



COVERSHEET

Minister	Hon Shane Jones	Portfolio	Regional Economic Development
Title of Cabinet paper	Provincial Growth Fund: priority decisions for late-2019	Date to be published	23 September 2020

List of documents that have been proactively released

Date	Title	Author
23 September 2020	Minute of Decision DEV-19-MIN-0338	Office of Minister for Regional Economic Development
23 September 2020	Provincial Growth Fund: priority decisions for late-2019	Office of Minister for Regional Economic Development

Information redacted

YES / NO (please select)

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Some information has been withheld to protect the confidentiality of advice tendered by ministers and officials, to protect the commercial position of the person who supplied the information, and to maintain the effective conduct of public affairs through the free and frank expression of opinions.

Sensitive Commercial

Office of the Minister for Regional Economic Development

Chair, Cabinet Economic Development Committee

Provincial Growth Fund: priority decisions for late-2019

Proposal

1. This paper seeks Cabinet agreement on the following three Provincial Growth Fund (PGF) investment decisions to drive regional economic activity, in line with Government priorities and within PGF timeframes. These are:
 - 1.1. approve up to \$79.4 million of PGF funding for the Ōpōtiki Harbour development
 - 1.2. approve up to \$20 million for historic sites of national importance, and
 - 1.3. reprioritise up to \$44 million of PGF funding for the Waikare Gorge (as part of the Tairāwhiti roading package) and reallocate this funding for other projects in Tairāwhiti with a priority on local roads, infrastructure and other projects that benefit the region.
2. I seek clarification on Regional Economic Development (RED) Ministers' delegations relating to the PGF tagged contingency fund. I also seek the ability to transfer investments from the Ministry of Business, Innovation and Employment (MBIE) to Provincial Growth Fund Limited with no fiscal impact to the PGF's \$3 billion.

Executive Summary

3. The PGF is making significant progress committing the \$3 billion Fund. As of 31 October, we have committed \$2.611 billion, and approved \$1,921 million of funding for projects including regional investment packages, sector initiatives, remedial infrastructure, and nationwide allocations such as digital connectivity and skills and employment programmes. I have directed my officials to focus on accelerating project contracting and delivery, and to advise Ministers on options that might expedite the disbursement of funding.
4. We are seeing increased economic activity in the regions as projects move from pre-approval to contracting and construction. In order to maintain this momentum, I seek Cabinet decisions on three key investment decisions that seek to drive further economic activity within PGF timeframes.
5. I recommend Cabinet approves the Ōpōtiki District Council's application for \$79.4 million of PGF funding for the development of Ōpōtiki Harbour. This project, which will cost \$Commercial Information overall, will see a new harbour entrance constructed to service the mussel farming industry while providing access to other marine users in the Eastern Bay of Plenty. The Provincial Development Unit (PDU) understands the

project is shovel-ready and construction could start in [Commercial Information]. It is expected to create [Commercial Info] direct and indirect jobs, including [Commercial] in Ōpōtiki.

6. I recommend Cabinet approve an allocation of up to \$20 million from the PGF to support the preservation and development of historic sites of national importance. These initiatives will help promote and preserve New Zealand's history and cultural identity for all New Zealanders, both now and in the future. They also have a range of economic and social benefits, such as contributing to regional tourism, including tourism infrastructure, and creating local business and employment opportunities. The PDU is aware of a number of potential investments at sites of national importance (particularly sites that were fundamental to the creation of New Zealand's national identity, such as Parihaka). Identifying, and confirming potential projects that could be included under this allocation will happen over the next three months, and then be progressed through existing PGF decision-maker processes. I suggest that should any of these projects not meet PGF criteria, they be funded through the PGF tagged contingency fund.
7. I recommend Cabinet reprioritises \$44 million of the \$49 million PGF contingency for the Waikare Gorge, which Cabinet approved in August 2018 as part of the Tairāwhiti roading package. This project was included in the five-year pipeline approved by Cabinet with implementation commencing in [Commercial Info]. However, the timeframes for the project cannot be accelerated because it is complex and it will take time to complete the design and consenting stages. Also, the New Zealand Transport Agency (NZTA) is anticipating that the cost of implementing the project may exceed \$49 million. I propose \$5 million of PGF funding is retained for the Waikare Gorge project to complete pre-physical work stages. This will ensure the project can move forward quickly when another funding source is identified, and will provide certainty for potentially affected landowners. The \$44 million will be reprioritised to shovel-ready projects that benefit Tairāwhiti, with priority to land transport projects, then other infrastructure projects, then other types of projects that benefit the region. I expect individual projects will all be under \$20 million, and therefore, RED Ministers will make decisions on specific projects within this allocation.
8. I seek Cabinet confirmation of RED Ministers delegations pertaining to the PGF tagged contingency fund. Specifically, I seek clarification to ensure RED Ministers have the authority to draw down contingency funds for past and future projects, and that they can alter the mix of operating expenditure and capital expenditure within the PGF contingency fund without requiring to Cabinet to make final decisions.

