to the purchase of equipment to enable Ngati Waewae to undertake procurement of Pounamu directly from its own lands and adjacent/appropriate sites on the West Coast. Ngati Waewae owns the Pounamu resource, but is currently reliant on sourcing pounamu as a Commercial Information, which accounts for Commercial percent of its Pounamu received. This means, through the Ngai Tahu (Pounamu Vesting) Act 1997, it is currently required to pay a fee equivalent to Commercial percent of the fair value of the recovered Pounamu to the entities that source it.</p> <p>A completed business case identifies that the project will provide direct access to the Pounamu the applicant owns, including on iwi owned land it has access to. It will create new job opportunities, with approximately Commercial direct jobs attached to the extraction part of the project, and opportunities for training, education opportunities, and indirect jobs through development of the carving industry. As a Whenua Maori application, it will increase the productivity of Maori owned land and enable better utilisation of Ngati Waewae resources.</p> <p>Ngati Waewae requires government funding as it does not have the capital to fund the project itself, while the magnitude and nature of the project make it unviable to pursue a bank loan or private investment. Resource consents are not in place, but are expected to be obtained within project timeframes, and engagement with key stakeholders has taken place.</p> <p>[Please see full project description in the Application Description Section]</p>		

The PDU recommends that this application be supported by SROs

Agree to approve an up to \$995,500 grant from the PGF towards Ngati Waewae direct sourcing and management of Pounamu

➤ because:

- the project will create ^{Com} permanent jobs in addition to educational and training opportunities through expansion of the carving industry
- it will enable Ngati Waewae to take control of sourcing the Pounamu it already owns, passing savings on to consumers and meeting unmet demand that is often being met by the black market
- the Ngai Tahu (Pounamu Vesting) Act 1997, stipulates that Ngati Waewae must pay a fee to the third party suppliers that amounts to almost ^{Comme} percent the income generated by Pounamu commercial activities
- direct sourcing will enable better utilisation of Maori assets and provide employment opportunities
- the project supports Ngati Waewae’s investments in tourism and supports the Pounamu Pathways PGF funded tourism project, benefiting the tourism industry in the West Coast region overall;
- the project is supported by TPK and DoC
- **Commercial Information** toward the project

➤ subject to:

- **Commercial Information**
- Detailed costings
- Due Diligence review being completed
- Payment against agreed milestones along with co-contribution
- Confirmation of mining permit timings

Section A: Triage – Assessment against PGF eligibility criteria

➤ Is the project an illegal activity?	No
➤ Is the project located in the three main metropolitan areas?	No
➤ Is the project seeking investment in large scale infrastructure of social assets?	No
➤ Is the project seeking investment for three waters?	No

Application description

Background

The purpose of the application is to contribute to the purchase of equipment, machinery and vehicles, to enable Ngati Waewae to undertake procurement of Pounamu directly from iwi-owned land that it has negotiated access to, and adjacent/appropriate sites, on the West Coast. Ngati Waewae owns the Pounamu resource, but is currently reliant on sourcing pounamu as a **Commercial Information**. This Pounamu accounts for **Commercial Information** percent of Pounamu Ngati Waewae uses for its commercial operations.

The Project

The project will get underway in **Commercial Information** with engagement of delivery partners and coordination with **Commercial Information** to determine and confirm dates for commencing on site Pounamu extraction operations. And other detail.

During **Commercial Information** the equipment and machinery required for the works will be confirmed and quotes assessed. GIS and 3D geological mapping will be confirmed during this period, and a pre-implementation report completed. Purchase of equipment and machinery and employment of staff will occur during **Commercial Information**, with direct Pounamu sourcing and extraction commencing during the same period.

Detailed project costs are as follows:

Cost Description (excluding GST)	\$ (excluding GST)
5 ft/16 tonne (stacker and conveyer screen)	\$ Commercial Information
Excavator/Digger	\$ Commercial Information
Water pumps	\$ Commercial Inform
Water hoses and pipelines	\$ Commercial Inform
Wheel loader	\$ Commercial Informa
Utes x2	\$ Commercial Informa
Lighting plant	\$ Commercial Informa
Shipping container x2	\$ Commercial Inform
Genset	\$ Commercial Inform
Tools	\$ Commercial Inform
GIS and 3D geological mapping	\$ Commercial Informa
Spatial predictive modelling	\$ Commercial Inform
Resource estimation	\$ Commercial Inform
Advanced manufacturing technology and customised carving equipment	\$ Commercial Informa
Project management	\$ Commercial Inform
Total	\$ Commercial Information

Analysis

The project will provide the applicant direct access to Pounamu on land that the applicant owns. It will create **Comme** direct new job opportunities, and opportunities for training, education opportunities, and indirect jobs through development of the carving industry and associated tourism developments on the West Coast, including linking into the **Commercial Information** and other tourism investments of Ngati Waewae. As a Whenua Maori application, it will invest in and increase the productivity of Maori owned land and enable better utilisation of Ngati Waewae resources.

