

PGF PROPOSALS FOR REVIEW

Date:	21 January 2020	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2030 19-20

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Agree to the recommendations outlined in this briefing.	28 January 2020
Hon Phil Twyford Minister of Transport Minister of Economic Development		28 January 2020
Hon David Parker Minister for Trade and Export Growth		28 January 2020
Hon Shane Jones Minister for Regional Economic Development		28 January 2020
Fletcher Tabuteau Parliamentary Under-Secretary to the Minister for Regional Economic Development	Note the contents of this briefing.	28 January 2020

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
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Recommendations

Projects seeking decision from Regional Economic Development Ministers

Ref	Project name	Project description & benefits	Comment	Total cost of project	Requested PGF Investment	PDU Recommendation	IAP Recommendation
1.	Negotiations						

Ref	Project name	Project description & benefits	Comment	Total cost of project	Requested PGF Investment	PDU Recommendation	IAP Recommendation
	Negotiations						
2.	Kawatiri Whitebait	<p>Applicant: New Zealand Whitebait Limited (NZWL) Region: West Coast</p> <p>NZWL is seeking PGF funding as a loan of up to \$[Commercial Information] to support the development of a land-based fish farm for the breeding of a native New Zealand whitebait species and developing a more sustainable approach to commercial whitebait sales.</p> <p>A \$[Commercial Information] grant is also sought to support the management of a wild stock re-seeding facility based in Nelson.</p> <p>It is anticipated that the success of this venture will demonstrate the commercial viability of farmed whitebait production on the West Coast, and thereby establishing the potential for a nationwide industry. It also has some potential to benefit the continuity of certain indigenous fish species, by providing an alternative source of whitebait, other</p>	<p>The PDU will recommend approving up to \$[Commercial Information] of PGF funding as a loan towards New Zealand Whitebait Limited's application for the Kawatiri Whitebait project, if the applicant is able to satisfy the following conditions:</p> <ol style="list-style-type: none"> Cash co-contribution is available to be invested in the business on confirmation of PGF support; An independent validation of the science behind the application by a suitable authority (such as Cawthron or NIWA); The applicant obtaining a fish farm licence for the Westport site; Details being made available as to how the value of the broodstock (\$[Commercial Information]) was arrived at in the business case prepared by Deloitte; Confirmation that the restraint of trade on [Privacy of] (technical expertise) will not restrict his ability to form part of this project as envisaged in the project plan. [Privacy of natural persons] is considered to be the key authority on whitebait production; 	\$[Commercial Information]	<p>\$[Commercial Information] as a loan, \$[Commercial Information] as a grant)</p>	Approve up to \$[Commercial Information] as a loan.	IAP's recommendation is dependent on the outcome of the further work required to satisfy the conditions.

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		<p>than wild capture.</p> <p>A business case completed by Deloitte concludes the project is commercially sustainable. At the end of Year [redacted], NZWL is projected to be capable of producing between [redacted] and [redacted] tonne of whitebait annually, turning over \$ [redacted].</p> <p>The applicants state that the project will directly create [redacted] FTEs, plus [redacted] FTE at the Nelson facility which will be retained as a broodstock support facility. An additional [redacted] FTE jobs are expected to be created through the expansion of the Curly Tree Whitebait Company as a vendor for this product.</p>	<p>f. The PDU and DOC being comfortable with the final plan for the disposal of wastewater at the proposed plant; and</p> <p>g. Due diligence relating to the shareholders being managed to the satisfaction of the PDU.</p> <p>In light of the expense and commitment that would be required to satisfy these conditions, the PDU would like to understand RED Ministers' views on this proposal.</p> <p>The PDU notes there is proven demand for more whitebait in New Zealand and the ability for the commercial production described in this application to provide a more sustainable industry.</p> <p>The project supports the four outcomes of the Government's Aquaculture Strategy and has regional support from both Buller District Council and Ngāti Waewae.</p> <p>Ministry of Primary Industries (MPI), Department of Conservation (DOC), and the PDU do not recommend the \$ [redacted] grant be approved as part of this application and, instead, propose it would be more prudent to establish a trust in the early stages of the venture (and conditional for the draw down of funds) that will enable the future capture and restocking of juvenile/mature broodstock that are suited to the local populations.</p> <p>MPI notes that the project aligns with PGF criteria and supports the recommendation for approval.</p> <p>MPI believes this proposal will have a positive impact on the achievement of Primary Industry objectives, particularly through the Aquaculture Strategy, and its vision.</p> <p>In particular the four outcomes being sought by the Aquaculture Strategy (Sustainable, Productive, Resilient and Inclusive) are all well serviced by this proposal. If the full viability and scaling of the farmed whitebait industry can be proven, it will showcase the innovation capabilities of New Zealand aquaculture and potentially help protect a native species.</p> <p>MFAT notes that the more the applicant focuses on expanding the domestic market rather than potentially lining production up for export, the less risky it is from an export subsidy perspective.</p> <p>DOC noted it would be inappropriate for the Department to have a view on this application as it is a decision-maker, along with MPI and Fisheries New Zealand, under the Conservation Act and Freshwater Fisheries Regulations. In addition to this, the Minister of Conservation is currently reviewing whitebait management and DOC is unlikely to know where this proposal will sit until this review has been completed.</p>				
3.	Ngā Whenua Kaikohe	<p>Applicant: Omapere Rangihamama Ahu Whenua Trust (ORT)</p> <p>Region: Northland</p>	<p>The PDU recommends that you agree to approve in principle an up to \$1,532,000 grant from the Whenua Māori allocation of the PGF towards the development of [redacted] hectares of vineyards on five separate Māori land blocks in the Kaikohe</p>	\$1,532,000	\$1,532,000	Approve	Conditional approval

