



BRIEFING

Recommendations for funding from the Regional Growth Initiative Fund and Provincial Growth Fund

Date:	9 February 2018	Priority:	High
Security classification:	In Confidence	Tracking number:	2037 17-18

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Note the contents of this brief in preparation for your meeting on Monday 12 February 2018.	12 February 2018
Hon Phil Twyford Minister of Transport	Note the contents of this brief in preparation for your meeting on Monday 12 February 2018.	12 February 2018
Hon David Parker Minister for Economic Development	Note the contents of this brief in preparation for your meeting on Monday 12 February 2018.	12 February 2018
Hon Shane Jones Minister for Regional Economic Development	Note the contents of this brief in preparation for your meeting on Monday 12 February 2018.	12 February 2018

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
John Doorbar	Director, Regional Economic Development	04 896 5565	9(2)(a)	✓
Stephanie Weller	Manager, Regions and Cities Team	04 901 3898		

The following departments/agencies have been consulted
Te Puni Kōkiri, Ministry for Primary Industries, Ministry of Transport, The Treasury

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 Withdrawn |



BRIEFING

Recommendations for funding from the Regional Growth Initiative Fund and Provincial Growth Fund

Date:	9 February 2018	Priority:	High
Security classification:	In Confidence	Tracking number:	2037 17-18

Purpose

On Monday February 12, the Minister of Finance, Minister of Transport, Minister for Economic Development and the Minister for Regional Economic Development are meeting to approve funding of projects for announcement at the launch of the Provincial Growth Fund in Gisborne on 23 February 2018. This briefing provides information on the projects recommended by Senior Regional Officials for that meeting.

Executive summary

The Government has committed to a significant investment in regional economic development through the establishment of the Tuawhenua Provincial Growth Fund (the PGF) of \$1bn per annum over three years. The PGF will invest in a range of projects from feasibility studies, capacity building and small local projects through to larger sector-led initiatives and infrastructure investments.

The Senior Regional Officials group convened on 8 February to review funding proposals and have made decisions within their delegations and recommendations for funding projects that require your delegated authority. This group comprises Deputy Secretary level officials that support economic development in respective regions.

The proposals have been assessed against the criteria for both the Regional Growth Initiatives Fund (RGI) and PGF and recommendations made as per the relevant delegated authority. These are outlined in appendix one. Funding decisions and recommendations for funding have been made from both the RGI and PGF.

We are seeking your approval of eight proposals at your meeting on Monday 12 February. The New Zealand Transport Agency will table a further four proposals for your consideration at the meeting. There are a further six proposals that fit with the draft PGF criteria being developed by officials, that we wish you to consider for approval, subject to the PGF criteria being confirmed by Cabinet on 19 February.

The Prime Minister and the Minister of Regional Economic Development will launch the PGF at Gisborne on Friday 23 February 2018 and will announce the suite of projects that will be funded from the PGF.

Recommended action

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

- a. **Note** that Senior Regional Officials have reviewed the proposals outlined in schedule one and have recommended a range of actions, including
 - a. Already approved, ready to be announced,
 - b. Approve in full,
 - c. Approve subject to business case or further information,
 - d. No recommendation at this stage, continue to work with the applicant,
 - e. Proceed through the Cabinet process,
 - f. Decline, does not meet criteria.
- b. **Note** that Cabinet has agreed to the following delegations:
 - a. Minister for Regional Economic Development to approve projects less than \$1m,
 - b. Minister of Finance, Minister for Regional Economic Development, Minister for Economic Development, and Minister of Transport, together with any other relevant portfolio Ministers (joint Ministers), to approve projects between \$1m and \$10m, and in exceptional circumstances up to \$20m
 - c. agree that projects greater than \$10m require Cabinet approval, (other than those approved by joint Ministers in exceptional circumstances up to \$20m)
- c. **Approve** the projects recommended by the SROs that fit within your delegated authority of up to \$1m under the RGI as the Minister for Regional Economic Development.
- d. **Agree** to the recommendations made by the SROs regarding proposals of more than \$1m assessed under the RGI criteria that require approval by the delegated Ministers.
- e. **Note** that SROs have identified some proposals that fit with the draft PGF criteria that have been developed by officials, and that these criteria will be confirmed by Cabinet on 19 February 2018
- f. **Agree in principle** to the recommendations made by the SROs regarding proposals of more than \$1m assessed under the draft PGF criteria that require approval by the delegated Ministers, subject to these criteria being confirmed by Cabinet on 19 February



John Doorbar
Director, Regional Economic Development,
MBIE

9 / 2 / 18
..... / /

Hon Shane Jones
Minister for Regional Economic
Development

..... / /

Background

1. The Government is committed to economic growth that is sustainable and benefits all New Zealanders. Regional economic development is an essential component of the Government's economic strategy.
2. In December 2017, Cabinet agreed to establish the Tuawhenua Provincial Growth Fund (the PGF), a \$1 billion per annum fund investment for three years, with the overall objective to lift productivity potential in the regions [CAB-17-MIN-0554, paragraphs 1 and 2]. The Fund will have three tiers: Regional Projects and Capability; Sector Investments (including the One Billion Trees Programme); and Enabling Infrastructure Projects [CAB-17-MIN-0554, paragraph 7].
3. Cabinet also agreed that projects agreed in 2017/18 that require new funding be subject to the PGF processes, including objectives, criteria and any detailed criteria and success measures agreed to in a February 2018 report back, with existing criteria for the Regional Growth Initiatives appropriation used in the interim. The draft PGF criteria that officials have been developing will be confirmed by Cabinet on 19 February when they consider this report.
4. Senior Regional Officials (SROs) have continued to assess projects prior to the February 2018 report using the existing criteria for the Regional Growth Initiatives (RGI) appropriation. There are some projects that fit the draft criteria for the PGF rather than the RGI. We are seeking your approval of these projects, subject to Cabinet confirmation of the PGF criteria on 19 February 2018.
5. In December 2017, Cabinet also agreed to the following delegations before the February 2018 report for projects that are investment ready but require new funding:
 - authorise the Minister for Regional Economic Development to approve projects less than \$1 million;
 - authorise the Minister of Finance, Minister for Regional Economic Development, Minister for Economic Development, and Minister of Transport, together with any other relevant portfolio Ministers (joint Ministers), to approve projects between \$1 million and \$10 million, and in exceptional circumstances up to \$20 million;
 - agree that projects greater than \$10 million require Cabinet approval, (other than those approved by joint Ministers in exceptional circumstances up to \$20 million as provided for under paragraph 13.2);

Funding decisions

6. The Senior Regional Officials (SROs) group met on 8 February 2018 and reviewed a suite of proposals against the criteria for the RGI and the PGF and have made decisions within their delegations and recommendations for those within your Ministerial delegations. (See schedule one.)
7. In reviewing the proposals, SROs have followed your instruction and taken an ambitious approach to supporting regional economic development. They have considered projects that are a combination of regional priorities, and also some that are sectoral and infrastructural in nature.
8. Some of the projects will set precedents for future decisions and we seek clarification from Ministers as to whether they are willing to set these precedents by supporting these projects.

Project	Issues of precedents	Recommended action
Bay of Islands Airport	Funding of the Bay of Islands Airport will set precedents for the funding of other regional airports s9(2)(g)(i)	The SROs agree in principle to supporting this project, subject to s9(2)(g)(i) s9(2)(f)(iv)
Russell Wharf Opua Wharf Paihia Wharf	Funding of development and repairs of wharves at Russell, Opua and Paihia could set precedents for central government funding of local government infrastructure. s9(2)(g)(i)	SROs have taken the view to fund in terms of their relationship to the broader regional tourism priorities including the sesetercentennial celebrations in 2019. In addition, Northland is a high growth tourism region with a low rating base. We could share costs with local government and differentiate between resilience and remediation funding and broader strategic outcomes.

9. We are also aware that by funding feasibility studies and business cases there may be raised expectations for further funding of the end projects. Officials will be clear to applicants about what we can and can't fund and that any further funding decisions will be based on the completed business cases.
10. The February report to Cabinet supports investment in resilience of infrastructure and we will then develop robust criteria to deal with incentive effects for local government.
11. NZTA officials will table material for four roading projects at Monday's meeting for your consideration.

Next steps

Report to Cabinet on the PGF

12. 12 February, the Ministers of Finance, Transport, Economic Development and Regional Economic Development meet and consider one proposal for funding within your delegations.
13. 14 February, Economic Development (EDEV) Cabinet Committee considers an oral item to consider seven proposals that fall outside of current delegations.
14. 19 February, Cabinet confirms EDEV's recommendations.
15. 23 February, The Prime Minister and the Minister for Regional Economic Development launch the PGF in Gisborne.

Launch of the PGF

16. Announcements at the launch will include the projects that are being funded from the PGF and will include aggregate investment by all partners' i.e. private, local government and central government.

Pipeline of projects

17. Officials will continue to compile a pipeline of regional, sectoral and infrastructure projects. Some of these projects will be submitted for consideration in the current financial year while others will be considered over the coming year.

