

3.05 Te Ara Pounamu – The Pounamu Pathways

Evaluation, Cover Sheet and Decision Form

Project:	Te Ara Pounamu – The Pounamu Pathways		FOR :	Approval
Applicant:	Te Runanga o Ngati Waewae		PDU ID:	Commercial Information
Application type:	Main PGF	(A) Total Project Value:	\$ Commercial Information	
Funding type:	Grant	(B) PGF Funding Sought:	\$ Commercial Information	
Entity Type:	Incorporated Society	(C) PGF Funding Recommended:	\$17,873,625	
Region:	West Coast	(D) Applicant Contribution:	\$ Commercial Information committed	
Tier:	2 - Sectors	(D/A) Co-contribution Rate:	Commercial %	
Sector:	Tourism			
Application summary:	<p>The applicant is seeking PGF funding to establish four tourist hubs/experience centres at key tourism locations from north to south along the West Coast's main highways (state highways 6 and 67). The application is being led by Te Rūnanga o Ngāti Waewae on behalf of a group made up of the following stakeholders:</p> <ul style="list-style-type: none"> ○ Buller District Council ○ Grey District Council ○ Westland District Council ○ Development West Coast ○ Mawhera Incorporated Society ○ Department of Conservation (DOC) <p>These stakeholders will collectively serve as the trustees of a new purpose-built trust to be set up for the project, called Te Taurahere o Te Tai Pounamu Trust.</p> <p>The four hubs (in Westport, Greymouth, Hokitika and Haast) will form an innovative, state-of-the-art linked series of tourism experiences. Using digital, interactive, and immersive, technologies, each hub will tell its own part of the West Coast story. This will provide a unique experience similar to technological exhibitions at modern museums or galleries, but with a specific focus on the West Coast and with the experience dispersed across the region at the four locations.</p> <p>This will create an upmarket and bookable tourism experience for the whole region for the first time, building on the West Coast Tourism Strategy as the key cross-regional collaborative project. This project addresses key gaps in the West Coast tourism market, including a lack of paid attractions, the lack of a connected narrative and a lack of time and</p>			

money being spent by visitors to the region, compared to other regions. The PDU considers that the Pou Whenua part of the project could be funded by an increase in the co-contribution and recommend reducing the PGF contribution accordingly.

This project has taken the region over a year to achieve, illustrating the complexity of the region, and the challenges it faces. These challenges include low ratepayer base, transition from a mineral extraction led economy, and the dominance by the DOC estate. It is a key milestone in the development of a regional tourism story and connected market.

It is recommended that the IAP:

Support the PDU recommendation to approve a \$17,873,625 grant from the PGF towards Te Ara Pounamu

- Because:
 - The project creates direct jobs (up to 100 FTEs at hubs, and 100 at project management office), 100 jobs during construction and the potential for a significant number of indirect jobs through associated tourism sector investments.
 - The project builds on other tourism sector investments, such as the TranzAlpine tourist train service to create a more connected regional tourism ecosystem.
 - The project is strongly supported by the West Coast region, including local government and iwi.
 - The project has robust management and procedures through trusted stakeholders.
 - The project has the potential to enhance the local Māori economy by creating a platform for local iwi to market their unique and authentic connection to the West Coast and pounamu.

- Subject to:
 - Secured co-funding.
 - Resource consent/building consent being confirmed (Hokitika and Greymouth hubs only).
 - Confirmation of a stage-gate approach to releasing funding for the four experience hubs.
 - The applicant in its procurement considers the social, economic, cultural and environmental outcomes that this project is aiming to achieve by incorporating government's broader outcome procurement objectives where possible.
 - Due Diligence on Mawhera Incorporated Society.

- Note:
 - That MBIE tourism supports the project, but recommend a funding for a feasibility study to better define costs.
 - It is proposed to stage-gate the funding of the four experience hubs. Stage one will include a fully costed project plan.
 - That an agreement on a regional tourism approach has taken some time and the Pathway initiative is considered a core component of West Coast economic development.

Section A: Triage – Assessment against PGF eligibility criteria

Is the project:

➤ an illegal activity?

No

➤ located in the three main metropolitan areas?	No
➤ seeking investment in large scale infrastructure of social assets?	No
➤ three waters	No

Application description

The project is centred on a series of four “experience centres” located in Westport, Greymouth, Hokitika and Haast situated along State Highways 6 and 67. The pathway will also link the regions six major tourism attractions; Oparara Arches (Karama), the Pancake Rocks (Punakaiki) Lake Brunner the Hokitika Gorge, Glacier Country (Franz Josef and Fox) and the Haast UNESCO World Heritage Area. A sub-initiative of the Pounamu Pathway is a Pou placement at four of the experience centres and at six West Coast icon sites, providing opportunities for other Maori eco-cultural initiatives.