PGF investment into the Ōpōtiki Harbour Development – up to \$79.4 million

Background

The Bay of Plenty is a priority region for PGF investment

9. The Bay of Plenty is one of the PGF's six surge regions, which have been prioritised for PGF investment. These regions face particular disadvantages and deprivation, and require significant investment to unlock economic development opportunities.

10. The Bay of Plenty has varying degrees of deprivation across the region. The Eastern Bay of Plenty, particularly the Ōpōtiki District, has one of the highest levels of deprivation in the Bay of Plenty and New Zealand – it has low household incomes, below average educational and health outcomes, and high levels of gang membership and methamphetamine use. In the past year, the Ministry of Social Development spent \$^{Commercial Information} supporting ^{Commercial Inform} working age clients in Ōpōtiki out of a population of ^{Commercial Informa}
11. The PGF has approved \$153.7 million for projects in the Bay of Plenty as of 31 October 2019. The key PGF investments in the Bay of Plenty, to date, have largely been concentrated in Rotorua, such as redeveloping the Rotorua Lakefront, Whakarewarewa Forest walking and biking trails and restoring Rotorua Museum. Other significant investments in the Bay of Plenty include support for a sustainable mineral extraction plant at the Ohaaki geothermal energy field, and kiwifruit development in Te Kaha. In Ōpōtiki, to date, the PGF has largely invested in preparation for a large-scale expansion in aquaculture, including \$19.85 million into a mussel production facility.

The Government seeks to invest in aquaculture to promote regional economic development

12. The 2017 Coalition Agreement included a priority to *Recognise the potential for aquaculture in promoting regional economic growth*. In 2018, New Zealand's aquaculture sector generated around \$^{Commercial Information} in revenue, including \$^{Commercial Inform} in export revenue, and over ^{Commercial Infor} jobs.
13. In September 2019, the Minister of Fisheries released the Government's Aquaculture Strategy. It seeks to raise annual sales to \$3 billion by 2035 and for New Zealand to be globally recognised as a leader in sustainable and innovative aquaculture management across the value chain. Key drivers for sustainable growth in the aquaculture industry will need to be underpinned by Crown and private sector investment.

The PGF has invested over \$65 million in projects that benefit the aquaculture industry

14. Investment in the aquaculture sector is well-aligned the PGF's objectives and the PGF's investment strategy in key sectors of the economy, including the primary sector, which is a priority sector for investment. Aquaculture has the potential to grow regional economies that have a competitive advantage in this sector, such as in the Bay of Plenty, the top of the South Island and Southland. The PGF's investment strategy also emphasises investments that will lift skills and employment, increase physical capital and infrastructure, and enhance the productivity and sustainability of natural assets.
15. The PGF has already approved over \$65 million in projects that benefit aquaculture industry as of 31 October 2019. Key PGF investments in the aquaculture sector to date include:
 - 15.1. \$19.95 million to upgrade infrastructure at the Sugarloaf Wharf to increase the processing capacity needed to meet the increase in supply of mussels in Thames-Coromandel

- 15.2. \$19.85 million into a mussel production facility in Ōpōtiki, which is discussed above
- 15.3. **Withdrawn Application**
- 15.4. \$6 million to establish the National Algae Research and Development Centre (the Cawthron Institute) in Nelson, which seeks to enable high-value commercial opportunities
- 15.5. \$3.4 million for the Nelson Artificial Intelligence Institute, which will focus on using artificial intelligence to improve the productivity, competitiveness and sustainability of the aquaculture industry
- 15.6. \$6 million to fund a land-based kingfish recirculating aquaculture system, and
- 15.7. \$0.5 million for commercial-scale harvesting and cultivation of *Asparagopsis* seaweed in Southland.

