

BRIEFING

REGIONAL INVESTMENT OPPORTUNITIES: PROPOSALS

Date:	5 February 2020	Priority:	High
Security classification:	Sensitive	Tracking number:	BR 2222 19-20

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Agree to the relevant recommendations.	10 February 2020
Hon Shane Jones Minister for Regional Economic Development Minister for Infrastructure		
Hon Phil Twyford Minister of Transport Minister of Economic Development		
Hon David Parker Minister for Trade and Export Growth	Note the contents of this briefing.	
Fletcher Tabuteau Under-Secretary to the Minister for Regional Economic Development	Note the contents of this briefing.	10 February 2020

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Robert Pigou	Head of the Provincial Development Unit	Privacy of natural persons	
Aaron Hape	Principal Advisor to the Head of Provincial Development Unit	Privacy of natural persons	✓

The following departments/agencies have been consulted
Treasury, Ministry of Transport, New Zealand Transport Agency, Crown Infrastructure Partners

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments

BRIEFING

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Purpose

This briefing provides information to support your meeting on 10 February to discuss proposals for funding from the Regional Investment Opportunities Tagged Contingency (the Tagged Contingency). In this meeting, the Provincial Development Unit (PDU) proposes that you:

- agree to fund and draw down up to \$ ^{Commercial Information} of infrastructure proposals from the Tagged Contingency;
- ^{Commercial Information} Prejudice to negotiations
- ^{Commercial Information} Prejudice to negotiations

Executive Summary

On 28 January 2020, you established the Tagged Contingency to give effect to Budget Ministers' decision to appropriate \$300 million for regional infrastructure projects. You also approved and drew down \$160.400 million of funding from the Tagged Contingency for the Ōpōtiki Harbour Development and roads in five regions. There is now \$139.600 million remaining in the Tagged Contingency.

The PDU seeks your approval to the following proposals for funding from the Tagged Contingency:

- Upgrades to five regional roads in three South Island regions – \$21.500 million –** These projects are five state highway (SH) upgrades in Canterbury, the West Coast and Otago. These projects primarily relate to safety improvements, which will also have regional economic development benefits by reducing the frequency of road closures and securing tourism access. If you agree to fund these projects, all projects will have at least one contract awarded by ^{Commercial Information}, and two of these projects will be under construction within this timeframe;
- Upgrades to two airports with a Crown ownership stake – \$3.950 million –** This would provide \$3.080 million to upgrade the Milford Aerodrome's runway, apron and taxiway. It would also provide \$0.870 to meet a funding shortfall with the Provincial Growth Fund's (PGF) Taupō Airport redevelopment project, which is a \$ ^{Commercial Information} project to upgrade the airport's terminal, aircraft apron and adjacent carpark. Both projects are important for their regions' air connectivity, and are valuable pieces of tourism infrastructure. The Ministry of Transport indicates that both projects could commence by ^{Commercial Information} if funding is approved in your 10 February 2020 meeting;
- West Coast Ports – \$8.500 million –** This is a package of wharf upgrades in the West Coast, which will secure the region's fishing industry and restore the port's financial sustainability. Construction can start in ^{Commercial Information} with completion by ^{Commercial Information} and

- d. **Milford Fibre Link – \$10.000 million** – This project provides digital connectivity between Te Anau and Milford Sound, which will catalyse economic development opportunities for the local community and businesses, including the tourism industry. The project could commence by ^{Commercial Information} [redacted] and be completed within ^{Commercial Information} [redacted].

Prejudice to negotiations

- a. Prejudice to negotiations

- b. Prejudice to negotiations

Prejudice to negotiations

Prejudice to negotiations

Recommended action

The Provincial Development Unit recommends that you:

Minister of Finance and Minister of Infrastructure / Regional Economic Development