The four experience hubs will form a linked series of state-of-the-art digital, interactive, and immersive, tourism experiences, built around the West Coast story. Each hub will tell its own part of the story, offering a unique experience similar to exhibitions at modern museums or galleries, but with a specific focus on the West Coast and with the experience dispersed across the region at the four locations. This creates a linked pathway for tourists to follow, ensuring that visitors spend more time in the region and providing a visitor attraction that is a paid experience.

The digital nature of the project ensures that the experience hubs can be refreshed as required, to keep them up-to-date and relevant and enable adjustments according to the demands of the tourism sector. Companies being engaged on the project are New Zealand based, which enables a story about New Zealand’s innovation and technology sector to be told through the experience.

The PDU and local stakeholders are developing an initiative under Te Ara Mahi to provide quality tourism training, including a qualification in Maori storytelling and visitor guiding. The proposal will create the vacancies for this training to fill.



Pounamu Pathway Business Model:

The three District Councils in the region have committed to funding the operational requirements of the project for up to three years. While the application makes a clear case for the development of the four hubs, and their locations, we propose that the hubs be commenced at different times through a stage gating process. Each of the four Visitor Experience centres will encompass:

- An immersive paid experience (digital experience of overarching stories) – admissions income modelled on existing South Island visitor attractions already in existence.
- Retail sales (Primarily West Coast made products with focus on Pounamu).
- Free interactive displays (local artefacts, conservation messaging, etc).
- Third party Food & Beverage offering (ideally to be one brand across all four centres).
- Links to regional tourism product partners.

Background

The Tourism sector on the West Coast has seen strong growth since 2014, becoming the second biggest sector after a strong decline in mining. Decline and lack of potential for growth in other sectors places increasing importance on tourism.

West Coast Main Economic Drivers (GDP \$m at 2010 prices) Source: Infometrics	2014	2018
Mining	\$295.5	\$106.8
Dairy	\$207.2	\$210.5
Tourism	\$137.4	\$198.5
Agriculture, Forestry & Fishing (less Dairy)	\$ 62.5	\$ 65.4

However, tourism on the West Coast is characterised by short stays and low spend. Currently, the average spend profile per guest night is below other New Zealand centres due to a shortage of 'paid product' and a large amount of 'free product' on the Coast as most of the natural attractions are on the DOC estate with no admission fees. 86 per cent of West Coast land is DOC estate, which means that access to the region's major tourist attractions that lie within it are not able to be charged for.

Tourism spend profile per guest night (Source: MBIE Commercial accommodation Monitor YE Mar 2019)	West Coast	Queenstown	New Zealand
Total	\$374	\$651	\$739

There is also a lack of a connected regional story, or a destination managed pathway along which people can follow and attractions are concentrated. West Coast tourism therefore needs investment in strong, compelling new 'paid product' to drive future growth in visitor numbers and expenditure. The Pounamu Pathways project, by implementing a managed tourism pathway, should lead to an increase in visitor stay and spend and work in unison with other tourism projects, including those funded by the PGF, to build on the recent increase in tourism numbers in the region. Additionally, research shows that 70 percent of visitors are seeking Maori and cultural experiences.

The total requested from PGF is \$^{Commercial Information} and is proposed to be utilised as follows:

Cost description:	\$ (excl GST)
<i>Haast Experience Centre fit out – 483m²</i>	\$ ^{Commercial Information}
<i>Hokitika Experience Centre fit out – 650m²</i>	\$ ^{Commercial Information}
<i>Greymouth Experience Centre fit out - 600m²</i>	\$ ^{Commercial Information}
<i>Westport Experience Centre fit out – 500m²</i>	\$ ^{Commercial Information}
<i>Web presence, social media, web design</i>	\$ ^{Commercial Information}
<i>Project management office</i>	\$ ^{Commercial Information}

Reservations and CRM – ticketing and POS systems	\$Commercial Information
Pou Whenua Work	\$Commercial Information
Untamed Natural Wilderness Highway Works	\$Commercial Information
Contingency at Commercial %	\$Commercial Information
Total	\$Commercial Information

Analysis of the proposal

We consider that the *Pou Whenua* aspect of the project could be funded by an increase in the co-contribution from stakeholders. While an important part of the overall project, we do not consider it crucial to the overall success of its implementation, particularly in light of the total amount being requested from the PGF. This would decrease the PGF funding sought to up to \$17,873,625, and we recommended a grant is made to this reduced amount.