Proposal to invest up to \$79.4 million of PGF funding in the Ōpōtiki Harbour Development

- 16. Ōpōtiki District Council has applied for \$79.4 million of PGF funding toward the development of Ōpōtiki Harbour. This project, which will cost \$^{Commercial Information} overall, will construct a new harbour entrance which, among other benefits, will service the mussel farming industry in the Eastern Bay of Plenty. Specifically, the project will involve:
 - 16.1. the construction and installation of a pair of engineered sea walls that will allow sheltered access to the river mouth, and
 - 16.2. the dredging of a channel to enable commercial vessels to use the facility in most sea and tide conditions, which will better manage the river flows and allow for adjacent residential development.
- 17. The **Commercial Information** has agreed in principle to contribute \$^{Commercial Information} for this project.
- 18. The project is shovel-ready and is consented. **Commercial Information**
^{Commercial Information} The PDU is advised that harbour construction could start in ^{Commercial Information} and is estimated to take ^{Commercial Information}. The quarries, which would be created as a result of this project, are expected to start excavation in ^{Commercial Information}. The quarries would initially be used to supply rocks to the Ōpōtiki harbour development, but they will also be able to supply rocks to other projects – one quarry is expected to operate for 14 years and the other for over 20 years.
- 19. The project supports the mussel processing plant, for which Ministers have already approved \$19.85 million in funding. The PDU is advised that once the harbour has been constructed, the mussel processing plant would use the Ōpōtiki harbour instead of Whakatane. This would allow Whakatane to utilise its proposed new harbour to focus on other activities, such as the boatbuilding, tourism and leisure craft industries.

20. The project is a priority for the region and will create employment opportunities and boost the entire district's economy. The Bay of Plenty Regional Council's Eastern Bay of Plenty Aquaculture Strategy stated the lack of a harbour was the largest hindrance to economic activity in Ōpōtiki.
21. Funding the Ōpōtiki Harbour Development would be one of the PGF's largest investments, after investments such as the \$137 million Tairāwhiti roading package and the \$94.8 million North Auckland rail project. Like these projects, the Ōpōtiki Harbour development would be a transformational infrastructure investment that unlocks the potential of the region, creates a range of flow on benefits, better utilises natural resources and catalyses work opportunities. These are detailed in the sub-sections below.

Proposed structure of PGF investment

22. The PDU is currently working through the proposed structure for the investment. The current thinking is the investment will be made through a **Commercial Information** that will own the harbour development.
23. The PDU will have discussions with the owners of the developers of the proposed Marine Industrial Zone in regard to development of the berthing infrastructure. Investment in the berthing infrastructure would provide greater certainty in regard to access to the Marine Industrial Zone and also accelerate the first phase of the MIZ.
24. I propose Cabinet agree to this proposed structure in principle, and delegate final decision-making to RED Ministers.

Economic and social benefits of the project to Ōpōtiki and the Bay of Plenty

25. This project is expected to create **Commercial Information** jobs, including **Commercial Information** in Ōpōtiki. Approximately **Commercial Information** jobs will also be created during the construction phase through works on the harbour construction, sourcing rock supply from quarries, and the building of additional mussel farms.
26. Direct employment in Ōpōtiki will be driven by the crewing of sea farm servicing vessels, production staff in processing facilities and administrative, managerial and support staff within the aquaculture industry. Given Ōpōtiki's socio-economic deprivation, new employment in the town will have a large impact on wellbeing and social participation.
27. Of the **Commercial Information** hectares of aquaculture space included in the business case projections, only **Commercial Information** hectares currently have the relevant Resource Management Act 1991 and Fisheries Act 1996 consents and are under development. The remaining space is forecasted to be consented over the next decade. In addition, any large-scale aquaculture in the Bay of Plenty will be developed in stages with environmental monitoring, to ensure the activity remains sustainable within environmental limits.
28. The economic modelling undertaken for Ōpōtiki District Council conservatively predicts the harbour development will produce \$**Commercial Information** in economic benefits for New Zealand, which includes \$**Commercial Information** through the creation of two quarries. There

will also be a range of economic and social benefits not quantified in the business case.