1. **Agree** to approve \$2.000 million for SH 1 north of Kakanui River / south of Oamaru - Improving flood mitigation in Otago from the Tagged Contingency;
Agree / Disagree
2. **Agree** to approve \$8.000 million for SH 6 / 8b Cromwell - Intersection Upgrade in Otago from the Tagged Contingency;
Agree / Disagree
3. **Agree** to approve \$5.000 million for SH 8, 79 and 80 MacKenzie Basin – Pull-off Areas, in Canterbury from the Tagged Contingency;
Agree / Disagree
4. **Agree** to approve \$1.500 million for SH 6 Tatara Bridge Franz Josef – Safety Improvements, in the West Coast from the Tagged Contingency;
Agree / Disagree
5. **Agree** to approve \$5.000 million for West Coast State Highway Single Lane Bridges – Safety Retrofit, in the West Coast from the Tagged Contingency;
Agree / Disagree

6. **Note** that In the event that funding from the National Land Transport Fund is available for one or more of the recommended roading projects, the amount of Tagged Contingency funding will reduce by a corresponding amount;

7. **Agree** to approve \$0.870million to develop Taupō Airport from the Tagged Contingency;

Agree / Disagree

8. **Agree** to approve \$3.080 million to upgrade Milford Aerodrome from the Tagged Contingency;

Agree / Disagree

9. **Agree** to approve \$8.500 million to upgrade West Coast Ports from the Tagged Contingency;

Agree / Disagree

10. **Agree** to approve \$10.000 million to construct the Milford Fibre Link from the Tagged Contingency;

Agree / Disagree

11. [Redacted] Prejudice to negotiations [Redacted]

12. [Redacted] Prejudice to negotiations [Redacted]

Agree / Disagree

13. [Redacted] Prejudice to negotiations [Redacted]

Minister of Finance, Minister of Infrastructure / Regional Economic Development, and Minister of Transport / Economic Development

14. **Note** that Cabinet agreed to allocate \$300.000 million of capital expenditure to regional investment opportunities in the Capital Investment Package, and authorised the Minister of Finance and the relevant appropriation Minister (Joint Ministers) to take decisions on the final details of the capital infrastructure projects [CAB-19-MIN-0572];

15. **Note** that on 28 January 2020 the Minister of Finance and the Minister of Infrastructure / Regional Economic Development [Briefing 2030 19-10]:

i. **agreed** to establish a tagged capital contingency of up to \$300.000 million to provide for Regional Investment Opportunities;

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Regional Investment Opportunities - Tagged Capital Contingency	150.000	150.000			

ii. **Authorise** the Minister Regional Economic Development and the Minister of Finance jointly to draw down the tagged capital contingency funding recommended in recommendation 15 (i) above, subject to their satisfaction that projects identified meet criteria [Briefing 2030 19-10];

16. **Approve** the following changes to appropriations to provide for the decisions in recommendation 1 above (SH 1 north of Kakanui River / south of Oamaru) with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Vote Transport					
Minister of Transport					
Non-departmental Capital Expenditure	Commercial Info	Commercial Info	-	-	-
Regional State Highways					
Total Operating	-	-	-	-	-
Total Capital	Commercial Info	Commercial Info	-	-	-

Approve/Do not approve

17. **Approve** the following changes to appropriations to provide for the decisions in recommendation 2 above (SH 6 / 8b Cromwell) with a corresponding impact on the operating balance and net core Crown debt:

	\$m – Increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Vote Transport					
Minister of Transport					
Non-departmental Capital Expenditure	Commercial Info	Commercial Info	-	-	-
Regional State Highways					
Total Operating	-	-	-	-	-
Total Capital	Commercial Info	Commercial Info	-	-	-

Approve/Do not approve

18. **Approve** the following changes to appropriations to provide for the decisions in recommendation 3 above (SH 8, 79 and 80 Mackenzie Basin) with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Vote Transport					
Minister of Transport					
Non-departmental Capital Expenditure	Commercial Info	Commercial Info	-	-	-
Regional State Highways					
Total Operating	-	-	-	-	-
Total Capital	Commercial Info	Commercial Info	-	-	-

Approve/Do not approve

19. **Approve** the following changes to appropriations to provide for the decisions in recommendation 4 above (SH 6 Tatara Bridge Franz Josef) with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24

Vote Transport Minister of Transport					
Non-departmental Capital Expenditure Regional State Highways	Commercial Info	Commercial Info	-	-	-
Total Operating	-	-	-	-	-
Total Capital	Commercial Info	Commercial Info	-	-	-