Financial implications

18. Officials are recommending that joint Ministers approve the Whanganui Port development for \$3 million. Officials continue to work with the region on the business case and development of Whanganui Port, approving this central government commitment would be a significant boost for the project and the region.
19. Officials are recommending that joint Ministers endorse seven proposals for up to \$22.474 million to proceed as an oral item to Cabinet. These proposals are aligned with PGF criteria, but not RGI criteria which CAB Minute CA-17-MIN-0554 requires. These projects are supported by SROs, but discussion by Ministers regarding precedent setting if approved needs to be considered, prior to Cabinet approving the Operational Design of the Tuawhenua Provisional Growth Fund.
- One of these is recommended to be funded from Regional Growth Initiative MYA – Bay of Islands Airport (\$1.750 million)
 - Six are recommended to be funded from Provincial Growth Fund (total \$10.724 million)

RGI MYA appropriations table

	\$m. increase/(decrease)					Total
	2016/17	2017/18	2018/19	2019/20	2020/21 only	
Amount in Regional Growth Initiatives appropriation			44.000			44.000
Committed funding	(0.880)	(8.921)	(0.075)	(0)	(0)	(9.876)
In-principle funding endorsed awaiting business case from respective region (note 1)	(0)	(3.190)	(0)	(0)	(0)	(3.190)
Taranaki Package to be considered by Ministers and Cabinet late February 2018	-	(18.541)	-	-	-	(18.541)
Northland - Manea Footprints (Briefing MBIE 1580 17-18 refers)	-	(4.600)	-	-	-	(4.600)
Northland - Hihiaunui Cultural Centre (Briefing MBIE-1545 17-18 refers)	-	(1.075)	-	-	-	(1.075)
West Coast - Waste to Energy Plant Greenhouses	-	(0.150)	-	-	-	(0.150)
Gisborne - Wood Engineering Centre of Excellence	-	(0.200)	-	-	-	(0.200)
West Coast - Wilderness Cycle Trail	-	(0.500)	-	-	-	(0.500)
West Coast - Old Ghost Road Cycle Trail	-	(0.500)	-	-	-	(0.500)
Northland - Bay of Islands Airport terminal upgrade	-	(1.750)	-	-	-	(1.750)
Amount remaining in Regional Growth Initiatives appropriation (note 2)			5.368			5.368

Note 1: In-Principle funding endorsed as part of government response to Action Plan - Awaiting business case and submission for formal approval by delegated authority (Ministers/SROs)

Note 2: Appropriation balance if current proposal for funding is approved.

PGF MYA appropriations table

	\$m increase/(decrease)				Total
	2017/18	2018/19	2019/20	2020/21 only	
<i>Whanganui Port Development</i>	(3.000)	-	-	-	(3.000)
<i>Wairoa to Napier Railway</i>	(5.000)	-	-	-	(5.000)
<i>Rail Freight Opportunities - Kawerau/Murupara; South Port; and New Plymouth Eastgate</i>	(0.750)	-	-	-	(0.750)
<i>Russell Wharf</i>	(1.114)	-	-	-	(1.114)
<i>Opua Wharf</i>	(0.890)	-	-	-	(0.890)
<i>Paihia Wharf</i>	(2.970)	-	-	-	(2.970)
Recommended for approval as part of this current briefing (2037 17-18)	(13.724)	-	-	-	(13.724)

Annexes

Annex one: Schedule of projects and recommended actions

Annex two: Schedule of confirmed decisions

Annex three: Summary of projects for decision

RELEASED UNDER THE OFFICIAL INFORMATION ACT

Annex one: Schedule of projects and recommended actions

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Annex One: Schedule of Projects and Recommended Actions

#	Announcement	Region	Lead agency	Recommendation	Funding (up to amount)	Potential Future Crown Investment	Source of funding	Comments	Strategic link to existing plans
ACTION REQUIRED: FOR JOINT MINISTERS APPROVAL ON THE 12 FEBRUARY 2018									
1	Whanganui Port development	Manawatu-Whanganui	MBIE	3. Approve subject to business case or further information	\$3,000,000	s9(2)(iv)	Provincial Growth Fund. There maybe additional support required from Crown the overall project is expected to be about \$90 million, most of which is through private investors and councils.	Approve subject to clear linkages are made between the rail upgrade project for Whanganui. s9(2)(iv)	In regional action plan
ACTION REQUIRED: FOR JOINT MINISTERS ENDORSEMENT TO PROCEED TO EDEV AND CABINET									
2	Whanganui Rail upgrade	Manawatu-Whanganui	MOT	2. Approve in full	s9(2)(iv)		Provincial Growth Fund Note: This is outside the CAB-17-MIN-0554, but is aligned to PGF criteria and objectives being developed, and requires Cabinet approval	Announce the commitment of Government to undertake the deferred maintenance on the Whanganui rail line, bringing the section to a standard that allows mainline locos to use. s9(2)(iv)	
3	Wairoa to Napier Rail	Hawke's Bay	MOT	2. Approve in full	\$5,000,000	\$0	Provincial Growth Fund Note: This is outside the CAB-17-MIN-0554, but is aligned to PGF criteria and objectives being developed, and requires Cabinet approval	Due to previous work on this proposal there is confidence in the costs related to the maintenance required to bring the line to a safe operating standard. However what is not clear at this stage is any co-funding contributions and the links to the Port.	In regional action plan
4	Kawarau/Murupara rail freight opportunities	Bay of Plenty				Unknown	Provincial Growth Fund	This is outside the criteria of RGI, but clearly aligns with Government priorities related to rail and the PGF criteria currently being established.	Links to the Kawarau Container Terminal in the Action Plan
5	South Port rail freight opportunities	Southland	MOT	2. Approve in full	\$750,000	Unknown	Provincial Growth Fund	This is outside the criteria of RGI, but clearly aligns with Government priorities related to rail and the PGF criteria currently being established.	Links to Government priority related to rail and increasing productivity within regions and sustainable and inclusive growth.
6	New Plymouth Eastgate rail freight opportunities	Taranaki				Unknown	Provincial Growth Fund	This is outside the criteria of RGI, but clearly aligns with Government priorities related to rail and the PGF criteria currently being established.	Links to Government priority related to rail and increasing productivity within regions and sustainable and inclusive growth.
7	Bay of Islands Airport Terminal Upgrade - Kerikeri	Northland	MBIE	3. Approve subject to business case or further information	\$1,750,000	\$0	Regional Growth Initiative MYA - for identifying needs Cabinet approval	s9(2)(b)	In regional action plan
8	Russell Wharf	Northland	MBIE	3. Approve subject to business case or further information	\$1,114,000		Provincial Growth Fund Note: This is outside the CAB-17-MIN-0554, but is aligned to PGF criteria and objectives being developed, and requires Cabinet approval	This is outside the criteria of RGI, but aligns with Government direction in the establishment of PGF criteria which is being considered by Cabinet in February 2018. Direction is sought from Cabinet in the February paper for investment on infrastructure remediation and the precedent setting approving such project will make	
9	Opu Wharf	Northland	MBIE	3. Approve subject to business case or further information	\$890,000		Provincial Growth Fund Note: This is outside the CAB-17-MIN-0554, but is aligned to PGF criteria and objectives being developed, and requires Cabinet approval	This is outside the criteria of RGI, but aligns with Government direction in the establishment of PGF criteria which is being considered by Cabinet in February 2018. Direction is sought from Cabinet in the February paper for investment on infrastructure remediation and the precedent setting approving such project will make.	
10	Pahia Wharf	Northland	MBIE	3. Approve subject to business case or further information	\$2,770,000		Provincial Growth Fund Note: This is outside the CAB-17-MIN-0554, but is aligned to PGF criteria and objectives being developed, and requires Cabinet approval	This is outside the criteria of RGI, but aligns with Government direction in the establishment of PGF criteria which is being considered by Cabinet in February 2018. Direction is sought from Cabinet in the February paper for investment on infrastructure remediation and the precedent setting approving such project will make.	
ACTION REQUIRED: FOR MINISTER FOR REGIONAL ECONOMIC DEVELOPMENT APPROVAL - under \$1 million									
11	Waste to Energy South Island Bailing Plant	West Coast	MBIE	1. Approve in full	\$150,000	\$0	Regional Growth Initiative MYA	Future investments would be fully funded by private investors. s9(2)(b)(ii)	In regional growth study
12	Wood Engineered Centre of Excellence	Gisborne	MBIE	2. Approve in full	\$200,000	Unknown	Regional Growth Initiative MYA - for business case development.	s9(2)(iv) To complete business case/feasibility and understand the role for government and future proposal to the PGF, and to identify the commercial and private sector investment in the overall initiative is imperative. PGF could build infrastructure and private investment in the commercial components of the operation in the future.	In regional action plan
13	Wilderness Cycle Trail	West Coast	MBIE	2. Approve in full	\$000,000		Regional Growth Initiative MYA		In regional Action Plan
14	Old Ghost Road Cycle Trail	West Coast	MBIE	3. Approve subject to business case or further information	\$500,000		Regional Growth Initiative MYA		In regional action plan
ACTION REQUIRED: CURRENTLY UNDER ACTIVE CONSIDERATION BY RELEVANT MINISTER SEE ACTION REQUIRED									
15	Manua - Footprints of Kupe	Northland	MBIE	2. Approve in full	\$4,600,000	\$0	Regional Growth Initiative MYA	Do not have Min Robertson (MOR) approval, three others have approved - Davis, Twyford and Parker.	In regional action plan
16	Hibisau Stage One	Northland	MBIE	2. Approve in full	\$1,075,000		Regional Growth Initiative MYA	Do not have Min Robertson (MOR) and Parker (ED) approval, two others have approved - Davis and Twyford	