29. The project is also expected to catalyse public and private investment in:
- 29.1. a Marine Industrial Zone, which could potentially be privately funded, or funded by the developer and PGF. This would be a commercial boat harbour, (up to \$^{Commercial Information} within a commercially-zoned processing area, serviced by appropriate road, water, sewerage and power infrastructure, and
 - 29.2. the creation of a public wharf to service recreational vessels, and provide for future development of a public marina (part of Ōpōtiki District Council's long term plan).
30. The project also increases the viability of a residential development to the west of the harbour wall by between ^{Comme} to ^{Commercial} sections, creating an additional economic benefit of up to \$^{Commercial Information}

Independent Advisory Panel (IAP) consideration of the project

31. The IAP has considered the project in its current form and has indicated support for the project.

The local and business community supports the project

32. Letters of support have been received from a number of businesses, including those directly involved in the aquaculture industry. The **Commercial Information** has provided a letter of support detailing how it considers Ōpōtiki can be a flagship area for aquaculture into the future.
33. Iwi, such as **Commercial Information**, have also provided support for the project because it aligns with their aquaculture aspirations. **Commercial Information**

The project was previously declined in May 2018 and Ministers directed it be reworked

34. In May 2018, RED Ministers noted the PDU and the IAP's advice to decline funding for an earlier version of this project, and directed officials to rework the proposal. I informed Cabinet of this decision in May 2018. This advice reflected that the cost and risk of the project outweighed the likely benefits because:
- 34.1. the overall cost of the project was \$^{Commercial Information} based on the business case that informed the application
 - 34.2. the estimated benefits of the project were \$^{Commercial Information} based on the business case that informed the application, and
 - 34.3. **Commercial Information**

35. The PDU and the IAP subsequently worked with the Ōpōtiki District Council, supported by engineering expert advice, to rework the proposal so that it was more economically viable. Specifically:
- 35.1. the cost of the project has reduced from \$ ^{Commercial Information} to \$ ^{Commercial Information} based on investigating alternative rock sources and reassessing the harbour engineering design
 - 35.2. construction risks have been mitigated by additional work being undertaken around design and contracting with a single party to undertake the delivery. The PDU has also commissioned a peer review of the design elements of the project that has confirmed the current approach, and
 - 35.3. the estimated benefits of the project have increased to \$ ^{Commercial Information}. The increase is largely due to the construction of two new quarries, which is expected to provide \$ ^{Commercial Information} of economic benefit, and the property development at the mouth of the river that could not occur without the harbour development going ahead.

PGF allocation for historic sites of national importance – up to \$20 million

Background

36. RED Ministers have already approved funding for a range of historic and cultural projects, which have a varying range of economic, social and cultural benefits. To date, this has included:
- 36.1. \$15 million to restore the Government Gardens Cultural Quarter i.e. the Rotorua Museum
 - 36.2. \$12 million to redevelop Whanganui's Sarjeant Gallery
 - 36.3. \$12 million to construct a new regional theatre in Hamilton, and
37. These projects build important contributions to tourism, including tourism infrastructure, based on existing historic sites and seek to increase the volume of high-value tourism to the regions, and in turn, create local business and employment opportunities. These projects are also important in promoting and preserving aspects of New Zealand's history and cultural identity.
38. There is now an opportunity to make further targeted investment that will enable all New Zealanders to better understand our shared history and build a strong foundation for our future. Through investment in sites of national importance, including those where historic battles took place between Māori and Crown forces, we can enable a balanced understanding of our national history.
39. Investment would be consistent with the Government's broader policies, such as our commitment to make New Zealand history part of the local curriculum in all schools and kura by 2022 (including learning about the New Zealand Wars). Such investment would also align with and support the Government Tourism Strategy, and provide opportunity to enhance and extend the value derived from existing programmes such as the cross-agency programme 'Tohu Whenua'.