Ngati Waewae currently supplies between **Commercial Inform** tonnes per annum into the formal Pounamu market. However, this is set to grow as it is currently turning away interested purchasers. Ngati Waewae supplies over **Commerci** registered

carvers who in turn supply ^{Comme} retail outlets in New Zealand. To meet demand, direct access will give Ngati Waewae the access/supply it needs to fulfil market demands, and to manage the resource to ensure it is used as sustainably as possible and in a way that doesn't impact historical sites.

The development of a vertically integrated business will ensure that demand can be met - there is currently latent demand in the market – reduce costs through passing on savings at retail level, and help reduce the impact of the Pounamu black market on the formal trade.

Ngati Waewae requires government funding as it does not have the capital to fund the project itself, while the nature of the project makes it unviable to pursue a bank loan or private investment. The total project cost is \$ ^{Commercial Information} of which Ngati Waewae is co-funding approximately ^{Comme} percent.

Whenua Maori

The project has demonstrated that it complies with the eligibility requirements and guidelines for Whenua Maori applications, including demonstration of lifting productivity potential of Maori owned land, commencing within PGF timeframes, and the best commercial use of the land.

Co-Funding Table

Co-Funder	Pledged/Confirmed/Cash/In-Kind	\$ ^{Commercial Information}
Provincial Growth Fund	(via this application)	\$995,500
^{Commercial Information}	^{Commercial Information}	\$ ^{Commercial Inform}
^{Commercial Information}	^{Commercial Information}	\$ ^{Commercial Inform}
Te Runanga o Ngati Waewae	^{Commercial Information}	\$ ^{Commercial Informati}
Total		\$ ^{Commercial Information}

Overseas Investment Office

➤ Is the application being made by a non-New Zealand based legal entity? (Foreign investment laws may apply and the Overseas Investment Office consulted)	No
---	-----------

Section B: Operational Assessment Criteria (Complete for EoIs and Applications)

(Rate and comment – 1= poor, 5 = very good - Provide the number for this project, not subsequent phases)

Fund and government outcomes

Please highlight number below

Would the project:

➤ create permanent jobs?	The project will create ^{Com} permanent jobs through the direct sourcing of Pounamu. The prospect of additional Pounamu would mean opportunities for employment, education and training in the carving industry.	^{Commercial Information}
➤ deliver community benefits?	Through jobs and training/educational opportunities.	^{Commercial Information}
➤ increase utilisation	Ngati Waewae currently sources ^{Comm} percent of its Pounamu from	^{Commercial Information}

of and returns on Maori assets?	<p>Commercial Information not owned by them, and must pay a fee to the entities that supply it. This is despite Ngati Waewae owning the Pounamu resource. The project will allow Ngati Waewae to extract Pounamu on its own lands and lands it has access to, increasing productivity of the land and returns from it. This allows Ngati Waewae to actively practice their role as Kaitiaki.</p>	
➤ enhance the sustainability of natural assets?	Due to the significance of Pounamu as a Taonga the project will follow principles that will prevent Pounamu being removed from places of cultural and historical significance, ensure mining only takes place on Ngai Tahu land (or nearby) where mining permits are viable, and introduction of a system akin to a quota for sustainable extraction.	Commercial Information
➤ mitigate climate change effects, or assist with the lowering of emissions?		Commercial Information
Additionality		
Would the project:		
➤ add value by building on what is already there, without duplicating effort?	<p>Sourcing its own Pounamu would allow Ngati Waewae to meet unmet demand in the marketplace; at the moment, applicants for Pounamu are being turned away, indicating that the market place could tolerate additional extraction.</p> <p>Additionally, the project will support the tourism offerings and investments Ngati Waewae have, and add authenticity to their product.</p>	Commercial Information
➤ be a catalyst for productivity potential in the region?	<p>The securing of direct supply of Pounamu for the purposes of its tourism and commercial operations increase productivity, create jobs, and increase commercial activity in the region.</p> <p>Through this project Ngati Waewae will eventually be able to meet the Commercial In tonnes per annum required by the Pounamu formal market, and avoid propagation of the Pounamu black market. The current shortfall keeps the black market operating.</p>	Commercial Information
Connected to regional stakeholders and frameworks		
Does the project:		
➤ align with regional priorities, such as	The project aligns with the Tai Poutini Maori Tourism Strategy and the Ngati Waewae Economic Vision 2019.	Commercial Information

