



COVERSHEET

Minister	Hon Kieran McAnulty	Portfolio	Regional Development
Title of Cabinet paper	Seeking an exception to the Regional Strategic Partnership Fund (RSPF) eligibility criteria for the Tāwhaki Proposal	Date to be published	22 November 2023

List of documents that have been proactively released

Date	Title	Author
August 2023	Seeking an exception to the Regional Strategic Partnership Fund (RSPF) eligibility criteria for the Tāwhaki Proposal	Office of the Minister for Regional Development
28 August 2023	Tāwhaki Proposal Exception Request for Regional Strategic Partnership Fund (RSPF) Consideration CAB-23-MIN-0407 Minute	Cabinet Office

Information redacted

YES / NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reason of commercial information.

In Confidence

Office of the Minister for Regional Development

Cabinet

Seeking an exception to the Regional Strategic Partnership Fund (RSPF) eligibility criteria for the Tāwhaki Proposal

Proposal

- 1 This paper seeks Cabinet agreement to an exception to the Regional Strategic Partnership Fund (RSPF) regional eligibility criteria to enable RSPF investment in the Christchurch-based Tāwhaki aerospace proposal.

Relation to government priorities

- 2 Regional Economic Development (RED) supports the Government's economic plan for an economy that provides economic security in good times and bad. The Government delivers on RED priorities by providing catalytic investment, from the RSPF and other funds under its management (including the Provincial Growth Fund (PGF), in projects that directly contribute to regions' economic development priorities in alignment with Government's strategic economic objectives.

Executive Summary

- 3 The RSPF is a \$200 million investment fund which seeks to grow regional economies by investing in their RED priorities.
- 4 Tāwhaki Joint Venture (Tāwhaki) is a Māori-Crown partnership, established in 2021, between Te Taumutu Rūnanga and Wairewa Rūnanga (together as Kaitorete Limited) and the Crown, with a dual Kaupapa to heal and rejuvenate the unique whenua at Kaitorete Spit in Canterbury and advance New Zealand's aerospace industry. Tāwhaki is seeking \$5.4 million in grant funding from the RSPF for a proposal to build a \$^{Commercial Information} sealed runway and hangar infrastructure at Kaitorete Spit.
- 5 The Tāwhaki proposal would bring economic benefits to the Canterbury region and nationally, with Tāwhaki estimating it could contribute to the creation of up to 1,315 jobs, including high value, high tech roles. The proposal also contributes to a range of national and regional strategic outcomes, including increasing research & development, recognising Māori aspirations, and unlocking aerospace potential.
- 6 However, as the Tāwhaki proposal is located inside the Christchurch city area (at Kaitorete Spit), it does not meet the eligibility criteria for RSPF funding [CAB-21-MIN-0114]. Cabinet agreement is required to approve investment as an exception to the RSPF's location criteria.
- 7 The Tāwhaki proposal does have some risks, for example, the proposed runway may not accommodate future heavier aircraft types, ^{Commercial Information}

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- 8 At the 24 August RED Ministers' meeting I, along with my RED Minister colleagues agreed to approve funding for this proposal, subject to Cabinet agreement to provide an exception to the location-based RSPF eligibility criteria.
- 9 Therefore I seek Cabinet agreement to provide an exception to the location-based RSPF eligibility criteria on the basis that RED Ministers consider that investing in the Tāwhaki proposal would likely lead to strategic and economic benefits for Canterbury and wider New Zealand.

Background

- 10 The RSPF is a \$200 million investment fund [CBC-21-MIN-0013 refers]. The fund was established in 2021 and is administered and managed by Kānoa – Regional Economic Development & Investment Unit (Kānoa), a business unit of the Ministry of Business, Innovation and Employment (MBIE).
- 11 The aim of the RSPF is to build more Productive, Resilient, Inclusive, Sustainable and Māori-enabling (PRISM) regional economies by delivering local approaches tailored to a region's particular needs and advantages.
- 12 RSPF investments must meet the following eligibility criteria [CAB-21-MIN-0114]:
 - 12.1 be located in regional New Zealand (outside the three main centres of Auckland, Wellington and Christchurch, and excludes Auckland region as a whole)
 - 12.2 align with Government and regional economic development priorities and PRISM objectives
 - 12.3 create additional value and avoid duplicating existing efforts
 - 12.4 meet co-contribution guidelines of at least 50 per cent co-funding for commercial and quasi-commercial projects and 20 per cent co-funding for non-commercial projects.
 - 12.5 have the capability to deliver and implement the project.