MBIE Tourism has raised that they see a need for a feasibility study for the project prior to final approval of funding. We consider the scope of the project to be appropriate for a tourism experience that is integrated with the region’s key tourist attractions, which are spread across a large area. We propose that the funding be agreed to in principle and stage-gated. The experience centres, as per the project plan, are not proposed to be constructed at the same time, leaving potential for them to be staged, and evaluated on a case-by-case basis.

As per the project plan, Haast is proposed to be the first experience hub, followed by Westport, Hokitika, and Greymouth. We propose that this order be followed as part of the phased, stage-gate process to funding the project. Haast and Westport locations already exist and have consent for their fit-out. The start date for construction of the Haast experience centre, following delivery of final design concepts, is Commercial Information.

The Pounamu Pathway offers opportunities for other tourism operators to potentially link their products and grow their business and links with other PGF projects, including the TranzAlpine train upgrade, West Coast Wilderness Trail, Kawatiri Coastal Trail, Old Ghost Road, Paparoa, Pike 29, and connectivity initiatives. It also builds on the Tai Poutini Tourism Strategy and the Te Tai Poutini Maori Tourism Strategy. The project will benefit a diverse range of tourism operators spread across the region. For example, Commercial Information has only a small number of ‘paid products’ and only operate in Franz Josef, so the project will not disproportionately benefit one operator over another.

There will be an associated small direct benefit in employment, but there is a strong link to indirect employment increases in associated tourism businesses expanding their offerings or entering the region due to an increase in visitor numbers and increased length of stay in the region.

Co-Funding Table

Co-Funder	Confirmed	\$Commercial Information
Commercial Information	\$Commercial Information	\$Commercial Information

Commercial Information		
	Total	\$ Commercial Information

Overseas Investment Office

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

<p>➤ create permanent jobs?</p>	<p>Comm FTEs will be created through the Hubs, Comm FTEs in the project management office, and Comm FTEs during the construction/fit-out phase. A further Comm positions are proposed through the creation of the associated Pou Whenua project.</p> <p>Increased visitor days and spending will lead to indirect employment opportunities as other firms scale up. Potential seasonal increases.</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ deliver community benefits?</p>	<p>Increased visitor days and spend will help the region transition from reliance on mining jobs.</p> <p>An initiative under Te Ara Mahi will provide quality tourism training, including a qualification in Maori storytelling and visitor guiding. The proposal will create the vacancies for this training to fill.</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ increase utilisation of and returns on Maori assets?</p>	<p>Enhancement of the Maori economy is a key part of the project. The project will enhance Maori tourism offerings, increasing social and economic benefits for West Coast Runanga by creating a platform for local iwi to market their unique and authentic connection to the West Coast and pounamu.</p> <p>Existing tourism operators across the region will benefit from the project as it enables longer visitor stays. This creates employment opportunities for Maori in the region, and opportunities for business operators, which includes Commercial Information.</p>	<p>N/A 1 2 3 4 5</p>

<p>➤ enhance the sustainability of natural assets?</p>	<p>N/A</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ mitigate climate change effects, or assist with the lowering of emissions?</p>	<p>N/A</p>	<p>N/A 1 2 3 4 5</p>
<p>Additionality</p>		
<p>Would the project:</p>		
<p>➤ add value by building on what is already there, without duplicating effort?</p>	<p>The West Coast is classed as an emerging tourism region based on the four key criteria (access, attractions, amenities and awareness) for the Government Investment Framework in Regional Tourism. MBIE Tourism considers the West Coast region a high priority for tourism investment, primarily for access but also attractions, amenities and awareness. The West Coast has potential to absorb greater tourism numbers and, in addition to PGF funding, has received funding from the Tourism Infrastructure Fund and the newly established International Visitor Conservation and Tourism Levy.</p> <p>The project builds on the growth in tourism already experienced on the West Coast and other PGF funded tourism initiatives, such as the Tranz Alpine train upgrade.</p> <p>If managed well, the digital immersion part of the project could potentially be rolled out to other regions and integrated into a wider South Island / New Zealand tourism offering.</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ be a catalyst for productivity potential in the region?</p>	<p>Increasing visitor stay and spend in the region will allow for new tourism projects and upscaling of existing ones. The applicant suggest that there could be an increase of visitor spend in the region of just over \$Commercial Information by Commercial I and an increase in GDP of \$Commercial In over the same period.</p>	<p>N/A 1 2 3 4 5</p>
<p>Connected to regional stakeholders and frameworks</p>		
<p>Does the project:</p>		
<p>➤ align with regional priorities, such as frameworks, or regional plans?</p>	<p>The Project builds on the West Coast Tourism Strategy as the key cross-regional tourism project and links the West Coast Tourism and Maori strategies together.</p> <p>The proposal has drawn on multiple aspects of the Government Tourism Strategy, including an increase in infrastructure, attractions, access to a site and improving visitor’s awareness of a region. It also aligns well with its outcomes: delivering exceptional visitor experiences, improving the lives of New</p>	<p>N/A 1 2 3 4 5</p>

