

## BRIEFING

### Local Digital Connectivity: Regional Digital Hubs and Marae Connectivity

<b>Date:</b>	18 February 2019	<b>Priority:</b>	Medium
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2530 18-19

Action sought		
	Action sought	Deadline
Hon Grant Robertson <b>Minister of Finance</b>	<p><b>Note</b> the developments described in commencing rollout of the local connectivity package.</p> <p><b>Agree</b> to specific arrangements for release of initial funding within the approved envelope, as noted on pages 3-4.</p>	20 February 2019
Hon Phil Twyford <b>Minister of Transport</b>		
Hon David Parker <b>Minister for Economic Development</b>		
Hon Shane Jones <b>Minister for Regional Economic Development</b>		
Fletcher Tabuteau <b>Parliamentary Under-Secretary for Regional Economic Development</b>	<b>Note</b> the contents of the attached briefing.	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Ben Dalton	Head of Regional Development, Provincial Development Unit	s 9(2)(a)	✓
Rohan MacMahon	Consultant, Provincial Development Unit	9(2)(a)	



The following departments/agencies have been consulted

Te Puni Kōkiri, Crown Infrastructure Partners

Minister's office to complete:

Approved

Noted

Seen

See Minister's Notes

Declined

Needs change

Overtaken by Events

Withdrawn

Comments

PROACTIVELY RELEASED

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#### Purpose

The purpose of this paper is to update Ministers on the work underway to commence the rollout of the local connectivity package (marae connectivity and Regional Digital Hubs).

#### Executive summary

This briefing updates RED Ministers on the work underway to commence the rollout of the local connectivity package (marae connectivity and Regional Digital Hubs), as announced by the Prime Minister in Kaikohe on 4 February 2019.

Regarding marae connectivity, plans are progressing with some pace to connect the 3 initial "fast start" marae, and processes to support the wider rollout are under development, including a tender by Crown Infrastructure Partners (CIP). In terms of Regional Digital Hubs, a proposal is well-developed for Northland, but potential financial and in-kind contributions from third parties are still being confirmed.

#### Recommended action

The Provincial Development Unit recommends that you:

- a) **Note** the activities underway in commencing the rollout of the local connectivity package, including marae connectivity and Regional Digital Hubs;

*Noted*

- b) **Agree** the proposed approach for funding of marae connectivity, so that CIP may release funds to selected partners to connect the initial "fast start" marae;

*Agree / Disagree*

- c) **Agree** to release \$200,000 from the local digital connectivity package to CIP to fund procurement planning for marae connectivity and delivery of connectivity to the initial "fast start" marae;

*Agree/Disagree*

- d) **Agree** to release funding within the sum allocated for Regional Digital Hubs of up to <sup>9(2)(b)(ii)</sup> from the PGF, to support up to three (3) proposed Regional Digital Hubs in Northland, subject to the conditions noted;

*Agree / Disagree*

- e) **Agree** to forward this briefing to Ministers Mahuta and Faafoi, for their information as the briefing is relevant to both their Ministerial portfolios.

*Agree / Disagree*



Ben Dalton  
Head of Regional Development Branch  
Provincial Development Unit

Hon Grant Robertson  
**Minister of Finance**

18 / 02 / 2019

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Hon Shane Jones  
**Minister for Regional Economic  
Development**

Hon David Parker  
**Minister for Economic Development**

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Hon Phil Twyford  
**Minister of Transport**

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## Local Digital Connectivity: Regional Digital Hubs and Marae Connectivity

### Background

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1. On 4 February 2019, the Prime Minister together with Minister Jones and other Ministers announced the local connectivity package (marae connectivity and Regional Digital Hubs) in Kaikohe.
2. This paper provides further detail regarding administrative arrangements to commence the rollout of improved local connectivity to eligible marae, and the instigation of new Regional Digital Hubs (RDHs) in selected locations.

### Marae Connectivity rollout

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3. Plans are progressing well to connect first 3 "fast start" marae which were named in the announcement on 4 February in Kaikohe. Additionally, officials are aiming to expand the "fast start" list and will provide further advice on this in due course.
4. It is likely these marae will be connected by partners such as Northpower who are already contracted to Crown Infrastructure Partners (CIP) for other works such as Ultra Fast Broadband and Phase 2 of the Rural Broadband Initiative (RBI2), via a simple change to each relevant contract.
5. Processes to support the wider rollout to eligible marae are under development, including a short-form tender by CIP. This is preferable to a full-scale Request for Proposals due to the desire for rapid progress, and takes into account that CIP already has contracts for implementation of telecommunications works with a variety of partners.