Proposal to allocate up to \$20 million for further historic sites of national importance

40. I recommend Cabinet allocate up to \$20 million of PGF funding to heritage sites of national importance (particularly those fundamental in shaping our nation's history). The PGF will invest in regional initiatives that develop historic and cultural sites of national importance – contributing to our shared history and identity and stimulating local business and employment opportunities.
41. I expect the majority of these projects would be between \$^{Commercial Information} and \$^{Commercial Information} although there may be some exceptions. The PDU would identify proposals to form the packages and then assess applications before the relevant PGF decision-makers consider these projects.
42. PGF funding may be used towards:
- 42.1. developing sites to support economic activity in the regions, and connection of New Zealanders to these sites
 - 42.2. promoting shared understanding of our history through promoting important sites and events, including sites of national importance in the New Zealand Wars and the founding of our nation
 - 42.3. providing for unique tourism activities that could potentially connect with other tourism ventures within an area, and
 - 42.4. supporting Māori development and prosperity, including through realising the story-telling potential and developing related sites of special significance to iwi and Māori.
43. The PDU is aware of a number of potential proposals currently in development that could be considered for funding. **Commercial Information**
These are given as examples of the likely initial projects to make up a package under this allocation, and the PDU will identify other potential projects. All projects would still need to be assessed by the PDU before decisions are made by the relevant decision-maker. **Commercial Information**

Reprioritising the PGF's Tairāwhiti Roding Package

Background

44. On 20 August 2018, Cabinet agreed to allocate up to \$151.7m from the PGF to the Tairāwhiti Roding Package (the Package) [CAB-18-MIN-0399]. That decision was made on the basis that:
- 44.1. Tairāwhiti is a surge region for the PGF, has had years of underinvestment, and required early investment to enable economic growth within the region
 - 44.2. the ability to fully realise the region's economic potential is dependent on an efficient, resilient and reliable roading network to export ports and domestic markets

44.3. Gisborne District Council (GDC) is unable to meet co-funding requirements for National Land Transport Fund (NLTF) funding, and the projects may not have demonstrated sufficient priority at a national level to attract NLTF funds

45. Following the adoption of the National Land Transport Plan 2018-2021 by the NZTA Board on 31 August 2018, reconciliation between the two funding sources reduced total PGF investment to \$136.4 million, while \$ [Commercial Information] of [Commercial Information] funds would contribute to the Package.

46. On 7 September 2018, the Prime Minister announced the Package and outlined how it would unlock Tairāwhiti's economic potential through stronger, safer and more resilient transport connections. The Package (including NLTF funding) consists of four components:

46.1. two-year physical works programme totalling \$ [Commercial Information]

46.2. funding support for emergency repairs up to \$2.2 million

46.3. delivery of a five-year pipeline consisting of \$3.9 million for investigations and up to \$108.1 million for implementation, with construction scheduled to commence at [Commercial Information] and

46.4. resource support up to \$1 million.

47. All components of the Package are on track and investigations for NZTA's state highway projects proceeding at least six months ahead of schedule.

Fiscal stimulus for Tairāwhiti should occur by the end of [Commercial Info]

48. Most of the \$136.4 million of PGF funding is held in a contingency while investigations are completed, with much of the implementation phase scheduled for 2021. However, one of the operational objectives of the PGF is to have the \$3 billion fund largely committed and the bulk of projects underway by 2020 [CAB-17-SUB-0554]. This is especially important in surge regions such as Tairāwhiti which need an immediate fiscal stimulus.

49. I asked officials to explore accelerating the work so Tairāwhiti gets the benefits of PGF funding as early as possible, and now an additional \$ [Commercial Information] will be invested in [Commercial Info] by frontloading PGF investment.

I recommend reprioritising \$44 million from the Waikare Gorge project

50. The largest project that makes up the Package is the realignment of the road through the Waikare Gorge, with PGF funding of up to \$49 million allocated. The investigation phase is underway and works are currently scheduled to begin in [Commercial Info]

51. **Commercial Information**

[Commercial Information] Therefore, I recommend that we reprioritise \$44 million from this project to be ringfenced for other projects in Tairāwhiti in order to promote economic activity in the region over the remainder of the lifetime of the PGF.

52. I recommend that the investigation, design and purchasing of land for the Waikare Gorge route is completed. I recognise the importance of this project for the Tairāwhiti and Hawkes Bay regions and I wish to ensure that the project is 'investment ready' for future funding. Therefore, I recommend we retain \$5 million to put the Waikare Gorge project in the best position to attract future funding, while providing certainty for landowners through completing a designation.
53. There may be public concern about reallocation of funding for Waikare Gorge as the project was identified as a high regional priority in Tairāwhiti and Hawkes Bay. Public, iwi, and landowner engagement has already taken place. Retaining \$5m to complete investigation, design and land purchasing will minimise these concerns.
54. I have discussed with the Minister of Transport and he is in agreement with this approach.