	Zealanders through tourism and supporting thriving and sustainable regions.	
➤ have the support of local governance groups (councils, iwi and hapu)?	The project has strong support from all local government authorities in the region and iwi.	N/A 1 2 3 4 5
Governance, risk and project execution		
Does the application show:		
➤ robust project management and governance systems?	The Pounamu Pathway will be managed as one entity through a trust with a competency-based governance structure. Project planning tools will be in accordance with New Zealand standard project management approaches and DOC's Project Management Framework.	N/A 1 2 3 4 5
➤ plans for future ownership and operational management?	The new Trust will own all technology assets, fixtures and fittings. Building ownership will remain with third parties (who are all partners to the project).	N/A 1 2 3 4 5
➤ how the project will be delivered and managed?	A detailed milestone plan has been developed, identifying deliverables against payments. The Pounamu Pathway will be managed as one entity through a trust with a competency-based governance structure. Project management tools will be in accordance with NZ Standard project management approach and DOC's Project Management Framework.	N/A 1 2 3 4 5

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?	Constant consultation and one point of contact for communications with stakeholders. Expectations appropriately managed. Good project management arrangements/practices.	Medium

☒ Operational risk	Will the project or asset operate to specification, to budget, and achieve the forecast revenue?	<p>Early supplier consultation to help manage work pipeline.</p> <p>Realistic contingency funding available.</p> <p>Support from councils.</p>	Low
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Section D: Funding and financial analysis

Please highlight number below

Does the application show:

➤ How strong is the financial position of the applicant organisation?	The stakeholder group has the ability to co-fund the project and to manage risk through the construction phase and into the commercial phase of the project.	N/A 1 2 3 4 5
➤ How does the scale of the project compare to their overall business?	Existing links to the West Coast tourism sector mean that this project, while providing a step change in the region's tourism sector, will not be beyond scale. Council support for operational funding of up to three years, and continued support for the business beyond that will ensure the project is not scaled beyond the capabilities of the stakeholder group.	N/A 1 2 3 4 5
➤ Why is Crown funding being sought rather than commercially-available funding?	The new Trust has no existing asset base to obtain private funding. Additionally, the three District Council areas the project passes through each have a small ratepayer base and cover large areas.	N/A 1 2 3 4 5
➤ What does the independent financial analysis/ business case indicate?	<p>Key points that the applicant has made in the business case to inform the application, include:</p> <ul style="list-style-type: none"> • 70 per cent of visitors to the West Coast are seeking more information regarding Maori and cultural experiences (this has provided the core rationale for the story telling aspect of the project). • There is a disparity of visitor numbers across iconic West Coast tourist attractions. For example, 1 million visitors pass through Haast, 500,000 through Punakaiki, but only 30-60,000 at selected attractions between Hokitika and Westport. This suggests there is latent demand across the West Coast tourist pathway. • Compounding this, the region has seen year-on-year growth ahead of other regions in total visitor spend (12 per cent growth in 2018, double the national average). • GDP contribution from Tourism in the region increased to \$198m in 2018, 42 per cent growth over the five years prior. 	N/A 1 2 3 4 5

