

## Thames-Coromandel District Mussel Production Development (Sugarloaf Wharf)

### Project overview

<b>Name of the project</b>	Thames-Coromandel District Mussel Production Development (Sugarloaf Wharf)
<b>Region</b>	Waikato-Coromandel
<b>Tier and type</b>	Tier 3: Infrastructure
<b>Applicant</b>	Thames-Coromandel District Council and Coromandel Marine Farmers Association
<b>Estimated total project cost</b>	\$ <small>Commercial Information</small>
<b>Amount of funding sought from the PGF</b>	Requested: \$19.95 million Recommended: Option one: \$ <small>Commercial Information</small> Option two: \$ <small>Commercial Information</small>
<b>Financial instrument requested</b>	Loan and grant <small>Commercial Inform</small>
<b>PDU recommendation</b>	<b>Approve</b>

### Background

70. The Thames-Coromandel District Council (TCDC) and Coromandel Marine Farmers Association (CMFA) have applied for \$19.95 million of PGF funding to expand and upgrade Arika Tahi – Sugarloaf Wharf’s aquaculture infrastructure from 25,500 tonnes to 42,000 tonnes of mussels per year.
71. The Sugarloaf Wharf expansion and upgrade will also mitigate health and safety issues with commercial and recreational users operating in the same space.
72. This application is the result of the CMFA’s PGF-funded business case for the upgrade and extension of the Sugarloaf Wharf in late 2018.
73. The Wharf is currently at capacity with the industry landing approximately 25,000 tonnes of mussels per year. The Thames-Coromandel aquaculture industry is constrained by the existing facilities.

74. There are 1,216 hectares of undeveloped consented water space in the Firth of Thames that local and central government have spent significant time and money to make. It would require the industry to invest an estimated \$<sup>Commercial Information</sup> over the next <sup>Commercial Information</sup> to realise this productivity potential. It is estimated that the industry could reach 42,000 tonnes per year in <sup>Commercial Info</sup> years with the constraints removed.
75. The original application sought a \$<sup>Commercial Information</sup> grant from the PGF to upgrade the Wharf to <sup>Commercial Information</sup>
76. Following discussions with the PDU, the applicant revised and reduced their project size to include four berths to handle up to 42,000 tonnes per annum. The revised budget of \$<sup>Co rcial I</sup> has been reached after a review of the scale (reduced berths) and approach (block wall rather than piles reducing dredging requirements).
77. <sup>Commercial Information</sup> will contribute \$<sup>Commercial Information</sup> to the project. <sup>Commercial Information</sup>
78. Construction is estimated to begin in <sup>Commercial Information</sup> and be completed by <sup>Commercial Information</sup>
79. The applicants estimate that the consent process will take around six months. This may be longer if it is a notifiable consent process and objections to the project are registered. <sup>Commercia</sup>

### Aquaculture sector

80. The strategic context for this investment is the significant forecast growth in the aquaculture sector within the region, the very strong iwi aspirations for future investment (>40% of water space is iwi-held), and the lack of fit for purpose shore-based infrastructure. The industry urgently needs safe, user-friendly infrastructure to bring produce ashore and realise the economic potential of the region's aquaculture.
81. The application aligns with the Government's new strategy for aquaculture and will contribute to the key objective to "support infrastructure needs to enable growth" by working "with industry and partners to identify the infrastructure required to enable growth" and facilitating "co-investment in priority infrastructure."
82. The economic value of aquaculture has grown by 70% since 2011 to reach \$600 million in annual sales in 2018. Greenshell mussel products account for half of this value. The growth is primarily driven through increasing value, as production volumes have remained relatively flat. The proposed increase in production volumes of greenshell mussels is constrained by insufficient wharf infrastructure in the key growing regions to land this product and a shortage of mussel spat to stock new farms.
83. The aquaculture industry contributes approximately \$70 million p.a. to the Thames-Coromandel's GDP and provides <sup>Commercia</sup> direct and <sup>Comme</sup> part-time jobs within the district. Mussel farming in the Firth of Thames is well established with a mix of both large and small family owned and operated businesses.

### PDU recommendation

84. The PDU recommends that you approve TCDC and CMFA's application for a \$<sup>Commercial Information</sup> loan and a \$<sup>Commercial Information</sup> grant <sup>Commercial Information</sup> subject to the following conditions:

- a. Clear, written support for the proposed loan with the PDU provided by the TCDC and CMFA, including confirmation and agreement of the total levy to be paid by the CMFA.
- b. Peer review of the design and costings of the wharf.
- c. Confirmation of the ownership model.
- d. Commercial Information
- e. Resource Management Act 1991 consents and a full assessment of environmental effects completed as a stop/go gate.
- f. Confirmation of \$Commercial Information from the Commercial Information.
- g. The applicants incorporate government's better government procurement criteria where possible to consider the social, economic, cultural and environmental outcomes that the project aims to achieve.