RELEASED UNDER THE OFFICIAL INFORMATION ACT

Annex two: Schedule of confirmed decisions

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

#	Announcement	Region	Lead agency	Recommendation	Funding (up to amounts)	Potential Future Crown Investment	Source of funding	Comments	Strategic link to existing plans
Annex Two: Schedule of Confirmed Decisions									
ACTION REQUIRED: FOR NOTING BY MINISTERS									
17	Port Study	Multi-region	MOT	1. Already approved awaiting to be announced	\$850,000	Unknown	Regional Growth Initiative MYA - Reprioritisation from CAB minute CAB-17-MIN-0550 refers		
18	Waste to Energy Plant Greenhouses	West Coast	NZTE / MBIE	1. Already approved awaiting to be announced	\$200,000	Unknown	NZTE Funding of \$200k.	Provincial Growth Fund may support future development and wider scope of opportunities are identified and quantum understood	In regional growth study
19	Whanganui Port - Geotechnical feasibility	Manawatu-Whanganui	MBIE	1. Already approved awaiting to be announced	\$90,000		Regional Growth Initiative MYA, this in addition to the \$500k approved for business case development.		In regional action plan
20	Whakaki Lower Catchment Pilot Project	Hawke's Bay	MPI	1. Already approved awaiting to be announced	\$100,000		Regional Growth Initiative MYA	Announce 88,000 trees over 4 years, cleaning up the lake - environmental, more productive land, and youth employment opportunities.	Links to action plan for youth employment and PGF with respect to One Billion Trees
21	Totara Industry Pilot Programme	Northland	MPI	1. Already approved awaiting to be announced	\$450,000	50	Regional Growth Initiative MYA		In regional action plan
22	Gisborne Tourism Package - Gisborne Te Ha Sestersentennial	Gisborne	MBIE	1. Already approved awaiting to be announced	\$1,000,000	50	Regional Growth Initiative MYA		In regional action plan
23	Gisborne Tourism Package - Gisborne Product Development	Gisborne	MBIE	2. Already approved awaiting to be announced	\$80,000	50	Regional Growth Initiative MYA	Approved by SRDs as per their delegated authority	In regional action plan
24	Punakaki Masterplan	West Coast	MBIE	1. Already approved awaiting to be announced	\$100,000		Regional Growth Initiative MYA	Approved by SRDs as per their delegated authority	In regional action plan
25	Provincial Growth Fund (PGF)	National	MBIE / MPI	5. Proceeding through CAB Process					
26	PGF Independent Advisory Panel (and chair appointed)	National	MBIE	5. Proceeding through CAB Process				This may be delayed and will be announced in the future	
27	One Billion Trees Programme	National	MPI	5. Proceeding through CAB Process					

s9(2)(f)(iv)

RELEASED UNDER THE OFFICIAL INFORMATION ACT

33	Blue Green Project	Northland	MBIE	4. Declined		\$0		This is a three waters project and outside of the current proposed scope of funding	
----	--------------------	-----------	------	-------------	--	-----	--	---	--

s9(2)(f)(iv)

Annex three: Summary of projects

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Project Name - Whanganui

Lead Agency: KiwiRail

Key Person: s9(2)(a) , GGM Asset Management & Investment

Project Description:

- This project provides capital to address deferred maintenance on the Whanganui line, bringing this section to a standard that allows mainline locos to serve current and future exporters on this line.
- KiwiRail has commenced a three-year project to strengthen the track at Castlecliff and to connect the line between Palmerston North and New Plymouth. KiwiRail is operating on the Whanganui line now but this operation is not sustainable due to the present condition of the network.
- The track, which was originally built on sand, requires resilience upgrades to support the transportation of growing export volumes. Any upgrade would be limited to low speed operations but would set the network to a level where future maintenance would be kept at modest levels. The upgrade cost estimate is s9(2)(ba)(i)

Objectives:

- This project provides capital to address deferred maintenance on the Whanganui line, bringing this section to a standard that allows mainline locos to serve current and future exporters on this line.

Outcomes:

- This investment supports the broader strategy of addressing bulk freight movements to and from ports that are currently distributed by road mode e.g. logs, increased movement of containers from exporters to Ports, extending regional rail networks to attract new volume to rail and establishing rail optimisation systems to reduce operating transfer costs. This is aligned with the future vision for rail as an enabler of sustainable and inclusive growth for New Zealand.

Budgets

- The upgrade cost estimate is s9(2)(ba)(i)
- The total level of investment required from the PGF is s9(2)(ba)(i)

Assessment

Strength and sense of project, including why now?

This is part of a suite of options for a number of modest rail investments which, subject to the Government's approval, could be quickly enacted within 18-24 months in regions using the PGF. KiwiRail notes that these options have been discussed with Shareholding Ministers, the Minister of Transport and the Minister for Regional Economic Development.

Fit with PGF Criteria

Proposed operational criteria for all tiers of the Fund	
Criteria	Response
Link to Fund and Government outcomes	
<ul style="list-style-type: none"> • Demonstrate contribution to lifting the productivity potential of the region and to Fund’s objectives of more jobs, improved social inclusion, Māori development, environmental sustainability and increased resilience • Clear evidence of public benefits (i.e. benefits other than increased profitability for the applicant) • Are in a Government priority region or sector 	<p>Investment supports the broader strategy of addressing bulk freight movements to and from ports that are currently distributed by road mode e.g. logs, increased movement of containers from exporters to Ports, extending regional rail networks to attract new volume to rail and establishing rail optimisation systems to reduce operating transfer costs. This is aligned with the future vision for rail as an enabler of sustainable and inclusive growth for New Zealand.</p>
Additionality	
<ul style="list-style-type: none"> • Project is not already underway, does not involve maintenance of core infrastructure or assets (except for rail and transport resilience initiatives), and does not cover activities the applicant is already funded for (funding could be considered to increase the scale of existing projects or re-start stalled projects) • Demonstrated benefit of central Government investment or support • Detail of any supporting third party funding (and any funding sought unsuccessfully) • Acts as a catalyst to unlock a region’s productivity potential • Demonstrated links to other tiers of the Fund and related projects, to maximise value of Government investment 	<p>Project is not already underway. Benefits are outlined in objectives and outcomes sections. KiwiRail is unable to fund this from existing sources.</p>
Connected to regional stakeholders and frameworks	
<ul style="list-style-type: none"> • Evidence of relevant regional and local support, either through existing regional development mechanisms, or through another relevant body such as a council, iwi or other representative group (or reasons for any lack of local support) 	<p>TBC</p>

Proposed operational criteria for all tiers of the Fund	
Criteria	Response
<ul style="list-style-type: none"> • Has been raised and discussed with a recognised regional economic development agency • Alignment with, or support for the outcomes of, any relevant regional development plan, Māori development strategy or similar document (whether regional or national) • Demonstrated improvement in regional connectedness (within and between regions) • Leverage credible local and community input, funding, commercial and non-commercial partners • Utilise existing local, regional or iwi/Māori governance mechanisms 	
Governance, risk management and project execution	
<ul style="list-style-type: none"> • Evidence of robust project governance, risk identification/management and decision-making systems and an implementation plan appropriate to the size, scale and nature of the project • Future ownership options for capital projects, including responsibility for maintenance, further development, and other relevant matters • Benefits and risks clearly identified and quantified, depending on the scale of the initiative • Evidence of potential exit gates and stop/go points, and a clear exit strategy • Clearly identifies whole of life costs (capital and operating) • Dependencies with other related projects are identified • Evidence of sustainability after conclusion of Fund funding • Adequacy of asset management capability (for capital projects) • Compliance with international obligations (where relevant) 	Appropriate project governance and implementation plan to be agreed if initiative approved
Recommendation	
<p>That s9(2)(ba)(i) be invested from the PGF to address deferred maintenance on the Whanganui line, bringing this section to a standard that allows mainline locos to serve current and future exporters on this line.</p>	

Project Name - Napier to Wairoa

Lead Agency: KiwiRail

Key Person: s9(2)(a) , GGM Asset Management & Investment

Project Description:

- This project provides capital to address deferred maintenance on the Napier to Wairoa line bringing it up to a safe operating standard that is suitable for lower speed forestry traffic.
- KiwiRail considers that Wairoa is the logical consolidation point for forestry exports from the East Coast. The State Highway from Wairoa to Napier is a challenging road that is not well equipped to accommodate significant growth in logging trucks without major investment.
- The Wairoa to Napier section of the Napier-Gisborne line was not damaged by the storms that led to the line's closure in 2012. However, it is rundown and requires investment to bring it up to operating standard that is suitable for lower speed forestry traffic.
- KiwiRail has been in discussions with Port of Napier/Hawkes Bay Regional Council on a commercial arrangement for the line. To date, the parties have not been able to make the arrangement work due to the upfront investment cost of s9(2)(b)(i) which is required to improve the network.
- This project does not address the damaged Wairoa to Gisborne section. KiwiRail's position is that we should prove the concept where it has the best chance of success, and revisit the damaged section if Napier to Wairoa is successful.

Objectives:

- The rail line from Wairoa to Napier is currently mothballed and requires investment to bring it back for a low speed (50km/h) forestry operation. The project is seeking to address this deferred maintenance on the line, bringing it up to a safe operating standard that is suitable for lower speed forestry traffic.
- KiwiRail understands that Hawkes Bay Regional Council (HBRC)'s objectives are around the improvement of road safety and general amenity by eliminating heavy truck movements in the area.

Outcomes:

- This investment supports the broader strategy of addressing bulk freight movements to and from ports that are currently distributed by road mode e.g. logs, increased movement of containers from exporters to Ports, extending regional rail networks to attract new volume to rail and establishing rail optimisation systems to reduce operating transfer costs. This is aligned with the future vision for rail as an enabler of sustainable and inclusive growth for New Zealand.

Budgets

- HBRC's initial business case for the log service in 2016 placed the cost of reinstating the line at \$700,000-\$900,000. Following its agreement with Napier Port, KiwiRail provided an updated forecast, based on a more thorough engineering assessment, to the Port and HBRC at s9(2)(ba)(i) million more than the initial estimate. KiwiRail believes that the total level of investment required from the PGF is s9(2)(ba)(i) in FY19 and s9(2)(ba)(i) in FY20.
- This could be funded either by:
 - Direct Crown funding (or)
 - A matching Regional Council expenditure in some ratio
- KiwiRail's view is that a funding model in partnership with regional interests would be an effective way to ensure local commitment.

Assessment

Strength and sense of project, including why now?

This is part of a suite of options for a number of modest rail investments which, subject to the Government's approval, could be quickly enacted within 18-24 months in regions using the PGF. KiwiRail notes that these options have been discussed with Shareholding Ministers, the Minister of Transport and the Minister for Regional Economic Development.