Officials are currently considering a range of potential alternative investments

55. Officials are seeking alternative investment options. Possibilities will be assessed against general PGF objectives, and must have substantive work beginning in 2020. The funding will remain ring-fenced for projects that benefit the Tairāwhiti region, with a priority on land transport, then other infrastructure, then other types of projects.
56. GDC has provided a list of local roading projects that were not included in the original Package and officials are now seeking further details about projects that are potentially well-aligned with PGF objectives.
57. Project are likely to be under \$20 million in value and, therefore, Regional Economic Development (RED) Ministers will make allocation decisions on these projects. Projects will be brought to RED Ministers in early 2020.

Clarifying delegations relating to the Contingency Funding for emerging priorities

Background

58. Cabinet previously agreed to set aside funding of \$70 million in a tagged contingency to fund PGF-related Coalition commitment projects.
59. In April 2018, Cabinet agreed a \$30 million tagged contingency be set aside for Manifesto Commitments to the Regions within the PGF [CAB-18-MIN-0158.03 refers]. Of the \$30 million tagged contingency, \$20 million was set aside in operating expenditure and \$10 million in capital expenditure.
60. In July 2019, Cabinet agreed an additional \$40 million be added to the tagged operating contingency for emerging priorities for the Coalition Government in relation to the PGF. This enabled Ministers to progress initiatives of importance associated with iconic regional locations and projects that will provide enduring benefits to the regions and New Zealand [DEV-19-MIN-0178 refers].
61. To date, RED Ministers have approved Commercial Information and Cabinet has approved Commercial Information drawdowns from the contingency fund, totalling \$Commercial Information. There is a remaining \$Commercial Information in the tagged contingency – \$Commercial Information operating funding and \$Commercial Information capital expenditure.

Proposed changes to delegations for PGF Contingency Funding

62. I seek Cabinet's clarification of RED Ministers delegations relating to the PGF tagged contingency fund. Specifically, I seek clarification that RED Ministers have the authority to draw down contingency funds for past and future projects, and that they can alter the mix of operating expenditure and capital expenditure within the PGF contingency fund.
63. It is important that RED Ministers can alter the mixture of operating expenditure and capital expenditure within the PGF contingency fund. If Cabinet has to approve any fiscally neutral transfer across the Manifesto commitments contingency fund it slows down our ability to transfer funding, negotiate contracts and disburse funds. Therefore, I seek confirmation that RED Ministers have the authority to make fiscally neutral transfers between operating and capital expenditure within the tagged contingency, as required based on projects approved for this funding.
64. I also seek Cabinet's confirmation that RED Ministers have the joint authority to draw down from the tagged contingency following the approval of the project. This ensures the Government has the ability to approve the drawdown of PGF funding, negotiate contracts and disburse funds in a timely manner. It will also enable funding decisions and funding implications to be more closely aligned.

Transfer of investments funded by MBIE (Supporting Capital Projects) to Provincial Growth Fund Limited

65. In April 2019 the Provincial Growth Fund Limited (PGFL) was established as a Schedule 4A Crown Entity. The purpose of the Company is to hold Crown assets approved as part of the PGF. Initially these assets could take the form of investments (loans and equity), but could expand to other investment types.
66. Until PGFL is operational, MBIE will be using existing capital appropriations to make payments to recipients. The appropriation is part of the PGF multi-category appropriation and is reported against the overall spend of the PGF. The expectation of Ministers and Directors is that the investments held by MBIE will be transferred to PGFL.
67. As the transfer is outside the Crown balance sheet (MBIE non-departmental) to a Crown Entity Company balance sheet (PGFL) an appropriation is required. The existing appropriation held within the PGF MCA has a scope that could include this transaction, however if that appropriation is used it will result in the PGF being charged twice for these investment payments. Once when the recipient received the funding and again on transfer to PGFL.

68. **Commercial Information**

Consultation

69. The Treasury, Ministry of Business, Innovation and Employment, Ministry of Foreign Affairs and Trade, Ministry for Primary Industries, Ministry of Transport, New Zealand

Transport Agency, New Zealand Trade and Enterprise, Te Puni Kōkiri, Department of Internal Affairs, Ministry for the Environment, Ministry for Culture and Heritage, Department of Conservation and Ministry of Social Development have been consulted. The Department of the Prime Minister and Cabinet have been informed.