Approve/Do not approve

20. **Approve** the following changes to appropriations to provide for the decisions in recommendation 5 above (West Coast State Highway Single Lane Bridges) with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Vote Transport Minister of Transport					
Non-departmental Capital Expenditure Regional State Highways	Commercial Info	Commercial Info	-	-	-
Total Operating	-	-	-	-	-
Total Capital	Commercial Info	Commercial Info	-	-	-

Approve/Do not approve

21. **Approve** the following changes to appropriations to provide for the decisions in recommendation 7 above (Taupo Airport) with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)
Vote Transport Minister of Transport	Commercial Information
Non-departmental Capital Expenditure Joint Venture Airports – Crown Contributions (MYA)	0.870
Total Operating	-
Total Capital	0.870

Approve/Do not approve

22. **Note** that the indicative spending profile for the multi-year appropriation described in recommendation 21 above is as follows:

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Indicative annual spending profile	0.870	-	-	-	-
	0.870	-	-	-	-

23. **Approve** the following changes to appropriations to provide for the decisions in recommendation 8 above (Milford Aerodrome) with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Vote Transport Minister of Transport					
Ministry of Transport – Capital Injection	3.080	-	-	-	-
Total Operating	-	-	-	-	-
Total Capital	3.080	-	-	-	-

Approve/Do not approve

24. **Commercial Information**

25. **Approve** the following changes to appropriations to provide for the decisions in recommendation 9 above (West Coast Ports) with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Vote Business Science and Innovation Minister for Regional Economic Development					
Non-departmental Capital Expenditure Regional Economic Development Capital Investments	8.500	-	-	-	-
Total Operating	-	-	-	-	-
Total Capital	8.500	-	-	-	-

Approve/Do not approve

26. **Approve** the following changes to appropriations to provide for the decisions in recommendation 10 above (Milford Digital Link) with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)	
	2017/18 – 2020/21	
Vote Business Science and Innovation Minister for Infrastructure		
Non-departmental Capital Expenditure Infrastructure : Broadband Investment (MYA)	10.000	
Total Operating	-	
Total Capital	10.000	

Approve/Do not approve

27. **Note** that the indicative spending profile for the multi-year appropriation described in recommendation 26 above is as follows:

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Indicative annual spending profile	Commercial Info	Commercial Info	-	-	-
	Co mercial Info	C mercial Info	-	-	-

28. **Agree** that the proposed changes to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

Agree/Do not agree

29. **Agree** that the expenses incurred under recommendation 1 to 5 and 7 to 10 above be charged against the Capital Investment Package Tagged Contingency for Regional Investment Opportunities.

Agree/Do not agree

Robert Pigou
Head of the Provincial Development Unit

Hon Grant Robertson
Minister of Finance

05 / 02 / 2020

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Hon Shane Jones
Minister for Regional Economic Development
Minister for Infrastructure

Hon Phil Twyford
Minister of Transport
Minister of Economic Development

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Background

1. On 9 December 2019, Budget Ministers confirmed that up to \$300 million of capital expenditure (capex) be appropriated to 'Regional Investment Opportunities' for infrastructure investments as part of the Government's \$12 billion Capital Investment Package. Budget Ministers authorised the Minister of Finance and the Minister for Infrastructure, who is also the Minister for Regional Economic Development, to make funding decisions.
2. On 28 January 2020, the Minister of Finance and Minister of Infrastructure / Regional Economic Development (Joint Ministers) agreed to establish the Tagged Contingency to give effect to Budget Ministers' decision. Ministers also agreed that projects funded from the Regional Investment Tagged Contingency must meet the following criteria:
 - a. **Support regional economic development.** The PGF's objectives provide guidance on the Government's broader regional economic development objectives;
 - b. **Not meet all of the PGF's criteria.** This means that projects may not meet the co-funding requirements for PGF funding, have a low assessment score against one of the PGF's criteria, not meet all of the investment principles in a PGF position paper, include investments excluded from PGF funding (such as purchasing land), and/or be investments previously declined by RED Ministers that still provide benefits to the regions;
 - c. **Be an infrastructure investment that is 100 per cent capex.** This is in line with Ministers' intent to fund Regional Investment Opportunities;
 - d. **Have a Crown ownership stake.** Eligible projects will be either be 100 per cent Crown owned; partially Crown owned, such as through a joint venture arrangement; or a loan held by PGFL;
 - e. **Be initiated by August 2020.** This is in line with Budget Ministers' decision that projects should be near-investment ready and be short to medium-term projects.
3. On 28 January 2020, Joint Ministers approved \$160.400million for projects from the Tagged Contingency. This included \$79.400 million to redevelop the Ōpōtiki Harbour Development (\$79.400 million) and \$81.000million to fund upgrades of regional roads [*Regional Investment Opportunities Tagged Contingency and Accelerated 2020 Roads Investment Briefings 2030 19-20 refer*]. There is now \$139.600 million of unallocated funding in the Tagged Contingency.