### Rollout of Regional Digital Hubs

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1. <sup>9(2)(b)(ii)</sup>

As described in briefing number 2159 18-19, whilst certain components of RDHs funded by the Provincial Growth Fund (PGF), in-kind and/or co-contribution from industry partners, sponsors and local government agencies is being actively explored and encouraged.

2. To this end, while TFN's discussions with third parties are continuing, officials propose that Ministers approve release of funding within the sum allocated for RDHs of up to

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<sup>1</sup> <http://www.taitokerau.net.nz/>



9(2)(b)(ii) from the PGF, to support up to three (3) proposed RDHs in Northland, subject to the following conditions:

- Receipt of a completed proposal 9(2)(b)(ii) in which the full required budget can be met from the available PGF funding 9(2)(b)(ii) and firm offers from third parties;
- Receipt of a Board minute 9(2)(b)(ii) noting its approval of the proposal and offer to proceed; and
- Completion of due diligence 9(2)(b)(ii) and any other relevant parties to the satisfaction of the PDU Head of Investment.

## Approach for Release of Funds

6. The arrangements for release of funding for the local connectivity package will be different for the two components of the package.
7. For **marae connectivity**, CIP will select private sector partners who can efficiently deliver the required steps to successfully connect each eligible marae and maintain its connection for the agreed minimum period of 5 years. Eligible marae are set out in the eligible marae list maintained by PDU with advice from Te Puni Kōkiri. After selecting partners, CIP will need to ensure regular (e.g. monthly or quarterly) payments are made to these parties over this period.
8. This requires CIP to have access to the funds allocated for marae connectivity. This amounts to \$13m of the \$20m of funding from the PGF, as well as the \$1m already held by CIP which comes from the Ultra Fast Broadband programme.
9. In the previous cases where CIP was commissioned to invest PGF funds (e.g. West Coast), the following approach was taken:
  - Funding was transferred from Vote PGF to Vote Business Science and Innovation. This required a routine Cabinet decision; and
  - CIP and MBIE formed a funding agreement describing how funds were to be drawn down.
10. After assessing the options, officials believe the most effective way to implement the marae connectivity initiative is to take a similar approach, by:
  - Transferring \$13m from Vote PGF to Vote Business Science and Innovation, and
  - Updating the CIP/ MBIE funding agreement accordingly.
11. For the “fast start” marae, as noted these can be implemented via a small change to existing contracts CIP has with several partners.
12. At the same time, work is progressing to outline the scope of CIP’s activities to assist the programme.
13. Funding for **RDHs** would more closely resemble the majority of the PDU’s funded projects. For each region, a contract will be agreed with the successful applicant. This would stipulate milestones for payment, with limited funding provided up-front to meet

initial set-up costs, and subsequent payments at specified dates. This more bespoke approach recognises that RDHs are expected to be comparatively few in number (1-3 per PGF Surge region), and specific details may vary from region to region depending on the contracted partner.

14. Accordingly it is proposed that the funds tagged to RDHs (\$7m) should be retained by the PDU in the first instance.

### **Statutory & governance**

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15. Following the usual process, a Letter of Expectations under the Crown Entities Act is in the process of being finalised in which CIP's shareholding Ministers will direct CIP to assist in implementing the local connectivity package in the manner noted above.

### **Announcements**

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16. The initial announcements on 4 February in Kaikohe noted the names of the first three "fast start" marae, and that the initial RDHs were intended to be formed in Northland.
17. The planned announcement of further PGF initiatives in Northland in late February could include confirmation of the proposed RDH in Kaitaia if the conditions noted above have been met.
18. Similarly, a subsequent announcement elsewhere in Northland during March could include confirmation of details of a proposed RDH, again assuming the conditions noted above have been met.
19. As noted in previous papers, we are also developing ideas for the further rollout of RDHs in the other PGF Surge regions, and these may be announced in due course, in conjunction with forthcoming regional announcements.