Fit with PGF Criteria

Proposed operational criteria for all tiers of the Fund	
Criteria	Response
Link to Fund and Government outcomes	
<ul style="list-style-type: none"> • Demonstrate contribution to lifting the productivity potential of the region and to Fund's objectives of more jobs, improved social inclusion, Māori development, environmental sustainability and increased resilience • Clear evidence of public benefits (i.e. benefits other than increased profitability for the applicant) • Are in a Government priority region or sector 	<p>Investment supports the broader strategy of addressing bulk freight movements to and from ports that are currently distributed by road mode e.g. logs, increased movement of containers from exporters to Ports, extending regional rail networks to attract new volume to rail and establishing rail optimisation systems to reduce operating transfer costs. This is aligned with the future vision for rail as an enabler of sustainable and inclusive growth for New Zealand.</p>
Additionality	
<ul style="list-style-type: none"> • Project is not already underway, does not involve 	<p>Project is not already underway.</p>

Proposed operational criteria for all tiers of the Fund	
Criteria	Response
<p>maintenance of core infrastructure or assets (except for rail and transport resilience initiatives), and does not cover activities the applicant is already funded for (funding could be considered to increase the scale of existing projects or re-start stalled projects)</p> <ul style="list-style-type: none"> • Demonstrated benefit of central Government investment or support • Detail of any supporting third party funding (and any funding sought unsuccessfully) • Acts as a catalyst to unlock a region's productivity potential • Demonstrated links to other tiers of the Fund and related projects, to maximise value of Government investment 	<p>Benefits are outlined in objectives and outcomes sections.</p> <p>Third party funding could be sought through a matching Regional Council expenditure in some ratio.</p> <p>KiwiRail is unable to fund this initiative from existing sources.</p>
Connected to regional stakeholders and frameworks	
<ul style="list-style-type: none"> • Evidence of relevant regional and local support, either through existing regional development mechanisms, or through another relevant body such as a council, iwi or other representative group (or reasons for any lack of local support) • Has been raised and discussed with a recognised regional economic development agency • Alignment with, or support for the outcomes of, any relevant regional development plan, Maori development strategy or similar document (whether regional or national) • Demonstrated improvement in regional connectedness (within and between regions) • Leverage credible local and community input, funding, commercial and non-commercial partners • Utilise existing local, regional or iwi/Māori governance mechanisms 	<p>Strongly supported within the region and by Port of Napier and HBRC</p>
Governance, risk management and project execution	
<ul style="list-style-type: none"> • Evidence of robust project governance, risk identification/management and decision-making systems and an implementation plan appropriate to the size, scale and nature of the project • Future ownership options for capital projects, including 	<p>Appropriate project governance and implementation plan to be agreed if initiative approved</p>

Proposed operational criteria for all tiers of the Fund	
Criteria	Response
<p>responsibility for maintenance, further development, and other relevant matters</p> <ul style="list-style-type: none"> • Benefits and risks clearly identified and quantified, depending on the scale of the initiative • Evidence of potential exit gates and stop/go points, and a clear exit strategy • Clearly identifies whole of life costs (capital and operating) • Dependencies with other related projects are identified • Evidence of sustainability after conclusion of Fund funding • Adequacy of asset management capability (for capital projects) • Compliance with international obligations (where relevant) 	

Recommendation

At present, there is no evidence to suggest that a freight service operating on the entirety of the Napier-Gisborne line could be economically viable, or that such a service could be sustained if it was implemented.

KiwiRail considers that the recommencement of rail services between Wairoa and Napier is a viable regional development goal and that some form of arrangement between KiwiRail and regional interests is a good model.

Recommend PGF investment of s9(2)(ba)(i) in FY19 and s9(2)(ba)(i) in FY20 address deferred maintenance on the line, bringing it up to a safe operating standard that is suitable for lower speed forestry traffic.

Appendix - supporting documents

None.

Project Name – Regional Freight Opportunities

Lead Agency: KiwiRail

Key Person: s9(2)(a) , GGM Asset Management & Investment

Project Description:

The project is for the following Regional Export Opportunities Business Cases (noting that these are feasibility only - further funding would be required for the delivery phase if approved):

Kawerau/Murupara

- In many respects Murupara is the best model for forestry consolidation onto a rail-head, KiwiRail notes that the line and terminus was built for this purpose. There are other opportunities in the Eastern Bay of Plenty which will require some modest seed capital (\$250k) to enable KiwiRail to engage with industry and developers. These include:
 - Properly costing options to connect water exports from Murupara and Kawerau to rail; and
 - Creating an inland hub at Kawerau.

South Port

- In the 10 years to 2016, cargo at South Port increased from 2 million tonnes to 3 million tonnes and in 2017, log exports reached a record 560,000 tonnes, making up almost 30% of South Port's overall cargo. However, South Port faces the risk of container trade loss to Port Chalmers which could result in the Port exiting container trade all together.
- A forest export trade centred on South Port has the potential to replace the loss of container trade and to create export flows with greater logic in the lower South Island, with CT through Port Chalmers and Forestry at South Port.
- KiwiRail wants to work with South Port, local forestry interests and potentially Port Chalmers to investigate how to create logical consolidation points and cost the network investments needed. KiwiRail estimates that it will require c\$250K of funding to do this.

New Plymouth Eastgate

- Similar opportunities to those in South Port exist to potentially channel forestry exports by rail through Eastgate. KiwiRail wants to work with Eastgate, local forestry interests to investigate how to create logical consolidation points and cost the network investments needed. KiwiRail estimates that it will require c\$250K of funding to do this.

Objectives:

- These feasibility studies support regional freight projects that are focused on increasing productivity within regions and supporting sustainable and inclusive growth.

Outcomes:

- This investment supports the broader strategy of addressing bulk freight movements to and from ports that are currently distributed by road mode e.g. logs, increased movement of containers from exporters to Ports, extending regional rail networks to attract new volume to rail and establishing rail optimisation systems to reduce operating transfer costs. This is aligned with the future vision for rail as an enabler of sustainable and inclusive growth for New Zealand.

Budgets

The following amounts are required from the PGF in FY19:

- Kawerau: Investigate costing options for the creation of an inland hub at Kawerau and the connection of water exports from Kawerau/Murupara by rail - \$250k
- South Port: Investigation works to assess forestry consolidation points at South Port and necessary network investments - \$250k
- New Plymouth/Eastgate: An equivalent exercise to that at South Port to capture the potential forestry export trade - \$250k

Assessment

Strength and sense of project, including why now?

This is part of a suite of options for a number of modest rail investments which, subject to the Government's approval, could be quickly enacted within 18-24 months in regions using the PGF. KiwiRail notes that these options have been discussed with Shareholding Ministers, the Minister of Transport and the Minister for Regional Economic Development.

Fit with PGF Criteria

Proposed operational criteria for all tiers of the Fund	
Criteria	Response
Link to Fund and government outcomes	
<ul style="list-style-type: none">• Demonstrate contribution to lifting the productivity potential of the region and to Fund's objectives of more jobs, improved social inclusion, Māori development, environmental sustainability and increased resilience• Clear evidence of public benefits (i.e. benefits other than increased profitability for the applicant)• Are in a Government priority region or sector	Investment supports the broader strategy of addressing bulk freight movements to and from ports that are currently distributed by road mode e.g. logs, increased movement of containers from exporters to Ports, extending regional rail networks to attract new volume to rail and establishing rail optimisation systems to reduce operating transfer costs. This is aligned with the future vision for rail as an enabler of sustainable

Proposed operational criteria for all tiers of the Fund	
Criteria	Response
	and inclusive growth for New Zealand.
Additionality	
<ul style="list-style-type: none"> • Project is not already underway, does not involve maintenance of core infrastructure or assets (except for rail and transport resilience initiatives), and does not cover activities the applicant is already funded for (funding could be considered to increase the scale of existing projects or re-start stalled projects) • Demonstrated benefit of central Government investment or support • Detail of any supporting third party funding (and any funding sought unsuccessfully) • Acts as a catalyst to unlock a region's productivity potential • Demonstrated links to other tiers of the Fund and related projects, to maximise value of government investment 	<p>Project is not already underway. Benefits are outlined in objectives and outcomes sections. KiwiRail is unable to fund these initiatives from existing sources.</p>
Connected to regional stakeholders and frameworks	
<ul style="list-style-type: none"> • Evidence of relevant regional and local support, either through existing regional development mechanisms, or through another relevant body such as a council, iwi or other representative group (or reasons for any lack of local support) • Has been raised and discussed with a recognised regional economic development agency • Alignment with, or support for the outcomes of, any relevant regional development plan, Māori development strategy or similar document (whether regional or national) • Demonstrated improvement in regional connectedness (within and between regions) • Leverage credible local and community input, funding, commercial and non-commercial partners • Utilise existing local, regional or iwi/Māori governance mechanisms 	TBC
Governance, risk management and project execution	
<ul style="list-style-type: none"> • Evidence of robust project governance, risk 	Funding is for feasibility

Proposed operational criteria for all tiers of the Fund	
Criteria	Response
<p>identification/management and decision-making systems and an implementation plan appropriate to the size, scale and nature of the project</p> <ul style="list-style-type: none"> • Future ownership options for capital projects, including responsibility for maintenance, further development, and other relevant matters • Benefits and risks clearly identified and quantified, depending on the scale of the initiative • Evidence of potential exit gates and stop/go points, and a clear exit strategy • Clearly identifies whole of life costs (capital and operating) • Dependencies with other related projects are identified • Evidence of sustainability after conclusion of Fund funding • Adequacy of asset management capability (for capital projects) • Compliance with international obligations (where relevant) 	<p>studies only. Appropriate project governance and implementation plan to be agreed if initiative approved.</p>

Recommendation
<p>KiwiRail considers that investment in these feasibility studies for regional rail export opportunities should be supported by the RGE.</p> <p>Recommend to approve a total of \$750,000 to undertake three feasibility studies for regional rail export opportunities at Kawerau/Murupara, Southport and Eastgate at New Plymouth.</p>

Appendix - supporting documents

None

ONE PAGE ASSESSMENT OF PROJECTS

Project

Bay of Islands Airport, Far North Holdings Ltd

Contact: Andy Nock, Far North Holdings Limited, s9(2)(a)

Project description – what is the project, how will it be carried out and who will benefit?