## Costs and funding

85. The PDU has identified two potential funding models: a \$Commercial Information loan and \$Commercial Information grant (option one), Commercial Information
86. Option one provides for debt repayment and operating costs at a level that will allow marine farmers to continue to invest in on-water activities. It supports forecast growth in the aquaculture sector in the region of \$Commercial Information to be directly invested on-water and in processing and value-add to the sector. Financial modelling indicates that a \$Commercial Information loan serviced by a levy of \$Commercial Information will require Commercial Information to repay. The 42,000 tonne per annum capacity of the upgraded wharf will be reached between Commercial Information
87. Further development of the Wharf will be required to handle the forecast increase in production beyond this level. Commercial Information
88. Commercial Information
89. Alternative mixes of loan and grant funding are detailed in the table below.

Grant value	Loan value	Loan Repayment Terms (years)	Loan Residue Balance at 10 years
\$ <span style="background-color: #cccccc; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;">Commercial Information</span>	\$ <span style="background-color: #cccccc; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;">Commercial Information</span>	<span style="background-color: #cccccc; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;">Comme</span>	\$ <span style="background-color: #cccccc; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;">Commercial Information</span>
\$ <span style="background-color: #cccccc; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;">Commercial Information</span>	\$ <span style="background-color: #cccccc; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;">Commercial Information</span>	<span style="background-color: #cccccc; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;">Comme</span>	\$ <span style="background-color: #cccccc; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;">Commercial Information</span>
\$ <span style="background-color: #cccccc; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;">Commercial Information</span>	\$ <span style="background-color: #cccccc; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;">Commercial Information</span>	<span style="background-color: #cccccc; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;">Comme</span>	\$ <span style="background-color: #cccccc; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;">Commercial Information</span>

90. A higher level of loan funding will result in a significant debt residue at the time the forecast tonnage across the Wharf reaches the 42,000 tonne capacity. This is likely to inhabit the ability to fund further development of the Wharf required to handle continued forecast growth in mussel production.

91. [Redacted] Commercial Information

92. Commercial Information has agreed in principle to contribute \$ Commercial Information to this project  
Commercial Information

93. [Redacted] Commercial Information

94. A key concern is ensuring the line fees are set at a level that do not impinge on the ability of the industry to make the necessary investment in the expansion of mussel farming space represented by the granting of new consents.

**Current commercial model**

95. [Redacted] Commercial Information

96. The Wharf is in the Marine and Coastal Area (not capable of ownership) but the use/control of activities in the Marine and Coastal Area are under jurisdiction of the Waikato Regional Council under the Resource Management Act 1991.

97. The Sugarloaf Wharf is currently operated by TCDC who sets the budget annually and charges CMFA who re-charges or invoices the users based on lines in the water.

98. There is no legal restriction on the right to use the Wharf currently.

**Proposed ownership model**

99. [Redacted] Commercial Information .

100. [Redacted] Commercial Information

**PDU assessment of the project**

101. This section provides an overview of PDU’s assessment against the PGF eligibility and assessment criteria.

*Assessment against PGF criteria*

Criteria	Rating (1✓ to 5✓)	Comment
----------	----------------------	---------

Criteria	Rating (1✓ to 5✓)	Comment
<i>Link with fund and government outcomes</i>		
<b>Creates permanent jobs</b>	✓✓✓	The project will enable up to <sup>Commercial</sup> jobs over <sup>Commercial Information</sup> as the aquaculture industry expands.
<b>Delivers benefit to the community</b>	✓✓✓	There will be direct public benefit by removing health and safety risks to users and the expanded and safer public boat ramp. The community will benefit from the creation of jobs as the industry expands.
<b>Increased utilisation and returns of Māori asset base</b>	✓✓✓✓✓	<p>Iwi own greater than 40% of the water space in the area and aquaculture forms a significant part of their economic strategy. Local iwi are major beneficiaries of the upgrade to this wharf. Iwi are invested in the aquaculture sector in several ways:</p> <ul style="list-style-type: none"> <li>• <sup>Commercial Information</sup></li> <li>• <sup>Commercial Information</sup></li> <li>• <sup>Commercial Information</sup></li> <li>• <sup>Commercial Information</sup></li> <li>• <sup>Commercial Information</sup></li> <li>• Various Hauraki iwi and whanau have investments in the aquaculture industry including farming, contracting, processing and retailing.</li> </ul>
<b>Enhanced sustainability of natural assets</b>	✓✓✓✓	Greenshell mussels have been identified as the second most sustainable seafood worldwide. This proposal will enable the greenshell mussel production to increase from 25,000 tonnes per annum to 42,000 tonnes per annum in the next <sup>Commercial Information</sup> .