Funding proposals

Regional Roads – \$21.500 million

4. The PDU and the New Zealand Transport Agency (NZTA) recommend that you fund five regional roading projects, which total \$21.500 million, in Canterbury, the West Coast and Otago from the Tagged Contingency. These projects are detailed in the sub-sections below. The five projects are all on state highways, which are 100 per cent Crown owned assets, and will be initiated in 2020.
5. Regional road projects face funding challenges as they must compete against other nationally significant projects for limited National Land Transport Fund (NLTF) funding. To be successful, regional projects need to show significant benefits realised, which is difficult when they are competing with roading projects benefitting higher volumes of road users.
6. Consistent with the approach to PGF funding for roading projects, the projects in this briefing will also be forwarded to the NZTA Board and be assessed against the NLTF criteria to ensure that Regional Investment Opportunities funding is only allocated to projects (or a portion of a project) that will not be funded by the NLTF. In the event that NLTF funds are available for one or more of the recommended projects, the amount of Regional Investment Opportunities funding will be reduced by a corresponding amount.

State Highway 1 north of Kakanui River / south of Oamaru - Improving flood mitigation (\$2.000 million)

7. The PDU and NZTA recommend that you fund \$2.000million from the Tagged Contingency to improve flood mitigation on State Highway 1 within the Kakanui River flood plain in Otago. The project will raise a 200-metre section of the state highway and will install a series of culverts. This will avoid the flood closures that occur every two to three years on this stretch of road between Dunedin and Oamaru. There is no effective or reliable detour during flood events, and flood closures can be up to two days.
8. The works are located on State Highway 1 in Otago, north of Kakanui River and south of Oamaru. As the works are on a state highway, NZTA will receive the funding and deliver the project. This is a capital expense for improvements to a Crown-owned state highway asset.
9. The project is expected to indirectly contribute to regional economic development because the improvements will reduce the frequency of road closures due to flooding. This will provide productivity gains to the Otago region as well as increasing regional connectivity and business confidence to invest in the region. However, the project does not fully align with the PGF principles for road investments because the primary benefits of the works are to increase the safety of the road and to maintain the road open for regular service.
10. NZTA has completed concept plans for the works and will progress to design and resource consent, if funding is approved. While design and consenting activities can be started in 2020, construction works are unlikely to start before Commercial Information NZTA's accelerated project timeline is dependent on project funding being approved in February 2020. The project timeline is:

Estimated Date	Transport Agency Action
<small>Commercial Information</small>	Award design contract
<small>Commercial Information</small>	Apply for resource consent
<small>Commercial Information</small>	Award construction contract
<small>Commercial Information</small>	Construction begins
<small>Commercial Information</small>	Construction complete

State Highway 6 / 8b Cromwell - Intersection Upgrade (\$8.000 million)