The Bay of Islands Airport, in Kerikeri, is a fast growing regional airport, which has received strong support from Air New Zealand, which increased services to the airport during the 2017/18 summer due to high demand.

This project involves the building of a new terminal at Bay of Islands Airport. Tourism operators and businesses in the Far North will be the largest benefactors from this project, as it will support an increase in accessibility to the rest of New Zealand.

The primary objective of this project is to relieve congestion at the airport and cater to visitor growth by increasing capacity and improving facilities for passengers arriving in the Far North by air. Additionally, the project is needed to meet the operational requirements of the primary user (Air New Zealand) and the requirements of the Civil Aviation Authority.

The project will provide connectivity for tourism, the local community, and business in the Far North to the rest of New Zealand. It will help support the growing tourism industry, supporting an increase in jobs in the region.

Budgets

- The total budget is s9(2)(ba)(i)
- Far North Holdings Ltd has secured s9(2)(ba)(i) private investment, Far North District Council are contributing s9(2)(ba)(i).
- Crown funding of \$1,750,000 (capital) is sought to cover the remaining shortfall of funding (s9(2)(ba)(i) of total cost).

Assessment

The Bay of Islands Airport project supports the growing tourism sector in Far North through improving the airport to the required standards of the air transport sector and providing capacity to arrest congestion issues and cater to growing demand. It also supports the increase of access of the Far North to the rest of New Zealand, benefitting the community, business, and tourism, and contributing to regional resilience. The current terminal is considered not fit for purpose and does not meet Air New Zealand's requirements. Growth in passenger numbers (reflected by an additional service during the 2017/18 summer season) is also putting pressure on the existing facilities.

The project has third party funding, and a clear rationale for central government funding, pronounced by the fact that it is a regional airport that is not fifty percent owned by central Government. Air New Zealand, the primary user of the airport, supports, and has contributed to the design of the proposal.

Building consents have been lodged and are due at the end of March 2018.

The s9(2)(ba)(i) private funding that has been secured is dependent on obtaining the remaining funding by 31 April 2018. This funding will be at risk if the additional funding of \$1,750,000 is not secured by that date.

Risks

- Delays to the securing of the additional funding beyond 31 April 2018 could result in the loss of the s9(2)(ba)(i) private contribution.
- s9(2)(ba)(i)
- The Ministry of Transport have advised that they do not have specific funding for infrastructure at airports other than the joint venture airports they half own, therefore cannot financially support this upgrade.

Probity

- Who will manage the project: Far North Holdings Limited
- Costs and benefits: The cost of the project will be s9(2)(ba)(i), for which the Crown contribution will be \$1,750,000. The benefit will be through increasing capacity and improving the travel experience for visitors to the Far North, making flying to the Far North a more attractive option for visitors.
- Non-financial benefits: Safety benefits from meeting Air New Zealand and Civil Aviation Authority requirements

Recommendation

Agree to fund up to \$1.75 million on the basis of a business case.

Rationale: The Bay of Islands airport upgrade has been identified as a key priority in the Tai Tokerau Northland Economic Action Plan. The region has parity of funding for the upgrade, while also seeking to manage the existing tourism increases in the region. Given these reasons alone, there is reason to consider this project as not precedent setting.

Appendix - supporting documents

s9(2)(ba)(i)

ONE PAGE ASSESSMENT OF PROJECTS

Project

Russell Wharf, Far North Holdings Ltd

Contact: Andy Nock, Far North Holdings Limited, s9(2)(a)

Project description – what is the project, how will it be carried out and who will benefit?

Russell Wharf is Russell's primary connection to the rest of New Zealand, and is therefore an important piece of community and tourism infrastructure. 850,000 passengers use the wharf to access ferry services each year and the wharf is an important base for a number of commercial tourism services, which operate from there. Russell is one of the key visitor highlights of the Bay of Islands and also hosts a number of nautical events.

Part of the existing infrastructure is built around the original timber piles and provides low tidal landings, which are unsafe and provide low utility value. This project would replace these landings and others with floating concrete pontoons, whilst a wharf extension will create more visitor space and improve passenger flow for increasing visitor numbers and help to build capacity for future. Additionally, four new super-yacht moorings are to be built, along with other upgrades to sewerage and water services and other maritime services.

The project will primarily benefit the local community and tourism operators. Firstly, through greater resilience of an important piece of infrastructure (the wharf is the primary means of access to Russell) and, secondly, through catering to the growth of the tourism industry, helping to bring more tourists and jobs to the area.

Budgets

- The total budget is s9(2)(ba)(i)
- Funding of s9(2)(ba)(i) is being provided by Far North District Council and Far North Holdings Limited.
- Crown funding of s9(2)(ba)(i) (capital) is being sought.

Assessment

The project demonstrates a contribution to lifting the productivity of the region and has strong regional and local support. The developments are permitted as they replace existing structures. The Wharf extension and a new dinghy dock will need consent, although prior consultation work has taken place.

The project would provide more space for existing users (approximately 850,000 passengers use Russell Wharf's ferry transport and tourism services each year), replace ageing and failing infrastructure, and provide capacity for future tourism expansion. The current facilities are unsuitable for existing uses and an upgrade of facilities will help cater for the growth in the tourism sector.

Risks

- There is some concern about the need for super-yacht berths in the region, given that such facilities are also proposed for other wharf upgrades. An assessment on the demand for super-yacht facility expansion in the Bay of Islands may need to be more forthcoming.
- There is no estimated "additionality" in tourism to validate the proposed upgrade. Initially, it will cater for the status quo.
- As Far North Holdings owns the three wharfs, there needs to be consideration on how they will maintain the wharfs ongoing. Financial sustainability will be required, as well as understanding what local business commitment is to the project i.e. what are the local tourism businesses contributing to the upgrade?

Probity

- Who will manage the project: Far North Holdings Limited
- Costs and benefits: The cost of the project is s9(2)(ba)(i) of which s9(2)(ba)(i) funding is sought from the Crown. The benefits include increasing capacity for visitors and commercial tourism operators, allowing room for growth in these sectors.
- Non-financial benefits: Increased community space from the wharf extension and increased community utilities (for example, the dinghy docks).

Recommendation

Agree to fund up to s9(2)(ba)(i) conditional on a further business case being obtained.

Rationale: This is the main access point to Russell from Paihia. However, more information is needed to understand what additional tourism will be achieved by upgrading this facility. There is concern that the "increased tourism" the project refers to could be a displacement of existing tourism in the region.

Appendix - supporting documents

s9(2)(ba)(i)

ONE PAGE ASSESSMENT OF PROJECTS

Project

Opua Events Pontoon/Super Yacht Berth, Far North Holdings Ltd

Contact: Andy Nock, Far North Holdings Limited, s9(2)(a)

Project description – what is the project, how will it be carried out and who will benefit?

Development of a hosting/events platform, in the form of a 120 metre floating pontoon, for the Cook 2019 regatta celebration at Opua Wharf. This will act as a facility that can be used for other future events (for example, Millennium Cup super-yacht racing) and extending super-yacht berth, and the associated super-yacht tourism market, outside of Auckland. The pontoon will be sited alongside the existing wharf and would be used as a staging area for the commemorative events.

The pontoon will be used to stage the vessels associated with the celebration events providing land based infrastructure to enable the public to engage with vessels and crew. The on-going economic benefits include supporting events such as Bay of Islands Sailing Week (New Zealand's largest multi-day and multi-class sailing event) and the Millennium Cup (New Zealand's premier sailing regatta for Superyachts). Additionally, it would cater to tallship regattas, which occur every 2-3 years. The ability to cater to super yachts will provide an entrance into this market.

The outcomes sought from the project are an increase in visitor numbers and expenditure, through an increase in events being held at Opua, and high value tourists attracted by the super-yacht facilities.

Space for super-yacht berthing, servicing and provisioning will contribute additional income and jobs to the local economy. Typically, a one week cruise in New Zealand by a super yacht generates an income level of \$431,608 into the New Zealand economy, while the super yacht refit industry generates around \$250 million per year. With the development of the facilities, Opua can be used as a base from which super yacht owners can orchestrate other international visits from clients, friends and family.

Budgets

- Total budget is s9(2)(ba)(i)
- Secured funding of s9(2)(ba)(i) from Far North Holdings Ltd
- Funding sought from the Crown is s9(2)(ba)(i)

Assessment

Event space and potential to attract future events and super-yacht visits will increase the tourism earning potential in the area. It will also act to improve resilience in the tourism sector by providing additional berth space. There are also environmental benefits associated with safe berthage, including reduction in damage to the seabed by vessels, safe discharge of waste from boats, and safe refuelling of vessels.

The key reasoning behind the timing of the project is that the event space created by the pontoon is necessary for the Cook 2019 celebration, and will support an already busy event schedule.

Details around the super yacht facilities are not forthcoming at this time, particularly around the demand for expanded facilities in New Zealand. This is particularly important given that other wharfs in the area have the potential to tap into this market as well with planned upgrades. This calls into question the priority of this project, although potentially the events pontoon aspect of the project could be separated from the super-yacht berth proposal if there are savings to be made in this.