Tāwhaki is a Māori-Crown partnership with a dual purpose to rejuvenate whenua and advance New Zealand's aerospace industry

- 13 Tāwhaki is a Māori-Crown partnership between Te Taumutu Rūnanga and Wairewa Rūnanga (together as Kaitorete Limited) and the Crown, with a dual kaupapa to heal and rejuvenate the unique whenua at Kaitorete Spit and advance New Zealand's aerospace industry. The partnership was executed through the formal signing of a commercial joint venture agreement on 26 May 2021 [CAB-21-MIN-0193].

- 14 The Crown and Kaitorete Limited each own 50 per cent of the shares in Kaitorete Land Holding Limited¹ which owns 1,000 hectares of land at Kaitorete, 50 minutes' drive from Christchurch CBD. Wairewa Rūnanga and Te Taumutu Rūnanga are mana whenua of Kaitorete.
- 15 To date the Crown has allocated \$^{Commercial Information} towards Tāwhaki, including:
- 15.1 In March 2021 the Crown allocated \$^{Commer} million to purchase the land at Kaitorete for Tāwhaki. Funding was drawn from underspends in the Greater Christchurch Regeneration Fund for the purchase of the land [CAB-21-MIN-0193].
- 15.2 ^{Commercial Information}
- 16 Site analysis by Lighthouse Capital in 2016 ranked Kaitorete as the best available space launch site in New Zealand (out of nine sites examined) for several reasons including its large size, proximity to the ocean (higher launch safety) and proximity to a major city.
- 17 ^{Commercial Information}
- 18 ^{Commercial Information} Tāwhaki is seeking funding to pursue an immediate opportunity to develop the site to cater to current aerospace testing demand for heavier aircraft.

Tāwhaki seeks \$5.4 million in grant funding from the RSPF

- 19 The Tāwhaki proposal seeks \$5.4 million in grant funding from the RSPF to build a \$^{Commercial Information} sealed runway and hangar infrastructure at Kaitorete Spit in Canterbury. The infrastructure would be used by aerospace companies in the area. Tāwhaki is proposing a phased approach to scale up the facilities to meet growing demand and facilities that would cater for multiple users across advanced aviation and space launch.
- 20 A sealed runway and hangar facilities is expected to deliver economic benefits to the Canterbury region by enabling growth in the regional aerospace industry, encouraging associated businesses activity and contributing to the creation of high-value jobs. These economic benefits may spill over to New Zealand more broadly. ^{Commercial Information}

¹ Kaitorete Land Holding Limited is a company established to hold land at Kaitorete Spit as an agent and bare trustee for Tāwhaki.

- 21 Commercial Information
- 22 Commercial Information
- 23 Ngāi Tahu Holdings Corporation Limited (Ngāi Tahu Holdings) has confirmed its support for the proposal and advised that Ngāi Tahu Holdings provided initial support to the project through personnel and project management resources.
- 24 Without this investment, Tāwhaki believe there is a risk that some flagship aerospace companies could move offshore which would have detrimental impacts on the growing sector.
- 25 However, as the Tāwhaki proposal is located inside the Christchurch city area (at Kaitorete Spit), it is ineligible for RSPF funding [CAB-21-MIN-0114].