11. The PDU and NZTA recommend that you fund \$8.000 million from the Tagged Contingency to build a two-lane roundabout at the intersection of State Highways 6 and 8B in Cromwell. The intersection currently has medium to high safety issues, with serious injury crashes and its safety record worsening over the last two years.
12. State Highway 6 is the main road from Cromwell to both Wanaka (to the North) and Queenstown (to the West). The increased popularity and tourism visitor numbers to those towns, as well as growth in Cromwell, are increasing user numbers and pressure at this intersection.
13. The project is expected to indirectly contribute to regional economic development as improvements will safeguard tourism visitor access to the region. However, the project does not fully align with PGF principles for road investments because the primary purpose of the project is to address the safety risks and improve traffic flows at the intersection.
14. NZTA needs to complete design of the roundabout before construction can begin. Design processes will include consultation with local iwi and community. A resource consent will be required for the work. NZTA's accelerated project timeline is dependent on project funding being

approved in February 2020. NZTA also notes that it has experienced some consenting delays in the region due to the scale of growth in the region and the relatively small size of the Council.

15. NZTA's project timeline is:

Estimated Date	Transport Agency Action
Commercial Information	Award design contract
Commercial Information	Apply for resource consent and gain this by Commercial Information
Commercial Information	Award construction contract
Commercial Information	Construction begins
Commercial Information	Construction complete

State Highways 8, 79 and 80 MacKenzie Basin – Pull-off Areas (\$5.000 million)

16. The PDU and NZTA recommend that you fund \$5.000 million from the Tagged Contingency for a number of safety and access improvements to State Highways 8, 79 and 80 in the MacKenzie Basin. The improvements will include safe stopping areas, increased capacity at existing rest areas, new rest areas at scenic locations, improved signage, directional arrows, edge protection, tourist information, intersection improvements, road widening and passing opportunities.
17. There are increasing numbers of self-drive tourists in the region and there are higher expectations to provide safe places to pull over, safe access points, and the facilities to share the road with local drivers, freight and cyclists. Therefore, this project would improve road usability and safety for a number of different user types, including tourists.
18. The project is expected to indirectly contribute to regional economic development as improvements will safeguard tourism visitor access in the region. Also, the scenic nature of some proposed stopping places may contribute to increased tourist numbers over time. However, the project does not fully align with PGF principles for road investments because the primary objective of the proposed works is to increase the safety of the roads.
19. NZTA has already completed design for a number of the sites, and those can commence construction by Commercial Information. Other sites will need to have designs commissioned. NZTA's accelerated project timeline is dependent on project funding being approved in February 2020. NZTA's project timeline is:

Estimated Date	Transport Agency Action
Commercial Information	Detailed design completed
Commercial Information	Commence construction
Commercial Information	Construction complete

State Highway 6 Tatara Bridge Franz Josef – Safety Improvements (\$1.500 million)

20. The PDU and NZTA recommend that you fund \$1.500 million from the tagged contingency to install a guardrail edge protection, and a "clip-on" pedestrian and cycle walkway, on the Tatara Stream bridge north of Franz Josef. The clip-on will reuse an existing structure that was removed from the Taramakau combined bridge when the new separated road bridge was opened in 2018.
21. There has been growth in housing and tourist accommodation north of the bridge, resulting in increasing numbers of pedestrians and cyclists crossing the bridge to reach Franz Josef village.

However, the 130-metre long Tatare bridge does not currently have provision for pedestrian or cycle use separate from vehicles. This project would significantly increase the safety of the bridge for cycle and pedestrian users, and improve traffic flows on the bridge.

22. The project is expected to indirectly contribute to regional economic development as the bridge is located in a high tourist volume area (Franz Josef) and the increased road safety will improve the user experience, and preserve and encourage tourism visitors to the region. The project does not fully align with PGF principles for road investments because the primary purpose of the project is to address the safety risks and improve traffic flows on the bridge.
23. This project will leverage design work already underway to improve road user, pedestrian and cyclist safety at the Tatare Bridge. Final design processes will include consultation with the local iwi and community. A building consent is required for the work. Construction can be carried out at any time, but will likely be scheduled outside of spring and autumn to minimise risk during the rainy season and high river levels. NZTA's accelerated project timeline is dependent on project funding being approved in February 2020. NZTA's project timeline is:

Estimated Date	Transport Agency Action
Commercial Information	Award design contract
Commercial Information	Apply for resource consent
Commercial Information	Award construction contract
Commercial Information	Construction begins
Commercial Information	Construction complete