Risks

- This proposal was previously presented to the MBIE Major Events Team for funding, however was not considered to meet the criteria of the Major Events Development Fund. It should be noted that central government, through the Major Events Development Fund, have contributed \$3.5 million towards the First Encounters 250 event, of which s9(2)(ba)(i) is for the Opuia components.
- Far North Holdings are seeking almost two-thirds of the funding for the project from the Crown, and there does not appear to be other contributors interested in the proposal.
- Details on benefits are lacking and would require further business case development to validate any central government investment.
- Environmental risks need to be considered for this project as the increase in water traffic could lead to increased erosion in the area.

Probity

- Who will manage the project: Far North Holdings Ltd
- Costs and benefits: The total cost is s9(2)(ba)(i) of which s9(2)(ba)(i) is being sought from the Crown. The benefits would include the ability to stage events, such as regattas, that would bring additional visitors throughout the year to Opuia, increasing expenditure. Visitor expenditure would also be increased through the ability to cater to the super-yacht market, in terms of tourism, servicing, and refit expenditure.
- Non-financial benefits: The pontoon would create an additional community events space.

Recommendation

Agree to fund up to s9(2)(ba)(i) on a further business case being obtained.

Rationale: Previous concerns raised about the viability of the project. Will need further details before agreeing to funding. However, it is acknowledged that this project aligns with the First Encounters 250 commemorations being held in 2019.

Appendix - supporting documents

s9(2)(ba)(i)

ONE PAGE ASSESSMENT OF PROJECTS

Project

Paihia Wharf, Far North Holdings Ltd

Contact: Andy Nock, Far North Holdings Limited, s9(2)(a)

Project description – what is the project, how will it be carried out and who will benefit?

Paihia Wharf is a major gateway and maritime transport hub in the Bay of Islands. It is considered by Far North Holdings to be a critical piece of infrastructure in the Far North. A number of commercial maritime businesses operate from the wharf, including local tourist cruises and charters, and the passenger ferry to Russell. Cruise ship tenders make heavy use of the wharf.

The project is an upgrade of the existing wharf facilities, which are currently struggling to handle the number of visitors and tourist operators and inhibiting future growth. The wharf is also in average to poor condition, with many components reaching the end of their natural life.

The project includes providing increased space for passengers and improved passenger facilities, such as protection from wind and rain. It is also proposed to dredge a deeper channel to cater to most vessel types, and to build a further four berths for vessels. Improved maritime industry services are also proposed, including new facilities for pumping out the sewerage holding tanks of vessels.

The project will enable Paihia Wharf to better cater to the needs of its current users, benefitting the local economy through better support for tourists and tourism operators. Long term outcomes include improvements in resilience, increased tourism business and job opportunities, capacity to cater to increased visitor numbers, and environmental benefits associated with the improved facilities for vessels.

Budgets

- The total budget for the project is s9(2)(ba)(i)
- s9(2)(ba)(i) is being contributed from Far North Holdings Ltd.
- s9(2)(ba)(i) (capital) of Crown funding toward the project

Assessment

This project would help to relieve congestion and increase capacity for further marine tourism growth (charters, sightseeing, ferry passengers and cruise ship tenders). Regional and local support is strong. Non-central government contributions total 15 per cent of the projects cost, and consent for the project has already been lodged (outcome expected March) with dredging consent already in place.

The infrastructure has reached the end of its life and is also no longer able to cater to the demands being presently placed on it. Tourism is an important and growing sector in Northland and this is seen as the most important piece of infrastructure for the Far North District by Far North Holdings Ltd. As a facility which receives tenders from visiting cruise ships, Paihia Wharf is one of the primary gateways for tourists visiting Northland, is the main point of access to Russell, and is a hub of

maritime tourism in its own right. The demands being placed upon the infrastructure suggest this project would be beneficial to the region.

However, total job creation and other information related to project management, funding contributions and the benefits of the project are not available and will require further work to get this project to a more investment ready stage.

Risks

- Funding shortfall is 85 percent of the total cost. Central government would be assuming the majority of the risk on this project. An underwriter for this project should be recommended to ensure central government is not approached for further funding.
- There is insufficient information to make a decision on this project. Mitigation would be to agree to fund the business case for the project instead of agreeing to fund the project outright, at this stage.
- The project has a low contingency of approximately 5 percent of the project cost.
- Environmental risks need to be considered for this project as the increase in water traffic could lead to increased erosion in the area.

Probity

- Who will manage the project: The project will be managed by Far North Holdings Limited.
- Costs and benefits: The costs will be s9(2)(ba)(i) of which \$2,970,000 is being sought from the Crown. The benefits include added resilience, and capacity to the local visitor economy, which will support more jobs.
- Non-financial benefits: The project will have environmental benefits due to the improvements to facilities for servicing vessels.

Recommendation

Agree to fund up to s9(2)(ba)(i) conditional on a further business case being obtained.

Rationale: The project is meeting the demands of increased tourism in the region, and is the central point for visitors to the region on water. However, the level of due diligence will need to be significantly scaled up to meet the requirements of central government, and to further de-risk central governments investment in the project given the high level of public investment.

Appendix - supporting documents

s9(2)(ba)(i)

PROJECT: s9(2)(j)

WESTPORT WASTE TO ENERGY PLANT

Key person and contact details

Kevin Stratful, West Coast Economic Development Manager, kevins@wced.nz s9(2)(a)

Project description – what is the project, how will it be carried out and who will benefit?

The West Coast is proposing the establishment of a waste to energy (W2E) plant in the Buller District near Westport. It will divert 350,000 tonnes of South Island waste per year from landfills, extracting the energy from this waste to be used for specific, new, West Coast horticulture and manufacturing businesses. s9(2)(j)

The W2E plant itself will cost between \$250 million to \$300 million, fully-funded by private investors.

The proposed W2E plant will benefit the environment from the environmentally-safe incineration of waste and a claimed 50 per cent reduction in the volume of waste going to South Island landfills. It will also enable the back loading of rail wagons returning empty from Canterbury – a more efficient use of the railway infrastructure – and help make the case for the rejuvenation of the port at Westport (please see the separate briefing note on this issue).

Private company Renew Energy Ltd (REL) is driving the project. REL has received \$200,000 in feasibility funding from NZTE and \$50,000 from Development West Coast as well as support and endorsement from Ngati Waewae. The plant's business case has been nationally and internationally peer reviewed.

Another feature of the project is the proposed construction of a 40 hectare hydroponic glasshouse operation that would use energy, hot water and CO₂ from the plant (see separate briefing note on this).

The backers of the plant are finalising agreements with key stakeholders to enable the project to proceed. These agreements include the funding and construction of the plant, s9(2)(j)

It is envisaged that the plant will be commissioned in mid-2021.

The Buller District and the West Coast region will benefit from the 50 jobs created by the W2E plant (and the 240 jobs potentially created by the glasshouse operation). Other benefits include the backfilling of rail wagons that now return empty to the West Coast, while the economic stimulus from the W2E should have positive flow-on effects to business generally and provide a better return on any enhancements to the West Coast's infrastructure (see separate briefing note on the rejuvenation of the Westport port).

Objectives – what's this project seeking to achieve in the short/medium term?

s9(2)(j)

Outcomes – what’s this project seeking to achieve in the long term?

A sustainable waste to energy facility that that will substantially reduce the amount of waste going to landfills in the South Island, while providing energy for new industries on the West Coast and a stimulus for economic development in general.

Budgets

- Overall budgets – \$20 million for the construction of the nine baling stations. The W2E plant itself will cost between \$250 million to \$300 million.
- Who is contributing what? – unknown at this stage, but REL would be the government’s partner.
- Crown funding sought? Including capital, operating split – unknown at this stage, but no operational expenditure for government.

Assessment

Fit with PGF criteria

Strength and sense of project, including why now?

The W2E plant itself would be full-funded by the private sector (Chinese investors) with a contract to build it expected to be signed in March. The South Island baling plants are a key part of the plant’s supply chain and they need to be in place in time for the planned commissioning of the plant in mid-2021

Probity

- Who will manage the project? - REL
- Costs and benefits – s9(2)(j)

The benefits could be substantial and includes those from the establishment of new industries (the W2E plant and the proposed glasshouse operation) and the diversification of the region’s economy, the wider benefits for the region’s economy and an enhanced return on investment in infrastructure.

- Non-financial benefits – These include a claimed reduction of 50 per cent in waste going to South Island landfills, the clean disposal of that waste and the social benefits of the creation of a substantial number of new jobs through the establishment of the proposed plant and glasshouses.

Risks

There are commercial risks for the W2E plant, although the private sector is assuming all the financial risk and it has been the subject of two independent expert peer reviews. The risks to government should be assessed by obtaining expert advice on the viability of the W2E plant and its supply chains.

Recommendation

Agree that a business case be developed for this initiative.

Agree to assess under this initiative when the PGF funding mechanisms are developed.

Rationale

The W2E plant presents a real opportunity for the West Coast to diversify its economy, compensate for the job losses from the relative decline of its extractive industries

Appendices

Appendix 1: More detailed information on waste to energy plant

Appendix 2: Information supplied by Kevin Stratful, West Coast Economic Development Manager

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Appendix 1: More detailed information on waste to energy plant

Private company Renew Energy Ltd (REL) is driving the project. REL has received \$200,000 in feasibility funding from NZTE and \$50,000 from Development West Coast as well as support and endorsement from Ngati Waewae. Kevin Stratful advises that REL is well established with a Board of Directors with significant experience in the industry, supported by a strong management team and expert support advisors, including highly respected senior Waste Industry leaders and technical expert consultancy.

The plant's business case has been nationally and internationally peer reviewed (PwC) confirming it is financially and environmentally feasible and of the highest operational standard.

Another feature of the project is the proposed construction of a 40 hectare hydroponic glasshouse operation that would use energy, hot water and CO2 from the plant (see separate briefing note on this).

