



## BRIEFING

### Whakatohea Mussels Opotiki Limited – variation to approval

<b>Date:</b>	18 September 2019	<b>Priority:</b>	Medium
<b>Security classification:</b>	Sensitive	<b>Tracking number:</b>	0841 19-20

Action sought		
	Action sought	Deadline
Hon Grant Robertson <b>Minister of Finance</b>	<p><b>Agree</b> for the Provincial Development Unit (PDU) to continue working with Whakatohea Mussels Opotiki Limited (WMOL) on a way forward to deliver the \$<sup>Commercial Information</sup> project within the \$19 million approval using the following approach:</p> <ul style="list-style-type: none"> <li>Up to \$19 million <sup>Commercial Informa</sup></li> <li><sup>Commercial Information</sup></li> <li><sup>Commercial Information</sup></li> <li>The PDU will be asked for confirmation they are comfortable with any shareholders</li> <li>WMTB to confirm any potential changes to the equity structure.</li> </ul>	23 September 2019
Hon Phil Twyford <b>Minister of Transport</b> <b>Minister of Economic Development</b>		23 September 2019
Hon David Parker <b>Minister for Trade and Export Growth</b>		23 September 2019
Hon Shane Jones <b>Minister for Regional Economic Development</b>		23 September 2019
Fletcher Tabuteau <b>Parliamentary Under-Secretary to the Minister for Regional Economic Development</b>		<b>Note</b> the contents of this briefing.



<b>Contact for telephone discussion (if required)</b>			
<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st contact</b>
David van der Zouwe	Head of Investment Management	Privacy of natural persons	✓
Jason Hall	Investment Director	Privacy of natural persons	

<b>The following departments/agencies have been consulted</b>

**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 Withdrawn           |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**



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### Purpose

This briefing seeks Regional Economic Development (RED) Ministers’ approval to vary the terms of Provincial Growth Fund (PGF) approval for the Whakatohea Mussels Opotiki Limited project.

### Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** Regional Economic Development Ministers approved \$19.85 million as grant and equity from the Provincial Growth Fund for Whakatohea Mussels Opotiki Limited on 6 December 2018.

*Noted*

- b **Note** that based on the refreshed business case, the total requirement for the proposed expansion is \$ Commercial Information ).

*Noted*

- c **Agree** for the Provincial Development Unit to continue working with Whakatohea Mussels Opotiki Limited on a way forward to deliver the \$ Commercial Information project within the \$19 million approval using the following approach:

- Up to \$19 million Commercial Information
- Commercial Information
- Commercial Information
- The PDU will be asked for confirmation they are comfortable with any shareholders



**PROVINCIAL  
DEVELOPMENT  
UNIT**

- Whakatohea Māori Trust Board to confirm any potential changes to the equity structure.

*Agree / Disagree*

David van der Zouwe  
**Head of Investment Management**  
Provincial Development Unit, MBIE

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Hon Grant Robertson  
**Minister of Finance**

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Hon Phil Twyford  
**Minister for Transport**  
**Minister of Economic Development**

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Hon David Parker  
**Minister for Trade and Export Growth**

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

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## Background

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1. On 6 December 2018, RED Ministers approved Whakatohea Mussels Opotiki Limited's (WMOL) application to the PGF to build a mussel processing factory in Ōpōtiki, as:
  - A grant of \$850,000 to complete a refreshed business case
  - An investment of \$<sup>Commercial Information</sup> for an equity stake (held in trust for the Whakatohea Māori Trust Board ("WMTB"))
  - Another equity type instrument that could give certainty to a proposed \$<sup>Commercial Information</sup> equity raise by the company.
2. Subsequent to receiving the draft business case, the applicant raised <sup>Commercial Information</sup>  
<sup>Commercial Information</sup>  
<sup>Commercial Information</sup> They have also prepared an addendum to the draft business case to ensure it is able to be completed within the original approved support level.
3. The business case has now been completed. Based on the refreshed business case, the total requirement for the proposed expansion is \$<sup>Commercial Information</sup>  
<sup>Commercial Information</sup>
4. Although remaining within the previously approved amount of \$19.85 million, the current proposal differs from the original approval receive in the following key ways:
  - a. <sup>Commercial Information</sup>  
<sup>Commercial Information</sup>
  - b. The new proposal allows for a greater number of lines in the water to support the larger facility.
  - c. As a result there is a greater level of job creation earlier on (<sup>Comme</sup> in Stage 2 and <sup>Commercia</sup> in Stage 3 vs <sup>Commercia</sup> initially proposed), under the current proposal.
  - d. <sup>Commercial Information</sup>  
<sup>Commercial Information</sup>

## Current position

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5. Based on the refreshed business case and following discussions with key shareholders, WMOL are now of the view that existing shareholders will provide support of \$<sup>Commercial Information</sup>  
<sup>Commercial Information</sup>
6. As a result, PGF support of up to \$19 million will then likely result in the project being able to progress as envisaged in the refreshed business case. <sup>Commercial Information</sup>  
<sup>Commercial Information</sup>
7. This results in total funding of \$<sup>Commercial Information</sup> to <sup>Commercial Information</sup>  
<sup>Commercial Information</sup>
8. WMOL's advisor (<sup>Privacy of natural persons</sup>) produced the previous business case and, as a result, <sup>Commerci</sup> were engaged to update the business case and any ancillary services required. The

Independent Advisory Panel (IAP) have requested additional information about adviser costs and in response WMOL have advised the following:

- “The cost to create and lodge the WMOL November 2017 PDS with the FMA was approx. \$ [REDACTED] Commercial Information [REDACTED].”

9. The PDU will try to limit/reduce adviser costs wherever possible.

## **The PDU will continue to work with the applicant on a way forward**

10. Based on discussions with the applicant and IAP, the PDU recommends that it continue working with WMOL on a way forward to deliver the \$ [REDACTED] Commercial Information project within the \$19 million approval using the following approach:

- Up to \$19 million of an envisaged combination of equity held in trust for Whakatohea Māori Trust Board (WMTB) [REDACTED] Commercial Information
- [REDACTED] Commercial Information
- \$Commer to \$Commer of equity raised from existing shareholders [REDACTED] Commercial Information
- The PDU will be asked for confirmation they are comfortable with any shareholders
- WMTB to confirm any potential changes to the equity structure.

11. Any agreement would further be contingent on:

- A satisfactory financial and technical due diligence outcome
- Agreement to continue by both the PDU and Ministry for Primary Industries
- Commitment from existing shareholders and the bank.

### *Risk*

12. The current proposal is riskier for the PGF than the December 2018 approval received ([REDACTED] Commercial Information [REDACTED]). However, it is viable and more profitable for existing shareholders, whilst also delivering additional jobs in an accelerated timeframe.