West Coast State Highway Single Lane Bridges – Safety Retrofit (\$5.000 million)

24. The West Coast has the greatest number of single lane bridges in New Zealand on the state highway network. 29 of these bridges have timber rail, pipe rail or concrete edge protection, often with no approach guardrail. There is significant risk of run-off road crashes leading to fatalities at these locations.
25. The PDU and NZTA recommends that you fund \$5.000 million from the tagged contingency for the installation of guardrails on up to five single lane bridges, including installation or upgrade of approach guardrails, throughout the West Coast state highway network.
26. The proposed bridges are as follows, with the final list dependent on confirming construction cost estimates:
- a. SH 73 Taipo River;
 - b. SH 6 Mikonui River;
 - c. SH 6 Wanganui River;
 - d. SH 6 Moeraki River; and
 - e. SH 6 Gates of Haas.
27. The project will indirectly contribute to regional economic development by improving the road user experience for locals and tourists by addressing safety risks, improving traffic flows, and delivering access and connectivity improvements by reducing the loss of network availability caused by a crash.

28. While the project has indirect impact on regional economic development, it does not fully align with PGF principles for road investments because the primary purpose of the project is to address the safety risks and improve traffic flows on the bridges.
29. This project will leverage design work already underway to improve road user and cyclist safety at high-risk single lane bridges on the West Coast. The design for the SH 73 Taipo bridge is already completed. Building consents may be required for some works. Construction can be carried out at any time, subject to funding, design and consents.
30. NZTA's accelerated project timeline is dependent on project funding being approved in February 2020. NZTA's project timeline is:

Estimated Date	Transport Agency Action
Commercial Information	Award design contracts (staged across sites)
Commercial Information	Award construction contract – SH 73 Taipo River Bridge
Commercial Information	Construction begins – SH 73 Taipo River Bridge
Commercial Information	Construction complete – SH 73 Taipo River Bridge
Commercial Information	Award construction contracts – remaining bridges
Commercial Information	Construction begins on remaining bridges
Commercial Information	Construction complete

Taupō Airport – \$0.870 million

31. The PDU recommends that you approve \$0.870 million from the Tagged Contingency to meet the funding shortfall for the development of Taupō Airport. This project will upgrade and redevelop Taupō Airport's terminal, aircraft apron and adjacent carpark.
32. On 21 October 2019, RED Ministers approved in principle \$5.000 million of PGF grant funding for the redevelopment of Taupō Airport towards a \$^{Commercial Information} project. Taupō District Council (TDC) has committed \$^{Commercial Information} funding. However, a condition of the PGF grant is that the funding shortfall of \$^{Commercial Information} is to be co-funded.
33. RED Ministers decided to scale the PGF funding sought ^{Commercial Information} to \$5.000 million to ensure that it aligned with the PGF's policy position for regional airports, which states an individual regional airport could receive up to \$5.000 million in PGF funding. The TDC has agreed to fund \$^{Commercial Information} of the funding shortfall. The Crown is required to fund the remaining \$0.870 million towards the project.
34. ^{Commercial Information}
35. Taupō Airport is a gateway to the Central North Island and is essential for the connectivity and resilience of the district. It is a key transport hub and strategic asset, supporting the region's tourism and business activity. The airport's current infrastructure limits the region's tourism opportunities and growth potential
36. The Ministry of Transport (on behalf of the Crown) have been unable to find another source of funding to date. The time taken to identify other funding sources has implications on the project's

intended timeframes. If an alternative funding source is not identified, there is a risk that the project will not be delivered.

Milford Aerodrome – \$3.080 million

37. The PDU recommends that you fund \$3.080 million from the Tagged Contingency to upgrade the Milford Aerodrome and address safety concerns by resealing the runway, apron and taxiway and to improve drainage at the aerodrome. The Milford Aerodrome is the only 100 per cent Crown owned airport and is managed by the Ministry of Transport. The Ministry of Transport advises these upgrades are required within the next three years to keep the aerodrome operational and will last for 13-15 years.
38. The Milford Aerodrome is a key piece of tourism infrastructure for the region, which is important for the region's economy. Most of the flights into Milford are tourist flights scheduled to meet boat sailings and other organised activities during favourable weather conditions.
39. The aerodrome upgrades indirectly support regional economic development by securing air connectivity to Milford, which is important to ensure tourist access although it is not expected to increase the volume of tourists. The upgrades do not meet the PGF's criteria because the project primarily relates to safety considerations rather than regional economic development.