The backers of the plant are finalising agreements with key stakeholders to enable the project to proceed. These agreements include the funding and construction of the plant, (9/2/18)

Engagement with all interested parties will continue through the first half of 2018. A resource consent for a baled waste storage facility at Westport is about to be lodged with the West Coast Regional Council. The Consenting process for the W2E plant and Glass Houses will commence in the second quarter of 2018, with expectations of a 12-month process. It is envisaged that proposed the 2-year construction program will be completed and the plant commissioned mid-2021.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Appendix 2: Information supplied by Kevin Stratful, West Coast Economic Development Manager

1. Project details

a. What is it?

The Project is for *Energy from Waste* plant to be located in the Buller Region on the South Island West Coast. The project Business Case has been nationally and internationally peer reviewed (PwC) confirming it is financially and environmentally feasible and of the highest operational standard.

The environmentally clean, European technology planned to be utilised, is well proven with over 2,500 fully operating commercial plants in the northern hemisphere, meeting all established, international, environmental parameters. It is estimated that approximately 200 new plants are currently under construction internationally.

The project will divert 350,000 tonnes of South Island waste per year from landfills, extracting the energy from this waste to be used for specific, new, West Coast horticulture and manufacturing businesses. These new businesses will utilise local infrastructure such as Rail from East to West, roads, and the Westport Port. The electricity generated by the project will also relieve the transmission cost pressure on some West Coast businesses from line charge penalties they currently experience. This in turn will attract more high energy user businesses to the West Coast. Captured CO₂ and Hot Water will be utilised for the new horticulture businesses providing an efficient and environmentally effective transfer of Carbon. Recycling of the plant residue will also create further business opportunities.

It is proposed that circa 300 new full-time jobs will be created from the \$300m project.

REL has gone to the market and investment has been oversubscribed. It is currently under negotiations with leading international *Energy from Waste* companies to supply and construct the plant.

b. When, timeframes.

The proponents are now finalising agreements with key stakeholders to set the path forward for this project. Engagement with all interested parties will continue through the first half of 2018.

The Storage Facility consent is about to be lodged with the West Coast Regional Council. The Consenting process for the *Energy from Waste* plant and Glass Houses will commence Q2 of 2018 expecting a 12-month process.

It is proposed the 2-year construction program will be completed and the Plant commissioned mid-2021.

c. Who is involved and leading the project – central government, private industry or local government.

The Private sector project lead company Renew Energy Ltd (REL) is driving the project however significant support has been provided by NZTE with feasibility grants and also by Ngati Waewae with support and endorsement.

REL is well established with an appropriate skills based board of Directors holding significant experience in this industry. The Board is supported by a strong management team and expert support advisors, including highly respected senior Waste Industry leaders and technical expert consultancy.

d. Where - region and location of project?

The Project is located in the Buller Region of the West Coast and proposed to be established on Industrial Zoned land suitable located away from the Westport Township. Proposed site has significant electricity distribution capacity and is located next to a rail siding.

The local power company has an advantage for electricity distribution.

Westport has three waste transport options of sea, rail, and road with multiple back loading of coal, minerals and produce resulting in cost efficient freight of waste.

Buller District Council's drive to establish new industry in the region is a significant support of the project. Regional Government is also in support of the project.

Availability of coal waste and tailings from existing mines as a back-up feedstock to support production if waste volumes diminish for whatever reason.

e. Investment amounts from central govt. (name source e.g PGF), local government, and private investors.

- New Zealand Trade & Enterprise (NZTE) has invested \$200,000 into the project in feasibility support funding and has influenced a further \$50,000 from Development
- Local Government (Buller District Council) has invested significant staff time and dedicated a staff member to the project to support the project lead company
- Ngati Waewae have invested time and support for the project
- s9(2)(j)
-
- REL has invested in the land and will lease back to the Plant and Glass House operators
- s9(2)(j)

- The same offshore Technology experts and investors are committing over \$300M to the project once consents are achieved. Due Diligence and negotiations are complete and acceptable proposals are being finalised.

f. What are the key project milestones i.e. how will it be implemented?

The success of the key project milestones will be driven by the Board and Management of REL. Implementation is well planned, and key stakeholders are constantly being engaged.

Industry partners have been consulted and will ensure implementation will be consistent with REL's business plans. Key milestones are:

1. Establish Storage Facility in Buller region
2. Formalise agreements with major NZ waste companies and Councils are progressing or near completion to secure 350,000 tonnes of waste from the South Island
3. s9(2)(j)
4. s9(2)(j)
5. Lodge consents for the Energy from Waste Plant
6. Lodge Consents for the 40 Hectare of Glass Houses
7. Sign contracts with investors who are the Technology suppliers
8. Commence construction
9. Commission the Plant
10. Commission the Glass Houses.

g. What can be announced?

That Renew Energy Ltd is establishing the first Energy from Waste plant for New Zealand, reducing adverse effects on our environment from Greenhouse gas (GHG) emissions and leaching from landfills.

That this project will achieve:

1. 300-500 construction staff on site over a 2-3-year period
2. 50 FTE on the Energy from Waste Plant with a further 240 to staff the Glass Houses in Westport
3. s9(2)(j)

4. Sustainable alternative for waste disposal to landfill, reducing potential leaching waterways and GHG emissions
5. Contribution towards zero GHG emissions by 2050 assisting NZ Government to achieve the commitment of the Paris Agreement
6. Carbon captured from landfill diversion and cycled back into the Glass House produce
7. An economic use option for coal waste and tailings from exiting mines
8. An environmental solution to the disposal of problematic waste including plastic and tyres
9. Diversification of the economy on the West Coast with two new economic sectors Management of Waste and Organic, hydroponic produce from 40 hectares of Glass Houses
10. Creation of flow on effects with new industry attracted to the region due to the availability of a sustainable source of green energy. Interest to date is from Salmon farming, Carbon foam and fibre development through the New Zealand Institute of Materials to Minerals Research (NZIMMR), Blockchain data and storage facility, Fresh Water Prawn farming and Dairy Industry waste disposal.
11. Rejuvenation and sustainable utilisation of the local Port facility and the Rail facility
12. The Energy from Waste facility is an innovation for NZ however there are over 2,500 plants internationally all operating at environmentally sustainable level meeting all emission standards set.
13. Education opportunities created for Tai Poutini Polytechnic with the new technologies and industries created.

3. Why this project/what is the project trying to achieve.

This project is providing New Zealand an alternative to Landfill, reducing GHG emissions and utilising a sustainable source of energy from waste.

The project will create over 300 full time jobs at a time when the West Coast has been hit hard with redundancies, stimulate new business and industry to the Buller region, create sustainable economic growth and produce export quality products.

In addition to the direct jobs, this project will stimulate economic growth with the diversification of the economy in the Buller region, creation of support businesses and trades.

4. How does this project link to other key projects/portfolios/govt. initiatives? e.g. NEETS, Employment, Tourism, One Billion Trees Programme etc

This project will revitalise Westport and the Buller region, creating jobs and economic growth. It links directly to the newly established and MBIE funded New Zealand Institute for Minerals to

Materials Research (NZIMMR). From European experience the opportunities to research and produce new products from plant ash using the same process as new products from mining tailings and mining waste.

5. Where is the project in the funding process? Approved/Not approved?

This project has not applied for any further Government funding, however has received NZTE and DWC support funding.

All project funding is coming from Renew Energy's private investors s9(2)(j)

REL is seeking support from the NZ Government to:

1. Maintaining/implementing Govt. policy on increasing Landfill levies
2. Assist REL to engage with the Environmental groups and help fast track the consenting process
3. Support the integrity of the Midland Line rail link that has been in Solid Energy's control
4. Assist with the rejuvenation of the Port at Westport
5. Ensure the roads are resilient enough to support the regional growth
6. Fund the Glass Houses stage of the project
7. NZ Government has the opportunity to financially support the project by assisting to fund the Glass Houses and be seen to significantly contribute to the economic growth of the region.
8. s9(2)(j)
6. What risks are there?

The Key Risks have been identified by REL and also reviewed and refined through the PwC Peer review. These key potential risks are:

1. **Feedstock** from Councils, Biosolids and Commercial waste and Coal waste. Contract negotiations are in progress.
2. **Freight and s9(2)(j)** Facility ownership, relationships, and responsibility. s9(2)(j)
3. **Environmental Standards** – Emissions relative to NZ NES standard. Technology will meet (better) these standards.
4. s9(2)(j)

5. **Financial Structure** – Confirmation of interest rate, debt ratios and debt tenor (20 years)
6. **Financial Close** – More detailed financial analysis backed with contracts securing Finance and Financial close. Chinese investors are committed
7. **Land and site** – appropriateness and ownership. Sites are now under contract

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

ONE PAGE ASSESSMENT OF PROJECTS

Project

Project Name: Wood Processing Centre of Excellence

Lead Agency: MPI

Key Person: Gavin Murphy, Chief Executive Officer, Eastland Community Trust – Gavin Murphy

Project description – Funding to support the development of a business case to justify a s9(2)(ba)(i) Government investment in capital to support the establishment of a Wood Processing Centre of Excellence in Gisborne.

Project Objectives –

To provide the business justification for the following capital investment through the PGF

The four ECT proposed projects are:

- Kiln and electronic sensor upgrade – s9(2)(ba)(i)
- A new combined heat and energy plant – s9(2)(ba)(i)
- Prime site infrastructure development – s9(2)(ba)(i)
- Upgrade of Gisborne port for containerization – s9(2)(ba)(i)

Longer term outcome –

To establish Gisborne as the Wood Processing Centre of Excellence in New Zealand, to take advantage of the large log supply which is doubling in the next three years to 3.2 million tonnes, to create an additional 167 jobs and to help meet New Zealand's housing demands.