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		<p>ORT has requested PGF funding to develop [redacted] hectares of vineyards on five separate Māori land blocks in the Kaikohe area over the next [redacted] years. The applicant highlights a Ministry of Primary Industries (MPI) study that identified 82,000ha of Māori owned land within a 50 km radius of Kaikohe, many of which are not utilised or under-utilised. The project will test the viability of expanding the Northland wine industry through the growing of niche grape varieties. The project includes:</p> <ul style="list-style-type: none"> • planning, research and analysis; • planting and growing of the vines until production; and • training of staff in all aspects of viticulture. <p>PGF funding will support five Māori landowners to better utilise their land and will unlock potential for further investment, create employment opportunities for the local Māori communities, and lead to increased income and wellbeing. The applicant has advised that in turn these outcomes will increase the prosperity of the region. The PGF funding will bridge the divide between small landowners with limited financial capability to progress over time into commercial operations.</p> <p>ORT has applied on behalf of the landowners, it is planned that the funding will be lodged with an agreed fund holder (proposed to be [redacted]) which will disburse funds in accordance with instructions of the co-operative. The project land is currently zoned as rural therefore no resource consent issues are foreseen by the applicant for this project.</p> <p>In February 2018, Te Kotahitanga o Mahi Kaha Trust (TKEMKT) received \$3 million in Te Ara Mahi grant funding to deliver a sustained pre-employment programme and develop a skills and training hub for Kaikohe. TKEMKT will provide training and labour, and store and provide equipment for the co-operative. Both the project manager and coordinator will also be based at TKEMKT. TKEMKT are also contributing 2 hectares to the project (detail still to be confirmed with the PDU) with other landowners contributing 1-2 hectares each.</p>	<p>area, subject to:</p> <ul style="list-style-type: none"> • the project being funded in two phases: <ul style="list-style-type: none"> ○ Phase one is to complete the detailed project plan (including cost and technical verification); and ○ Phase two will involve completing the work against the agreed project milestones identified in Phase one; • PGF funding of up to \$ [redacted] be used to fund phase one, this phase will include the following conditions: <ul style="list-style-type: none"> ○ the PDU being satisfied with final project plan and costings, due diligence and financial review findings, and recruitment of project management and technical expertise; ○ funding will be released in tranches against contracted milestones; ○ fund holding structure and the cooperative arrangements confirmed and agreed to the satisfaction of the PDU; ○ letters of support being provided by [redacted]; ○ water consent or a plan for dealing with water requirements being confirmed to the satisfaction of the PDU; and ○ Ministry for Primary Industries review of the information that the applicant provides around the viability of the project. <p>Commercial Information [redacted]</p> <p>However, on balance, as long as these risks can be addressed or mitigated, the project is supported by the PDU, as it aligns strongly to the aspirations of the Whenua Māori allocation and concerns listed in the evaluation by both the PDU and MPI can be addressed prior to contracting.</p> <p>MFAT note that the expansion is only [redacted] % of current grape production ha so no more than minimally trade- or production-distorting. MFAT notes there are legal risks that grants and [redacted] loans for export-related projects, particularly in the agriculture sector, conflict with New Zealand's international obligations, as per MFAT's advice to RED Ministers dated 2 December 2019.</p> <p>The risks, in terms of the potential adverse implications for New Zealand's agricultural export interests as a whole, should be weighed up against well-being benefits to Māori in structurally disadvantaged regions facilitated by the Whenua Māori programme.</p> <p>MPI recommends that further information is necessary to make an informed decision. Particularly a feasibility study with a focus on best land use, further viticulture analysis with</p>				