40. Commercial Information

West Coast Ports – \$8.500 million

41. The PDU recommends that you fund the \$8.500million West Coast Transport, Logistics and Ports Package through the Tagged Contingency. This is a joint application between Buller District Council, Grey District Council, and Westland District Council (the Councils). The package comprises:
 - a. \$4.000 million to install floating pontoons at Westport, which is owned by Buller District Council,
 - b. \$4.000 million to install floating pontoons at Greymouth, which is owned by Grey District Council; and
 - c. \$0.500 million to repair the wharf at Jacksons Bay, which is south of Haast and owned by Westland District Council.

42. Commercial Information

43. The package will secure the West Coast's fishing industry in the medium term, help restore financial sustainability of port operations and enable future economic growth. The ports are currently a financial burden for the respective owners and ratepayers and there is little ability to fund the upgrades from the small ratepayer base. This is a barrier to getting the ports into a financially sustainable position and capable of contributing to economic growth opportunities.
44. The operation of the ports has been heavily impacted over recent years by declines in key sectors on the West Coast, including forestry, mining, and the closure of the Holcim concrete works (previously exported through Westport). The West Coast owned and operated fishing fleet has a relatively small share of the local fishing market. The West Coast is predominantly fished from other ports outside the region. There is potential to expand the West Coast's fishing sector through the project, and to utilise the ports for other sectors.

45. Commercial Information

46. The West Coast Ports package is enabling infrastructure that will unlock the region's economic potential but will not provide a financial return to the Crown.
47. If you approve funding from the Tagged Contingency, the applicants have indicated that construction would start in Commercial Information to avoid clashing with the Tuna season. This means the project could be completed in Commercial Information.
48. The costings for the project have been verified. Commercial Information

Milford Fibre Link – \$10.000 million

49. The PDU recommends that you fund Crown Infrastructure Partners (CIP) \$10.000 million from the Tagged Contingency for the Milford Fibre Link project, which is an \$Commercial Information project. Funding from the Tagged Contingency would be used to purchase fibre, which CIP would own.
50. CIP can currently fund \$Commercial Information from its PGF digital connectivity allocation, but requires \$10.000 million to meet a funding shortfall. Commercial Information who will be the contracted party, has committed \$Commercial Information. The funding shortfall arose because the cost of delivering the fibre loop is higher than the funding allocated.
51. CIP originally proposed to fund both the Haast and Milford Fibre links through the PGF's West Coast and Southland digital connectivity package that Cabinet approved in October 2018 (DEV-18-MIN-0235). However, when CIP tendered both fibre links in 2019, the pricing received from the market was above the funding allocated. This was due to New Zealand Transport Agency (NZTA) requirements and engineering reviews identifying a higher percentage of rock on the route than expected. The PDU and CIP, with Ministerial approval, decided to progress the Haast Link, which has now been contracted, and officials were to consider other potential funding sources for additional funding for the Milford Fibre link.
52. The Milford Fibre Link would provide digital connectivity between Te Anau and Milford Sound. This supports regional economic development by ensuring the Southland region shares in the benefits of digital technologies, which catalyses other regional economic development opportunities, such as for businesses in the local tourism industry. Specifically, the project would provide connectivity to 11 mobile towers, Milford Sound tourism operators, the Airways Corporation Airport, and the NZTA / Downer Alliance who manage the highway. Approximately 1 million tourists visited Milford Sound in 2019.
53. Commercial Information
54. CIP advises the project could commence by Commercial Information and be completed within Commercial Information depending on weather conditions. Project commencement requires the Milford Fibre Link to be added to the contract for the Haast Fibre Link and for NZTA to grant consent. Commercial Information

Prejudice to negotiations

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Prejudice to negotiations

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Prejudice to negotiations

Next steps

62.

Commercial Information