Criteria	Rating (1✓ to 5✓)	Comment
<b>Mitigation of climate change</b>	✓✓✓✓	This project will enhance the resilience of the district by building long-term climate change resilience into Ariki Tahī – Sugarloaf Wharf, ensuring that it can continue to operate into the future. The upgraded facilities will also enhance connectivity resilience on the Coromandel Peninsula should the coastal access roads be damaged, allowing it to offload/load critical supplies for local communities whilst roads are out of commission.
<i>Additionality</i>		
<b>Adding value by building on what is already there</b>	✓✓✓✓✓	This project will enable an approximate doubling of an existing industry. The current infrastructure and spat supplies are constraints.
<b>Acts as a catalyst for productivity potential in the region</b>	✓✓✓✓✓	Further investment in vessels and related services including processing are needed to increase as the industry expands. <span style="background-color: #cccccc;">Commercial Information</span>  <span style="background-color: #cccccc;">Additional processing will also need to be undertaken as well as auxiliary businesses.</span>
<i>Connected to regional stakeholders and framework</i>		
<b>Alignment with regional priorities</b>	✓✓✓✓✓	The project has aligns with the following regional priorities: <ul style="list-style-type: none"> <li>• Waikato Regional Economic Development Programme 2018-2020 highlights aquaculture is a key sector for growth and innovation.</li> <li>• Thames-Coromandel District Council Productivity Plan has an aquaculture key focus.</li> <li>• <span style="background-color: #cccccc;">Commercial Information</span> has committed \$ <span style="background-color: #cccccc;">Commercial Information</span> (in principle) to the development.</li> <li>• In October 2018, MPI identified Ariki Tahī – Sugarloaf Wharf (AM18-1189) as one of five key aquaculture projects where government investment could unlock significant regional benefits.</li> </ul>
<b>Support from local governance groups</b>	✓✓✓✓✓	Support for the project has been provided by Waikato Regional Council, Pare Hauraki, TCDC and CMFA.
<i>Governance, risk management and project execution</i>		

Criteria	Rating (1✓ to 5✓)	Comment
<b>Robust project management and governance systems</b>	✓✓✓✓	<p>The TCDC and CMFA will act in a governance role with financial control provided through the use of a TCDC account and resources. The applicant has provided biographies of the key personnel.</p> <p>Final project management and governance details are to be finalised.</p> <p>Draft milestones have been provided.</p> <p>The applicants have proposed three main work streams:</p> <ol style="list-style-type: none"> <li>1. Resource consent application.</li> <li>2. Commercial and legal structuring.</li> <li>3. Physical works programme (post-consent).</li> </ol> <p>All vendors will be selected through best practice procurement with a price/quality method preferred. The project plan will be agreed by all vendors and overseen by the project manager.</p>
<b>Risk management approach</b>	✓✓✓	The applicants have provided a comprehensive risk assessment in the application. See Risk assessment section below.
<b>Future ownership / operational management</b>	✓✓✓	Commercial Information

## Agency comments

### *New Zealand Transport Agency*

102. The Transport Agency provided comment on the Sugarloaf Wharf EOI in September 2019, stating that we would like to be involved in the project going forward, given potential impacts on the Thames Coast Road/SH 25. However, to date, the Transport Agency has not been engaged on the project.
103. The application does not mention transport system effects from increasing capacity from 25,000 tonne to Commercial Information of mussels. The Transport Agency wants to be involved in the project going forward to understand the potential traffic effects of the proposal, particularly in terms of additional traffic impact effects, but also to consider other opportunities that this proposal may present, e.g. alternative transport access via coastal shipping, as noted in the application.

104. Additionally, the Transport Agency is working on a Productivity Plan Programme Business Case with Thames Coromandel District Council; this Programme has four targeted workstreams: Land Use, Land Use Productivity, Destination Management and Aquaculture. This is taking a whole of system look at problems and opportunities for economic growth in the Coromandel and includes a Connected Journeys workstream which is expected to consider multi-modal transport network safety, resilience and access issues. As such, this proposal will need to show alignment with the outcomes of this business case.
105. The PDU acknowledges the feedback provided by NZTA. If approved, the PDU will work to involve NZTA in the project going forward and the above mentioned business case,

*Ministry for Primary Industries*

106. MPI reaffirms the importance of Sugarloaf Wharf to the region's aquaculture sector and fully support the proposal.
107. MPI notes that the aquaculture industry development is currently constrained by the existing facilities and spat supply. There are 1,216 hectares of consented but undeveloped space available (approximately half of the available space). Local and central government has invested significant time and money into the opening up of new space for marine farming.