Budgets

- Total Budget - s9(2)(ba)(i)
- \$200,000 to be approved by Government to support business case development.
- \$100,000 Eastland Community Trust contribution to support business case development
- s9(2)(ba)(i) from PGF across four proposed projects – dependant on business justification
- s9(2)(ba)(i) regional contribution across 4 projects
 - o s9(2)(ba)(i) - Far East Sawmills
 - o s9(2)(ba)(i) – Eastland Community Trust (or investment partners)

Assessment

As part of its election policy, the Labour Party pledged to invest up to s9(2)(ba)(i) in local development of a prefabricated housing factory and associated infrastructure in Gisborne. This proposal is the regions response to that pledge.

The outline proposal expects that the following direct economic outcomes will be achieved as a result of these projects:

- 20 new roles through faster expansion of existing plants to double shifts by upgrading the existing heat plant infrastructure to cope until the new combined heat and power plant is in place (due by April 2020)
- 15 new roles directly created as a result of the combined heat and power plant.
- Faster establishment of the Centre of Excellence to attract new investment into the region.
- 5 jobs in the thermal modification plant brought forward (by how much TBC)
- 20 new jobs in the expanded Wood Engineered Technology site
- 10 new jobs at the upgraded containerised port

Risks

Wood processing is a challenging sector and has variable performance, however, ECT are confident that through early adoption of new technologies, new product development and linking with new markets will result in a successful venture.

Recommendation

Announce s9(2)(ba)(i) funding for this project to support business case development on 23 February 2018 to apply for the s9(2)(ba)(i) funding.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

PROJECT: COMPLETION OF THE WEST COAST WILDERNESS TRAIL

Lead agency, key person and contact details

Westland District Council: Simon Bastion, CEO, s9(2)(a) simon.bastion@westlanddc.govt.nz

Project description – what is the project, how will it be carried out and who will benefit?

The West Coast Wilderness Trail is one of 22 Great Rides that comprise Ngā Haerenga, the New Zealand Cycle Trail. When complete, the West Coast Wilderness Trail will be a 3-4 day, 169km long, grade 2 (easy) cycle trail. The trail runs between Greymouth and Ross, with the completed sections between Greymouth and Hokitika already proving to be very popular with cyclists.

However, the 39km section between Hokitika and Ross is not yet complete and construction has stalled due to a lack of co-funding from the Westland District Council (WDC). Key projects required to complete the trail are the Mahinapua walkway and bridge and construction of a section of off-road cycleway beside State Highway 6 at Ruatapu.

The trail is already delivering economic benefits to the region, and has the potential to increase this, particularly for the small communities of Ruatapu and Ross which are missing out due to the completion delays.

A recent survey of users on the trail suggests that the trail brings around 10,000 new visitors to the West Coast each year, with approximately 94 per cent of those attracted specifically to ride the trail. On average, cyclists riding the trail stay 4.2 nights on the West Coast (much longer than the average visitor stay), with an average spend of \$207 per rider per day.

Construction of the West Coast Wilderness Trail has been managed by the Westland and Grey District Councils, with each council responsible for the sections of the trail in their respective territories. Central government, through the National Cycleway Fund, has contributed \$3.7 million towards the project, \$447,000 of which has yet to be drawn down by the Council. Local co-funding for construction of the trail is estimated to be \$4.26 million (including \$3.26 million from Development West Coast and \$0.71 million from Grey District Council).

Westland District Council is unable to access funding through existing cycle trail funds as these funds are only eligible to Great Rides that are complete and fully open. Both Ngā Haerenga, the New Zealand Cycle Trail Enhancement and Extension Fund, and the Maintaining the Quality of Great Rides Fund require matching funding from the applicant, a requirement that Westland District Council is unable to meet.

Objectives – what's this project seeking to achieve in the short/medium term?

In the short-term, completion of the West Coast Wilderness Trail will provide jobs in the construction of the trail and realise the original vision of a Great Ride on the West Coast between Greymouth and Ross. Completion of the full trail will encourage visitors to stay an extra day in the region.

Outcomes – what's this project seeking to achieve in the long term?

Completion of the trail will support more businesses that deliver supporting services to trail users, such as accommodation, food and beverage, attractions and transport providers. Completion of the trail as originally envisaged has the potential to increase the average length of stay of users on the trail, as the 39km section between Hokitika and Ross should add one extra day to the itinerary of most users.

In addition to becoming a tourism attraction in its own right, the West Coast Wilderness Trail will complement other existing Great Rides, and as part of the Ngā Haerenga brand will help enhance New Zealand's competitiveness as an international tourism destination.

Budgets

WDC estimate that they have a \$475,000 funding shortfall to complete the West Coast Wilderness Trail. MBIE has pushed WDC to find local co-funding to complete the trail, but none has been forthcoming.

Assessment

Fit with PGF criteria

Strength and sense of project, including why now?

Facilitating of the completion of the trail to its original plan will solve a long-standing problem for the region and provide immediate economic benefits.

Level of priority for the region

This is a high priority for the West Coast. The project has been underway for seven years and is almost complete.

Probity

- Who will manage the project: Westland District Council
- Costs and benefits: Cost of up to \$500,000 to central government if there is no co-funding identified. The benefits would accrue from the ability to attract more visitors and increase their length of stay and expenditure in the region.
- Non-financial benefits: Has the potential to provide social, health and recreation benefits to the local community.

Risks

Based on experiences to date to construct the West Coast Wilderness Trail, project management is a significant risk. Deadlines have been missed, there has been poor financial oversight, and there has been a lack of dedicated project management. This can be addressed by requiring a dedicated Project Manager to oversee completion of the project.

There is also a risk that provision of additional funding to complete this trail will set a precedent for other trails in a similar position. This can be addressed by making it clear that this is a one-off provision of funding to a district that is under significant pressure to cope with ongoing adverse

events. These include recent storm damage and protection of infrastructure assets such as the sewage ponds at Franz Josef Township.

Recommendation

Agree to fund up to \$500,000 to complete the West Coast Wilderness Trail.

Rationale

The West Coast Wilderness Trail is almost complete and is already delivery economic benefits to the region. Failure to complete the trail will impact on the ability to realise the full benefits of investment to date in the project.

Appendix - supporting documents

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

PROJECT: IMPROVEMENTS TO AND MAINTENANCE OF THE OLD GHOST ROAD CYCLE TRAIL

Lead agency, key person and contact details

Mokihinui-Lyell Backcountry Trust, s9(2)(a) , info@oldghostroad.org.nz, s9(2)(a)

Project description – what is the project, how will it be carried out and who will benefit?

The Old Ghost Road between Lyell and the Mokihinui River in Buller is a Grade 4 (advanced) 2-3 day off-road cycle trail. It has Great Ride status among a network of 22 trails belonging to Ngā Haerenga, the New Zealand Cycle Trail, which means that users are promised and expect outstanding cycling experiences.

Although in its infancy, The Old Ghost Road has managed to build a strong international reputation and demonstrated an ability to meet rider's expectations of a world-class multi-day backcountry trail. The trail is also building a strong reputation as a remote backcountry walk. However, in order to continue to meet demand and deliver a world-class experience, the Old Ghost Road requires additional funding to maintain and enhance the trail and facilities.

The remote and harsh environment that the trail is located in requires continual trail enhancements and upgrades to meet Ngā Haerenga design specifications, and due to the popularity of the trail, accommodation facilities and services are under pressure to cope with demand. As such, the trail has plans to grow visitor numbers by expanding its accommodation capacity and improving the facilities.

The Mokihinui-Lyell Backcountry Trust is unable to access funding through existing cycle trail funds due to the total cost of the proposed project and the fifty per cent co-funding requirement. The Trust continues to successfully apply for smaller scale projects (i.e. less than \$100,000 total cost) to enhance short sections of trail through the Maintaining the Quality of Great Rides Fund, and has received additional funding through the Ngā Haerenga, the New Zealand Cycle Trail Enhancement and Extension Fund to carry out three high priority projects to address safety concerns on the trail.

Objectives – what's this project seeking to achieve in the short/medium term?

In the short term the trail enhancements and upgrades will ensure that the Old Ghost Road continues to build on its reputation and meet users expectations, its initial popularity will remain strong and users numbers will continue to grow.

Outcomes – what's this project seeking achieve in the long term?

In the long term the Old Ghost Road plans to increase accommodation capacity on the trail to meet growing demand and to improve the level of service of all its facilities.

Budgets

Up to an estimated \$500,000 from central government.

Assessment

Fit with PGF criteria

Strength and sense of project, including why now?

The Old Ghost Road is well into its second summer of operations and is proving to be extremely popular. Confirmation of further investment in the trail to increase accommodation capacity and improve the level of service in the trail surface and facilities will enable the Mokihinui-Lyell Backcountry Trust to build on the early success of the trail and to deliver greater economic benefits to the Buller district.

Level of priority for the region

Probity

- Who will manage the project: Mokihinui-Lyell Backcountry Trust
- Costs and benefits: Cost of up to \$500,000 to central government. The proposed improvements to the Old Ghost Road would increase visitor numbers and revenue for the trail and attract more visitors to the Buller District
- Non-financial benefits: Enhance New Zealand's reputation as a world-class cycling destination.

Risks

If the Old Ghost Road is unable to meet visitor expectations there is a risk that the reputation of the trail will decline, resulting in fewer guest nights and declining revenue for the Mokihinui-Lyell Trust to maintain and enhance the trail.

There is a risk that other Great Rides and cycle trails around the country will view this funding as a precedent and the fund will be inundated with applications. This can be addressed by emphasising that this is a one-off provision of funding for the jewel in the crown of multi-day, remote backcountry cycle trails with a unique governance and revenue raising structure.

Recommendation

Agree to fund up to \$500,000 on the basis of an acceptable business case

Rationale

The Old Ghost Road is New Zealand's premier multi-day backcountry cycle trail and has the potential to deliver additional economic benefits to the Buller region and help grow the profile of New Zealand as a visitor destination.

Appendix - supporting documents