frameworks, or regional plans?		
➤ have the support of local governance groups (councils, iwi and hapu)?	<p>Ngati Waewae has identified stakeholders, including local government, central government agencies, and local and key businesses (primarily tourism related). They plan to operate one or more key stakeholder workshops as well as local working group meetings with Iwi members and others to discuss content.</p> <p>We consider it prudent to make any PGF funding subject to this stakeholder engagement being carried out and feedback incorporated into plans to the satisfaction of the PDU.</p>	Commercial Information

Governance, risk and project execution

Does the application show:		
➤ robust project management and governance systems?	<p>Appropriate project management procedures and systems are in place, and experience necessary for a project of this scale is apparent. The project will be run by Ngati Waewae with assistance from a suitable project manager. Some aspects of management and delivery of the project may be delegated to Ngati Waewae's commercial arm</p>	Commercial Information
➤ plans for future ownership and operational management?	<p>The unique nature of the Pounamu market, whereby Ngati Waewae is the key player with whakapa to the resource, underpins the long-term approach that this project has for Ngati Waewae. The project aims to vertically integrate the business and create a financially self-sustainable business on the West Coast. The new business will become viable on the basis of <small>Commercial</small> per annum being directly sourced by Ngati Waewae, which this project aims to progress towards.</p>	Commercial Information
➤ how the project will be delivered and managed?	<p>A milestone delivery plan is in place. Procurement processes are outlined and will seek to utilise Ngati Waewae and West Coast sources as much as possible. Contingencies are in place.</p>	Commercial Information

Section C: Risk Management Evaluation

Does this application demonstrate consideration of the following risks?			Yes
Type of risk	Risk description	Mitigations	Risk Rating

<input checked="" type="checkbox"/> Project risk	Is the project feasible? Can it be delivered on time, on budget and to specification?	<p>Regular engagement and communications via hui and panui to maintain Runanga buy-in and support throughout project.</p> <p>Checking quotes are reliable to control budget</p> <p>Seeking fixed fees services from providers</p> <p>Obtaining an experienced project manager to account for a lack of experience in Pounamu extraction.</p>	Commercial Information
--	---	--	------------------------

Section D: Funding and financial analysis Please highlight number below

Does the application show:		
<p>➤ How strong is the financial position of the applicant organisation?</p>	<p>The funding will enable Ngati Waewae to implement the project while using its current funds to fund other projects that are interconnected through the Ngati Waewae Economic Vision, as well as the opportunities identified in Tai Poutini Maori Tourism Strategy 2019.</p> <p>Ngaiti Waewae has Commercial Information and Commercial Information, totalling approximately \$ Commercial Information. This is Commercial Information. Total liabilities are \$ Commercial Information and equity is \$ Commercial Information.</p>	Commercial Information
<p>➤ How does the scale of the project compare to their overall business?</p>	<p>The scale up will not be insignificant, but the expertise gained through inclement in the Pounamu market to date, the involvement in the tourism industry, plus relationship with mining companies and stakeholders ensures that the right procedures and systems are in place to do this.</p>	Commercial Information
<p>➤ Why is Crown funding being sought rather than commercially-available funding?</p>	<p>Ngaiti Waewae lacks the capital to fund the entirety of the project, although are co-funding (or seeking funding from partners) approximately Comme percent of the total project cost. It was not considered viable for private investors or a bank loan to fund this project, due to the distinct nature of the Pounamu project and magnitude of what is proposed.</p>	Commercial Information