108. Commercial Information
109. Commercial Information
110. Commercial Information

*Department of Conservation*

111. DOC is pleased that this project is a partnership between the TCDC and CMFA, given their previous feedback that TCDC should be more involved in the project.
112. Commercial Information
113. DOC notes that this application will require Resource Management Act 1991 (RMA) consents and a full assessment on environmental effects. DOC agrees with the following aspects of the planning assessment:
- The key consenting matters will be reclamation, water quality (dredging) and impact on benthic habitat/species.
  - The sensitivity of the coastal environment and its importance to a range of groups (recreationalists, iwi and the general community) needs to be considered.
  - The design of the wharf expansion needs to be responsive to the key environmental values in this in this location, including natural character values, cultural and historic heritage, amenity values and recreational values.
  - How the potential effects on these key environmental values are managed will be critical to securing the necessary resource consents.



114. DOC notes that it will need to be demonstrated that the design proposed is clearly required and that alternatives with less impacts on the environment are not viable or feasible.
115. The impacts on coastal processes are relevant and it is necessary that the proposed elevation is considered carefully to accommodate sea level rise. Free and frank opinions  
[Redacted]
116. Free and frank opinions  
[Redacted]
117. DOC notes that the ownership of the present Sugarloaf Wharf reclamation is vested in the Crown under the Marine and Coast Area (Takutai Moana) Act 2011 (MACA). Ownership of future expansion structures will likewise be subject to this legislation. Ministers should be aware of potential MACA risks around the ownership of the Wharf and potential impacts on the proposal.
118. Commercial Information  
[Redacted]
- Free and frank opinions  
[Redacted]
119. DOC recommends that there is a written commitment from the Waikato Regional Council and the CMFA/industry around the proposed repayment arrangements.
120. Free and frank opinions  
[Redacted]
121. Commercial Information it is clear that the Coromandel aquaculture industry will benefit from improved wharf infrastructure.
122. DOC recommends that PDU support the proposal in principle, subject to:
- Appropriate RMA conditions to address any concerns DOC may have once the full assessment of environmental effects is completed around reclamation, water quality (dredging), impacts on benthic habitat/species, coastal processes, natural character and amenity values.
  - Commercial Information  
[Redacted]
  - Clear, written support for the proposed loan agreements with the PDU provided by the CFMA and the Waikato Regional Council.

123. DOC reserves the right to submit into the RMA process should it eventuate.

*Te Puni Kōkiri*

124. TPK notes that the aquaculture industry is a strategic priority of the Iwi of Hauraki and this project creates further opportunity for the achievement of iwi aspirations. Noting that overall, iwi own greater than 40% of consented water space.

125. TPK supports the approval of this application, because:

- This application enables the larger application of aquaculture. The Hauraki Iwi investments in the aquaculture industry encompass a wide portfolio of areas from farming, contracting, processing through to retailing.
- Pare Hauraki Iwi's economic strategy includes a major strategic focus on maximising the performance of aquaculture assets and is therefore highly supportive and integral to Arika Tahī – Sugarloaf Wharf development.
- Iwi negotiated for the creation of a new Colville mussel farming zone as part of its aquaculture settlement.

126. TPK notes that training, upskilling and job opportunities are a fundamental lever in the application. We would be interested to understand how the applicant will intentionally target rangatahi Māori and NEETs and whether there are current or underway relationships with MSD and education providers to support funding and pastoral care arrangements, particularly important when developing and building workforce.

## Risk assessment

127. Due diligence has been undertaken, no concerns have been identified.

128. The PDU has identified the following key risks and mitigations:

Type of risk	Risk description	Mitigations	Risk Rating L/M/H
<b>Project risk (eg price over-run)</b>	The actual cost to construct the wharf is materially different to forecast.	Procurement processes and contractual terms specify a fixed price contract. A margin is included in the cost estimates.	Low/Medium
<b>Operational risk (eg wharf continuity)</b>	Construction is delayed and access is restricted at key times, thus impacting operations.	Scheduling works to minimise disruptions.	Medium
<b>Consents</b>	Delays occur in obtaining the necessary consents. TCDC holds the current resource consents.	A new resource consent application will need to be lodged with regard to the proposed upgrade. However, the relevant statutory planning documents do provide a pathway for the consenting of the wharf expansion. Technical design has taken into account known risks and the revised wharf expansion (smaller) is expected to be received positively by concerned	Low/Medium