Financial Implications

70. Funding for all proposals will be met within the PGF's \$3 billion of funding.

Legislative Implications

71. There are no legislative implications to this paper.

Impact Analysis

72. A Regulatory Impact Analysis is not required for this paper.

Human Rights, Gender and Disability Implications

73. There are no human rights, gender nor disability implications.

Publicity and Proactive Release

74. Announcements of these proposals will be made between December 2019 and early 2020 once PDU has undertaken contract negotiation.

75. I propose to proactively release of this paper within 30 working days of these announcements.

Recommendations

The Minister for Regional Economic Development recommends that Cabinet:

1. **Agree** to fund up to \$79.4 million from the Provincial Growth Fund for the Ōpōtiki Harbour Development, subject to confirmation from the **Commercial Information** that it will also contribute \$ **Commercial Information** funding;
2. **Agree** to allocate up to \$20 million from the Provincial Growth Fund towards projects on historic sites of national importance;

Reprioritising the PGF's Tairāwhiti Roding Package

3. **Note** that up to \$136.4 million funding from the Provincial Growth Fund was allocated for the Tairāwhiti Roding Package;
4. **Note** that the Waikare Gorge project will not be substantially underway in **Commercial Infor**
5. **Note** that \$5 million of the Waikare Gorge contingency will be invested in that project to complete the pre-work stages and leave the project ready for implementation when funding becomes available in future;
6. **Agree** to reprioritise \$44 million of PGF funding for the Waikare Gorge project, taking it out of contingency and putting it back into the general PGF;

7. **Note** that officials are report back to RED Ministers on alternative investment opportunities, that the funding will remain ring-fenced for projects that benefit Tairāwhiti;

Clarifying delegations relating to Contingency Funding for emerging priorities

8. **Agree** to transfer \$5.000 million of the tagged capital contingency “Manifesto Commitments to the Regions – Capital” to the tagged operating contingency “Manifesto Commitments to the Regions – Operating”;

	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Manifesto Commitments to the Regions – Capital	(5.000)		-	-	-
Manifesto Commitments to the Regions – Operating	5.000				

9. **Confirm** that Regional Economic Development Ministers have authority to:
- draw down the remaining tagged operating and capital expenditure contingency funding subject to approval through RED Ministers, and
 - swap, but not increase total funding available, between the tagged operating and capital expenditure contingency as required based on approved projects.

Transfer of investments funded by MBIE (Supporting Capital Projects) to Provincial Growth Fund Limited

10. **Agree** that for the transfer of the PGF investments within the MBIE non-departmental balance sheet there should be no impact on the PGF funding;
11. **Note** that the investments referred to in recommendation 10 above have already been advanced to recipients and counted against Budget allowances;
12. **Note** that a key principle for the Fiscal Management Approach is to avoid double counting the fiscal impact of decisions against allowances;

13. **Agree** to establish the following new appropriation to account for the transfer of the

Vote	Appropriation Minister	Title	Type	Scope
Business, Science and Innovation	Minister for Regional Economic Development	Regional Economic Development: Transfer of investments	Non-Departmental Capital Expenditure	This appropriation is limited to the transfer of Provincial Growth Fund investments to Provincial Growth Fund Limited

PGF investments from MBIE to PGFL:

14. **Note** that this appropriation is required because the investments are being transferred outside the legal Crown but it is fiscally neutral as the Crown will be issued shares in PGFL in return for the transfer of the investments;
15. **Agree** that the funding cannot be transferred out of the appropriation established in recommendation 13 above;
16. **Approve** the following changes to appropriations to give effect to the principle agreed in recommendation 10 above, with a corresponding impact on the operating balance:

Vote Business, Science and Innovation Minister for Regional Economic Development	\$m – increase/(decrease)				
	2019/20	2020/2 1	2021/2 2	2022/2 3	2023/24
Non-departmental Capital Expenditure Regional Economic Development; Transfer of investments	Commercial Information				

17. **Agree** that the changes to appropriations for 2019/20 above be included in the 2019 Supplementary Estimates and in the interim, the increase be met from Imprest Supply;
18. **Authorise** the Minister of Finance and the Minister for Regional Economic Development to increase the appropriation established in recommendation 13 above as necessary to meet the value of the investment transfers between MBIE and PGFL.

Authorised for lodgement

Hon Shane Jones

Minister for Regional Economic Development