The Tāwhaki proposal can contribute to the objectives of the RSPF

- 26 The Tāwhaki proposal would support the RSPF’s objective of creating more productive, resilient, inclusive, sustainable and Māori-enabling (PRISM) regional economies. The proposal would create direct and indirect benefits to Canterbury and the national economy. It would enable the growth of new high-value and research & development intensive activities as the region’s economy continues to transition from earthquake rebuild activity, and more recently the economic impacts of COVID-19. Tāwhaki estimate that the proposal would contribute to the creation of up to 1,315 jobs in the aerospace sector. Many of these jobs are expected to be high-value, high-tech jobs.
- 27 The creation of up to 1,315 jobs would likely depend on further investment in other areas of the sector. It is important to note that Kānoa has not had the opportunity to verify Tāwhaki’s forecasts. These forecasts are based on trends from 2021 which was a period of extremely high levels of private investment in the space sector. Investment levels have since decreased.
- 28 The addition of runway and hangar infrastructure at Kaitorete Spit may also make the site more attractive to future private investors, as the potential for Tāwhaki to advance New Zealand’s aerospace industry will be partially demonstrated if the proposal is successful.
- 29 Ensuring that the runway and hangar remain open to multiple users is a key part of the case for public investment in the proposal through the RSPF, as

this would ensure that the infrastructure delivers wider benefits to the aerospace rather than to just one or two exclusive users.

- 30 The proposal aligns with the regional economic development priorities developed by the Canterbury Regional Economic Development Partnership Group. Shared economic prosperity, and in particular high-value manufacturing, is a regional economic development priority identified by the Canterbury Mayoral Forum and Economic Development Agencies.
- 31 There are a range of wider strategic benefits of the proposal, including alignment with Aotearoa New Zealand Aerospace Strategy, support for increased research & development (R&D) activity and support for Māori. These are outlined in **Annex One**.

The Tāwhaki proposal does not align with the RSPF eligibility criteria and has some risks

Alignment with RSPF eligibility criteria

- 32 The Tāwhaki proposal does not meet the Cabinet agreed RSPF eligibility criteria as it is located inside the Christchurch city area [CAB-21-MIN-0114 refers].
- 33 Although there have not been any approved and funded RSPF proposals that have not met the location based RSPF eligibility criteria, I note that RED Ministers have previously approved proposals that did not meet other RSPF eligibility criteria where the regional benefits of funding the proposal justified approving investment as an exception to criteria. These include:
- a. In July 2022 RED Ministers approved a \$2 million grant to BBI Wood Products for a construction skills training programme facility. Proposals related to skills and training were excluded from RSPF funding [CAB-21-MIN-0114], however RED Ministers considered that the regional benefits of funding the BBI Wood Products proposal justified the approval of funding as an exceptional circumstance.
 - b. In December 2022 RED Ministers approved a \$0.5 million grant to the Fraser Park Redevelopment for the redevelopment of the park into a multi-sport and event facility in Timaru. Social assets were excluded from RSPF funding [CAB-21-MIN-0114], however RED Ministers considered that the regional benefits of funding the Fraser Park Redevelopment proposal justified the approval of funding as an exceptional circumstance.
- 34 The Tāwhaki proposal does not meet the co-contribution guidelines (50 per cent for commercial projects) as it is seeking a Government contribution to the project of ^{Commercial In} per cent (\$5.4 million of a \$^{Commercial Information} total estimated cost). However, the establishing Cabinet paper for the RSPF states that flexibility to the guidelines will be particularly important when working with Māori enterprises.

35 Commercial Information

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Identified proposal risks

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The proposed runway would have a chipseal surface, as a cheaper alternative to asphalt. This would only allow aircraft with a maximum take-off weight of 5,700 kg to use the runway. There is a risk that the length and strength of the proposed sealed runway, while currently fit for purpose, would not be suitable for future uses by larger or heavier aircraft without further development.

38

The Board of Crown Regional Holdings Limited² (CRHL) normally provide feedback on all RSPF proposals seeking more than \$1 million of RSPF funding. However, due to timing constraints CRHL feedback on this proposal has not been sought.

39

I also note that further work is being undertaken by MBIE to assess whether any changes are required to the joint venture agreement and/or Kaitorete Land Holding Limited if the proposed project is undertaken by Tāwhaki.