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			<p>cash flow projections (years) supported by yield projections to provide confidence around long term financial sustainability post project funding to support ongoing landowner prosperity. The PDU has recommended that approval is conditional on MPI's review of the information that the applicant provides around the viability of the project.</p>				
4.	<p>Whangamoe Inlet Chatham Island Aquaculture Farm</p>	<p>Applicant: Abalone Resources Limited Region: Canterbury</p> <p>The application is led by Abalone Resources Limited, an aquaculture company based on the Chatham Islands which is owned by Pita Thomas, CEO and owner of Waitangi Seafoods Limited. Waitangi Seafoods is the owner and operator of fish/seafood processing facilities on the Chathams and a major employer for the community.</p> <p>The applicant is seeking funding through a loan for an aquaculture farm focused on shellfish and the production of premium small seafood goods. It will be the first aquaculture farm on the Chatham Islands and is part of an overall approach to developing a new industry on the Islands. PGF funding is required due to the constraint of capital in the local economy and the inherent risk factor of introducing a new industry. The applicant estimates that an aquaculture farm project will create jobs and an annual contribution to the local economy of \$.</p> <p>The applicant has also made a separate, but related, application for development of a business case to provide the evidentiary foundation that will enable private investment in the development of a larger aquaculture industry for the Chatham Islands. The two projects are not interdependent; rather, the two projects will both contribute to the understandings needed to expand the industry. Together with the business case and the development of an aquaculture industry on the Chatham Islands will have the benefit of creating jobs and training opportunities for the local community, allowing locals to remain on the island rather than seeking employment elsewhere, and add resilience to the local fishing industry.</p>	<p>The PDU recommends that you approve Abalone Resources' application by way of a up to \$ loan from the Provincial Growth Fund subject to:</p> <p>a. Secured co-funding.</p> <p>The project is part of a proposed package approved in principle by RED Ministers in September 2019 for the Chatham Islands.</p> <p>The applicant has demonstrated they are a successful operator in the fishing industry and have assets located on the Chathams. The projected timeframe of the project means that it would get underway in 2020. While Abalone Resources Limited is a start-up, the PDU acknowledges the limitations imposed on the Chatham Islands in terms of economic development opportunities and is therefore supportive of the proposal.</p> <p>The PDU considers that the project will lead to an increase in productivity, creation of jobs and training opportunities. The primary industries on the Chathams are fishing, farming and tourism. The fishing industry alone contributes 30 percent of jobs in the community and \$25 million per annum to the local economy. In the context of the Chatham Island's economy, the annual contribution of \$ is quite large and would expand the fishing sector's contribution to the local economy by over percent (fishing currently contributes 33 percent of the Chatham Islands GDP). Local production of premium small goods will retain value through local processing rather than the shipping of product to the mainland that occurs with the existing finfish quota. Additionally, the establishment of an aquaculture industry on the Chatham Islands will mean it is able to take advantage of its isolation to sustainably produce products that may be susceptible to disease on mainland New Zealand (for example, Bluff Oysters) and can contribute to sustainable commercial practices at a national scale.</p> <p>Due diligence has been completed. No significant issues were identified.</p> <p>MPI supports the application and notes that there is strong alignment with the Government's Aquaculture Strategy to 2025. MPI considers that the related aquaculture business case application, to be approved by Senior Regional Officials, should be completed before funds are released for the development of the aquaculture farm.</p> <p>The PDU notes that the separate business case application is focused on expanding the aquaculture industry beyond an</p>	<p>Commercial Information</p>	\$1,200,000	Approve	Approve

			<p>initial aquaculture farm, and this project is part of the process to help build the case for an industry, specifically around the science. The PDU considers that the experience and knowledge that Abalone Resources Limited bring to the project, plus the funding they are contributing and the loan mechanism provides sufficient security for this application to be approved on its own merits.</p> <p>DOC notes the design and construction of an aquaculture farm located on Chatham Island in [redacted] ha of consented water in Whangamoe Inlet and looks fine from a local biodiversity point of view. The western coast line of Whangamoe is a no take area for commercial fisheries extending out 100m from the shoreline but the map provided suggests the structures would sit outside. The project would have a positive benefit on the whole for the Chatham Islands.</p> <p>MFAT recommend a [redacted] Commercial Information B type loan, i.e. [redacted] Commercial Information as the project produce is designed to be exported there is a risk of prohibited export subsidy under the Agreement on Subsidies and Countervailing Measures. MFAT have advised that any subsidy related to seafood/fishing needs to be treated with additional care due to NZ's strong stance at the World Trade Organisation against providing subsidies to fishing.</p>				
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5.	Commercial Information - Withdrawn Application
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Commercial Information - Withdrawn Application