	<ul style="list-style-type: none"> A lack of paid experiences on the West Coast constrains the potential value of the visitor market, due to most major attractions being located on the conservation estate. The Pounamu pathway aims to create paid attractions and targeted destination management. <p>The four hubs/experience centres seek to take advantage of the numbers that visit the region, but currently only visit selected, unpaid attractions (as outlined above). Work has been undertaken to discern likely visitor numbers to paid attractions at all locations, as well as suitable and sustainable pricing levels. For example, Hokitika revenue scenarios were based on research that suggests a branded visitor attraction in Hokitika attracts 30,000 visitors per year, but there is potential for that opportunity to increase as the adjacent Hokitika Gorge attraction is expecting visitor numbers of 76,000 per annum by 2021.</p>	
<p>➤ Is the funding model requested appropriate? Is the PDU recommending a different model?</p>	<p>We consider a grant appropriate for this project. Key reasons for this include the limited ratepayer base of the West Coast region, the relative importance to the region of the tourism sector and the project, and the limited asset base of the applicant.</p>	N/A 1 2 3 4 5
<p>➤ Has the applicant provided evidence of market pull for this project?</p>	<p>Yes. Project partners have developed strategic insights on the West Coast tourism market to develop the proposal. This shows growth in the tourism sector, a large flow of people through the region, but a lack of paid activities and attractions and a lack of tourism hubs to keep those visitors in the region for long. This identifies scope for a project like Pounamu Pathways that seeks to fill those gaps.</p> <p>Insights also show that Free Independent Travellers and high spending visitors seeking “authentic, high tech, cultural and heritage experiences” are the key market to target for the region.</p>	N/A 1 2 3 4 5
<p>➤ Has the applicant provided evidence that their supply chain is secure?</p>	N/A	N/A 1 2 3 4 5
<p>Summary of funding and financial analysis:</p>	<p>The application, in our view, has established it meets PGF criteria, and would help lift the productivity of the region and allow it to transition away from declining industries such as mining. Work to-date suggests that it will help keep visitors in the region, increase visitor spend and create additional opportunities in the tourism sector.</p> <p>Work undertaken to-date illustrates that there is latent demand to expand the value of the tourism sector in the region, and that the application is tailored to fill the gaps to achieve that.</p>	N/A 1 2 3 4 5

The involvement and support of local government, including covering operational costs for at least three years, and the experience and skills of the stakeholders, gives confidence of the sustainability of the investment.

Funding arrangements

Funding is proposed to be delivered through a milestone plan, as outlined below:

#	Description	Payment criteria:	Invoice Value \$ (Exc GST)	%	Invoice Date:
1	Phase 1 Pre-development work and project management office set up	Project Management office set up and staffed. RFP's for technical and fit outs sent out; set up of hub working groups for content	\$ Commercial Information \$ Commercial Information	0%	Commencement and then annually across 3 years
2	Technical Product Design development and themes per hub	Delivery of the design concepts	\$ Commercial Information	0%	Commercial Information
3	Haast & Westport building design/fit out plans	Design concepts for fit out delivered	\$ Commercial Information	0%	Commercial Information
4	Phase 2 Haast building construction	Building fit out	\$ Commercial Information	0%	Commercial Information
5	Launch event - Haast	Launch of Haast Pounamu Pathway Centre	\$ Commercial Information	0%	Commercial Information
6	Phase 3 Site selection and approval – Greymouth and Hokitika and building	Agreements provided for site lease provided to Pounamu Pathway by site owners, plus design concepts for both centres	\$ Commercial Information	0%	Commercial Information

	design/fit out plans				
7	Phase 4 Westport building construction	Building fit out	\$ Commercial Information	Comm %	Commercial Information
8	Launch event - Westport	Launch of Westport Pounamu Pathway Centre	\$ Commercial Information	Comm %	Commercial Information
9	Phase 5 Hokitika building construction	Building fit out	\$ Commercial Information	Comm %	Commercial Information
10	Launch event - Hokitika	Launch of Hokitika Pounamu Pathway Centre	\$ Commercial Information	Comm %	Commercial Information
11	Phase 6 Greymouth building construction	Building fit out	\$ Commercial Information	Comm %	Commercial Information
12	Launch event - Greymouth	Launch of Greymouth Pounamu Pathway Centre	\$ Commercial Information	Comm %	Commercial Information
13	Phase 1A Product Development - web/ticketing system etc	Briefing of Product Development elements	\$ Commercial Information	Comm %	Payment on invoice
14	Phase 1B Untamed Natural Wilderness Highway	Signage and installation	\$ Commercial Information	Comm %	Commercial Information
15	Phase 1C	Pou Whenua Project	\$ Commercial Information	Comm %	Paid in instalments (TBA)
	Contingency		\$ Commercial Information	Comm %	
	Project Completion	Final report to Ministry TOTALS	\$ Commercial Information	Comm %	Commercial Information

Consultation from partner agencies undertaken or implications

MBIE Tourism supports the project. They would recommend funding for a feasibility study for the project, note that the costs for establishing the Pathway could be better defined, and also note there are no sites selected with certainty of land access.

PDU's response is that the business case for this project has been completed and as per the recommendation, a staged funding approach will be applied.

Conflicts of interest and T&Cs

DD to be completed on Mawhera

Summary statement of Peer Review undertaken

The following Peer 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 peer review by an Investment Director has taken place and included the following to the satisfaction of the peer 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 accepted and the peer 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.

Peer Review has been completed

Yes

Supporting proposal:

Yes

Appendices:

Yes – Applications and supporting letters are as annexes Withheld - Commercial Information

Author of paper:

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