40

Tāwhaki has noted that the sealed runway presents an opportunity

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Tāwhaki is already working with the CAA to explore these opportunities further and any regulatory implications. As part of the funding, Kānoa will engage Tāwhaki to support the benefits to the CAA's regulatory system to be realised.

Cabinet agreement to enable investment in the Tāwhaki proposal is sought given its benefits

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At the 24 August RED Ministers' meeting I, along with my RED Minister colleagues, agreed to approve funding for this proposal, subject to Cabinet agreement to provide an exception to the location-based RSPF eligibility criteria.

42

I seek Cabinet agreement to provide an exception to the location-based RSPF eligibility criteria as RED Ministers consider that investing in the Tāwhaki

² CRHL is a Public Finance Act Schedule 4A asset holding company for loan, equity and asset investments managed by Kānoa.

proposal would likely lead to strategic and economic benefits for Christchurch as well as the Canterbury region and wider New Zealand. We consider that the proposal benefits outweigh the risks outlined in this paper.

43 Approved RSPF investments are subject to Kānoa being satisfied that certain conditions have been met by the recipient. For the Tāwhaki proposal, the following conditions would need to be met:

- 43.1 Commercial Information [Redacted]
- 43.2 Commercial Information [Redacted]
- 43.3 Commercial Information [Redacted]
- 43.4 Commercial Information [Redacted]
- 43.5 Commercial Information [Redacted]
- 43.6 Commercial Information [Redacted]

Conflicts of interest

44 Carolyn Tremain, the Secretary for Business, Innovation & Employment, MBIE is also a director of Kaitorete Land Holding Limited. Ms Tremain has declared a conflict of interest and has managed this conflict by removing herself from any involvement in the provision of advice on the Tāwhaki application for RSPF funding.

Cost-of-living Implications

45 This paper has no cost-of-living implications.

Financial Implications

46 Agreeing to provide an exception to the location-based RSPF eligibility criteria for the Tāwhaki proposal would have no fiscal implications as the funding would come from the RSPF Multi-Category Appropriation. There would be trade-offs required within the RSPF as this request for funding would mean that other proposed investments cannot be funded.

Legislative Implications

47 This paper has no legislative implications.

Impact Analysis

48 This paper has no regulatory, climate or human rights impacts.

Population Implications

- 49 The proposal works in partnership with Taumutu Rūnanga and Wairewa Rūnanga as mana whenua at Kaitorete, helping to address disparities in economic opportunities faced by Māori by supporting both Rūnanga to pursue their aerospace industry aspirations for their whenua.

Human Rights

- 50 This paper has no human rights implications.

Use of External Resources

- 51 Not applicable.

Consultation

- 52 Department of the Prime Minister and Cabinet (DPMC), Ministry of Foreign Affairs and Trade, (MFAT), Ministry of Social Development, Ministry of Defence (MOD) and Ministry of Transport have been consulted on this paper. Department of Conservation (DOC), Land Information New Zealand (LINZ), New Zealand Trade and Enterprise (NZTE) Te Arawhiti, Te Puni Kōkiri (TPK) and The Treasury have been informed of this paper.

Communications

- 53 I intend to announce the decisions from this paper before the end of October.

Proactive Release

- 54 This paper will be proactively released within 30 days of Cabinet's decision.

Recommendations

The Minister for Regional Development recommends that Cabinet:

- 1 **note** that the RSPF is a \$200 million fund established in 2021 which seeks to help grow regional economies by investing in their regional economic development (RED) priorities.
- 2 **note** that Tāwhaki is a Māori-Crown partnership between Te Taumutu Rūnanga and Wairewa Rūnanga (together as Kaitorete Limited) and the Crown [CAB-21-MIN-0193].
- 3 Commercial Information [REDACTED] but that Tāwhaki is now seeking \$5.4 million in grant funding from the RSPF to build a sealed runway and a hangar in the shorter term.