6.	<p>Pūkaha Environment and Ecology Programme – Te Wānanga Taiao</p>	<p>Applicant: Pūkaha Mount Bruce Board Region: Manawatū-Whanganui/Wairarapa</p> <p>The Pūkaha National Wildlife Centre is an unfenced sanctuary for native wildlife uniquely located in both Tararua and Wairarapa, with the regional boundary running through the Reserve. It comprises of two interdependent operations; the science-based</p>	<p>The Provincial Development Unit (PDU) recommends that you decline Pūkaha Mount Bruce Board’s PGF application for a \$2,500,000 grant towards the Pūkaha Environment and Ecology Programme – Te Wānanga Taiao, on the basis that:</p> <ol style="list-style-type: none"> Limited jobs (an estimated [redacted] will be created over [redacted] years [redacted] FTEs created in each of years [redacted] and [redacted] and one further job in year [redacted]) The forecast increase in visitor numbers is 	<p>\$ [redacted]</p>	<p>\$2,500,000 (grant)</p>	<p>Decline</p>	<p>Approve</p>
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	<p>wildlife sanctuary and the visitor based tourism and advocacy business.</p> <p>The project, Pūkaha Environment and Ecology Programme (Te Wānanga Taiao), is designed to extend public access to the native reserve and the knowledge developed by Pūkaha. The six key programme deliverables over a ^{Commercial} year period are:</p> <ul style="list-style-type: none"> • The Pūkaha Environment and Ecology Education and Training Centre • Overnight Accommodation • Nocturnal Boardwalk • Hospitality and Ecology based Training and Employment • Environment Education Programmes • Electric Vehicle (EV) Charging Stations <p>The project involves:</p> <ul style="list-style-type: none"> • Construction (\$^{Commercial Information}) • Education Programme Development & Delivery (\$^{Commercial Information}) <p>Rangitāne o Wairarapa and Rangitāne o Tararua are soon to formally gift the Pūkaha Mount Bruce National Wildlife Centre Reserve and Pūkaha Mount Bruce Scenic Reserve land back to the Crown for the sole use as the National Wildlife Centre.</p> <p>The goal of this application is to increase visitor numbers by providing accommodation, increasing opening hours and by providing night guided tours through the Pūkaha National Wildlife Centre.</p>	<p>underpinned by a substantial increase in school children visiting Pūkaha which is likely to lead to positive environmental and educational outcomes. It is more difficult to substantiate both the financial viability of Pūkaha and the wider economic benefit generated for the region;</p> <ul style="list-style-type: none"> c. Consents from Department of Conservation and New Zealand Transport Agency are yet to be obtained; and d. It is unclear how commercially sustainable the venture will be. <p>Given the strong environmental benefits of the project the PDU will discuss with relevant agencies whether there is another source of Government funding for this project, including the Department of Conservation (DOC).</p> <p>Economic growth is dependent on increased visitor spend through a wider range of products and experiences. There is strong regional support, as evidenced by the letters of support from the ^{Commercial Information - Supporting} letters withheld due to commercial ^{iti it}</p> <p>The application includes mitigating effects of climate change through use of solar water heating, EV charging stations and designing sewerage and waste water system to benefit the environment. It is planned that strong Māori and cultural principles will be incorporated into learning and training programmes.</p> <p>Financial analysis undertaken as part of the feasibility study indicates the new Education and Accommodation Centre will be financially self-supporting within ^{Commercial} years.</p> <p>The Department of Conservation fully supports the proposal for Te Wānanga Taiao (Pūkaha Environment and Ecology Programme). It aligns with DOC's PGF guiding principles and supports long-term objectives for placing conservation at the heart of the Wairarapa region's sustainable economy and enabling Treaty Partners to achieve their aspirations and provide sustainable economic opportunities for their people.</p> <p>The proposal also aligns with DOC's stretch goals, in particular contributing to 90% of New Zealanders' lives being enriched through connection to our nature and heritage through the provision of accommodation and education.</p> <p>Should this application be supported, the Pūkaha Mount Bruce Board will need to apply to DOC for a Concession under the Conservation Act 1987 to install structures and include further activities. While DOC supports this project, this support should not be seen as approval for any consents/permissions from DOC that this project may require.</p> <p>The New Zealand Transport Agency notes that the proposed development will need the Transport Agency's</p>				
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			approval for the resource consent as an affected party. Additionally, given the location of Pūkaha on State Highway 2, the location of any new access ways or changes to existing access ways will require approval from the Transport Agency. The designs, specifications and traffic management plans to undertake works within our roading corridor will need to be provided.				
7.	Commercial Information - Declined Application						