<p>➤ What does the independent financial analysis/ business case indicate?</p>	<p>The Business Case identified (through GNS) key subterranean areas where Pounamu is located, overlaid onto Ngai Tahu owned land <small>Commercial Information</small> <small>Commercial Information</small> . This directly sourced Pounamu, which feeds into existing business and operations, means there is low commercial risk for the investment. <small>Commercial Information</small> of directly sourced Pounamu per annum will achieve profit from <small>Commercial Information</small> onward.</p>	<p><small>Commercial Information</small></p>
<p>➤ Is the funding model requested appropriate? Is the PDU recommending a different model?</p>	<p>The nature of the investment, which allows Ngati Waewae to directly source a resource it owns, employing its own people and helping expand the tourism industry on the West Coast makes a Grant appropriate in this cases.</p>	<p><small>Commercial Information</small></p>
<p>➤ Has the applicant provided evidence of market pull for this project?</p>	<p>The application, supported by the business case, identifies almost <small>Comme</small> per cent of income being lost through <small>Commercial information</small> (note there is latent demand for Pounamu at present, and Ngati Waewae are working with existing <small>Commercial Inform</small> to ensure the project is not disruptive to their activities). This is also leading to a mark-up in the retail price. This, combined with unmet demand, shows there is significant pull within the market for this project.</p> <p>The applicant is a significant player in the Pounamu market, with a well-respected brand and identity.</p>	<p><small>Commercial Information</small></p>
<p>➤ Has the applicant provided evidence that their supply chain is secure?</p>	<p>The information provided in the application and the accompanying business case indicates this.</p>	<p><small>Commercial Information</small></p>
<p>Summary of funding and financial analysis:</p>	<p>Ngati Waewae has provided sufficient evidence through this application that they are operating effectively to take on this project. Their role in the Pounamu industry would benefit significantly through growing to include direct extraction, which would benefit their operations through productivity gains.</p>	<p><small>Commercial Information</small></p>

Funding arrangements

It is proposed to fund the project through a series of milestones, with payment conditional on reaching each milestone. An initial payment will be part of this process.

Proposed Term Sheet Summary (noting full term sheet will be developed post decision)

Is the application a Grant or Loan?

Grant - Loan Details Table deleted

Consultation from partner agencies undertaken or implications

Feedback from DoC as follows:

Ngāti Waewae direct sourcing and management of Pounamu

I don't see any reason why DoC would take a position other than to support this application in principle.

The pounamu sourcing project in its current form supports the aspirations of Ngati Waewae in "unlocking profitability", creating new jobs, and taking a "proactive approach to the [pounamu] resource rather than depending on third parties", and DOC supports the aspirations of our Treaty partner.

The pounamu sourcing work is to take place, according to the application and associated Business Case, on land described as "Maori owned land" and "Ngai Tahu land or nearby". Some of the areas that are "nearby" may comprise public conservation land, in which case consultation with DOC would be required. Ngati Waewae is well aware of the process that DOC follows in allowing works on conservation land, and some of the work that supports the preparation of this funding application has already begun, with DOC consulted on this work.

There is little concern therefore that, if this funding application is successful, DOC will be made aware of any works involving conservation land.

Obviously the Ngai Tahu land to be utilised for the pounamu sourcing project will still be subject to resource consent, but per the application text ("no significant issues are anticipated for obtaining any required Resource Management Act consents"), the process for obtaining these consents doesn't appear too onerous.

The project in its current form appears to fit the criteria of the Provincial Growth Fund, is spade-ready, and has significant co-funding provided by both Ngati Waewae and Commercial Information

Conflicts of interest and T&Cs

No - Section deleted

Due diligence has been carried out with no issues identified.

Further information from applicant

No - Section deleted

Summary statement of Application Review undertaken

The following Review has taken place in connection with this application:

All applications are discussed between the Regions Team and Investment Team during the assessment process and prior to submission to SROs / IAP.

Consultation with the relevant partner agencies has occurred allowing them to provide any relevant technical advice with any feedback included verbatim within this application form.

In the development of this form:

- i. A review by an Investment Director has taken place and included the following to the satisfaction of the reviewer:
 - a. An evaluation against the PGF criteria;
 - b. Financial analysis;
 - c. A risk assessment, highlighting any relevant or key risks;
 - d. Conflicts of interest have been noted and acceptedand the reviewer concurs with the recommendation proposed.
- ii. The Head of Investment has reviewed this recommendation.
- iii. This application has been reviewed by the PDU SLT.

Review has been completed

Yes

Supporting proposal: Yes

Appendices: Yes

Author of paper: JH, Senior Policy Adviser, AM, Investment Director, PDU Investment Team