- 4 **note** that the Tāwhaki proposal does not meet the Cabinet agreed RSPF location eligibility criteria as it is located inside the Christchurch city area (at Kaitorete Spit).
- 5 **note** that despite not meeting location criteria, this proposal would progress research and development, support Māori aspirations and align with Government space strategies as well as wider Government strategies.
- 6 **note** that RED Ministers consider that the strategic and economic benefits of this proposal outweigh the risks and that these benefits would not be achieved without investment.
- 7 **note** that at the 24 August RED meeting Ministers agreed to approve funding for the Tāwhaki proposal, subject to Cabinet agreement to provide an exception to the location-based RSPF eligibility criteria.
- 8 **agree** to provide an exception to the location-based RSPF eligibility criteria to enable RSPF investment of \$5.4 million in the Tāwhaki proposal.
- 9 **note** that this investment is subject to Kānoa – Regional Development & Investment Unit (Kānoa) being satisfied that:
 - 9.1 Commercial Information [Redacted]
 - 9.2 Commercial Information [Redacted]
 - 9.3 Commercial Information [Redacted]
 - 9.4 Commercial Information [Redacted]
 - 9.5 Commercial Information [Redacted]
 - 9.6 Commercial Information [Redacted]
 - 9.7 Commercial Information [Redacted]
- 10 **note** that as Tāwhaki has legal constraints on its ability to borrow it is seeking grant funding and not a loan.
- 11 **note** that Carolyn Tremain has declared a conflict of interest as the Secretary for Business, Innovation & Employment, Ministry of Business, Innovation & Employment, and also a director of Kaitorete Land Holding Limited, a company established to hold land at Kaitorete Spit as an agent and bare trustee for Tāwhaki.

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- 12 **note** that Ms Tremain has managed this conflict by removing herself from any involvement in the provision of advice on the Tāwhaki application for RSPF funding.
- 13 **note** that there are no fiscal implications to this proposal given the funding would be drawn from the existing RSPF allocation.

Authorised for lodgement.

Hon Kieran McAnulty

Minister for Regional Development

Annex One – Alignment with Broad Government Strategies

<i>Government Initiative</i>	<i>Outline of the Tāwhaki proposal’s strategic benefits and alignment with Government initiative</i>
Research & Development (R&D) in Canterbury and New Zealand	<p>The Government has set a target to increase expenditure on R&D in New Zealand to two per cent of GDP by 2027. This will help us to generate the new ideas, tools and technologies that will improve New Zealand’s wellbeing and transform the economy. To meet this ambitious goal, New Zealand needs to back opportunities for investors to conduct R&D within New Zealand.</p> <p>The establishment of commercially-focused, multi-use space launch and R&D facilities could attract international investment and world leading-innovators, building domestic industry and R&D capabilities, and creating new highly-skilled jobs.</p>
Supporting Māori aspirations	<p>Fulfilling the Crown’s commitments to the world’s first indigenous-led aerospace initiative, a critical infrastructure asset for New Zealand.</p> <p>Tāwhaki brings together mātauranga Māori and innovative technology to help understand the world and to navigate to the future. Their mission is to create enduring opportunities through rejuvenation and world-leading aerospace partnerships to achieve positive outcomes for the whenua at Kaitorete, for whānau, hapū, and the wider community.</p> <p>The partnership structure of Tāwhaki means that the aspirations of Rūnanga as mana whenua of Kaitorete are recognised.</p>
Government space strategies	<p>This proposal aligns with the objectives of the National Space Policy, announced in May 2023. Specifically, the proposal aligns with the objective of growing an innovative and inclusive space sector, as well the Policy’s value to partner with Māori.</p> <p>This proposal also aligns with the Aotearoa New Zealand Aerospace Strategy through its development of aerospace infrastructure and its possible candidacy as a future space launch site. This would support the pillar of the strategy ‘Unlocking aerospace potential’ as well as the aim to undertake Māori engagement on aerospace.</p>
Industry Transformation Plans	<p>The Industry Transformation Plans on Advanced Manufacturing, Agritech and Digital Technology all have close ties to the aerospace sector.</p>

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