The Provincial Development Unit recommends that you:

Negotiations

3. **Agree in principle** to approve up to \$^{Commercial Information} of PGF funding as a loan towards New Zealand Whitebait Limited's application for the Kawatiri Whitebait project, if the applicant is able to satisfy the following conditions:
- a. ^{Commercial Inf} co-contribution is available to be invested in the business on confirmation of PGF support;
 - b. An independent validation of the science behind the application by a suitable authority (such as Cawthron or NIWA);
 - c. The applicant obtaining a fish farm licence for the Westport site;
 - d. Details being made available as to how the value of the broodstock (\$^{Commercial}) was arrived at in the business case prepared by Deloitte;
 - e. Confirmation that the restraint of trade on ^{Privacy of natural persons} (technical expertise) will not restrict his ability to form part of this project as envisaged in the project plan. ^{Privacy of natural persons} is considered to be the key authority on whitebait production;
 - f. The PDU and DOC being comfortable with the final plan for the disposal of wastewater at the proposed plant; and
 - g. Due diligence relating to the shareholders being managed to the satisfaction of the PDU.

Agree/Disagree

Ngā Whenua Kaikohe

4. **Agree** to approve in principle an up to \$1,532,000 grant from the Whenua Māori allocation from the PGF towards the development of [redacted] hectares of vineyards on five separate Māori land blocks in the Kaikohe area, subject to:
- i. the project being funded in two phases:
 - a. **Phase one** is to complete the detailed project plan (including cost and technical verification); and
 - b. **Phase two** completing the work against the agreed project milestones;
 - ii. PGF funding of up to \$200,000 be used to fund phase one, this phase will include the following conditions:
 - a. the PDU being satisfied with final project plan and costings, due diligence and financial review findings, and recruitment of project management and technical expertise;
 - b. funding will be released in tranches against contracted milestones;
 - c. fund holding structure and the cooperative arrangements confirmed and agreed to the satisfaction of the PDU;
 - d. letters of support being provided by [redacted] Commercial Information - Supporting letters withheld due to commercial sensitivity
 - e. water consent or a plan for dealing with water requirements being confirmed to the satisfaction of the PDU; and
 - f. Ministry for Primary Industries review of the information that the applicant provides around the viability of the project.


Agree/Disagree

Whangamoe Inlet Chatham Island Aquaculture Farm

5. **Agree** to approve Abalone Resources' application by way of a up to \$1.2 million loan from the Provincial Growth Fund subject to:
- a. Secured co-funding

Agree/Disagree

Commercial Information - Withdrawn Application



Pūkaha Environment and Ecology Programme – Te Wānanga Taiao

7. **Agree** to decline Pūkaha Mount Bruce Board’s PGF application for a \$2,500,000 grant towards the Pūkaha Environment and Ecology Programme – Te Wānanga Taiao, on the basis that:
- a. Limited jobs (an estimated ^{Comme}) will be created over three years (^{Commerc} FTEs created in each of years ^{Comin} and ^{Comin} and one further job in year ^{Commerc})
 - b. The forecast increase in visitor numbers is underpinned by a substantial increase in school children visiting Pūkaha which is likely to lead to positive environmental and educational outcomes. It is more difficult to substantiate both the financial viability of Pūkaha and the wider economic benefit generated for the region;
 - c. Consents from Department of Conservation and New Zealand Transport Agency are yet to be obtained; and
 - d. It is unclear how commercially sustainable the venture will be.

Commercial Information - Declined Application

Commercial Information - Declined Application

David van der Zouwe
Head of the Investment Management
Provincial Development Unit

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Hon Grant Robertson
Minister of Finance

..... / /

Hon Phil Twyford
Minister of Transport
Minister of Economic Development

..... / /

Hon David Parker
Minister for Trade and Export Growth

..... / /

Hon Shane Jones
Minister for Regional Economic Development

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