

Reference: 20180392

13 November 2018

Dear [REDACTED]

Thank you for your Official Information Act requests, received on 24 September, 25 September and 16 October 2018. You requested the following:

“... a copy of all material that Treasury has produced regarding the following projects that have been announced as recipients of funding from the Provincial Growth Fund. Please include both material that Treasury has produced for the Provincial Development Unit and any other Government departments/agencies, as well as all internal correspondence on each of the projects.”

Tairawhiti roading package	Ministry of Transport	\$137,000,000	7-Sep	Tairawhiti
Mt Titirangi - Puha Kai iti	Gisborne District Council	\$6,100,000	7-Sep	Tairawhiti
Gisborne Airport redevelopment	Eastland Group Ltd	\$5,500,000	7-Sep	Tairawhiti
Cooks Landing restoration	Gisborne District Council	\$1,600,000	7-Sep	Tairawhiti
Macadamia Industry Development Project	NZ Macadamia Ltd	\$995,000	7-Sep	Tairawhiti
Redevelopment of Rotorua Lakefront	Rotorua Lakes Council	\$19,900,000	24-Sep	Bay of Plenty
Development of Whakarewarewa Forest	Rotorua Lakes Council	\$7,500,000	24-Sep	Bay of Plenty
Business Case Development - Northland Rail Upgrade	Ministry of Transport	\$500,000	1-Jun	-
Twin Coast Discover Route	New Zealand Transport Agency	\$6,200,000	1-Jun	-
Hundertwasser Arts Centre	Whangarei Arts Museum Trust	\$10,000,000	1-Jun	-

On 11 October 2018, I wrote to you advising that I was extending the time limit for deciding on two of your requests (20180392 and 20180394) by an additional 15 working days, due to the consultations needed.

On 31 October 2018, you agreed to narrow the scope of the request to “advice and analysis.”

Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	12 February 2018	Table of projects for RED Ministers	Release in part
2.	29 June 2018	Aide Memoire: Regional Economic Development Ministers meeting, 2 July 2018	Release in part
3.	24 May 2018	Aide Memoire: Regional Economic Development Ministers 29 May 2018	Release in part
4.	24 July 2018	Email: PGF IAP Papers Upcoming Aide Memoire, input required	Release in part
5.	1 August 2018	Email: Upcoming Cabinet paper for departmental consultation	Release in part
6.	1 August 2018	Email: Upcoming Cabinet paper for departmental consultation	Release in part
7.	1 August 2018	Email: PGF IAP Papers Upcoming Aide Memoire, input required	Release in part
8.	8 August 2018	Email and attachment: Latest recs	Release in part
9.	9 August 2018	Aide Memoire: Delegated Regional Economic Development Ministers meeting, 13 August 2018	Release in part
10.	30 August 2018	Aide Memoire: Delegated Regional Economic Development Ministers meeting - 3 September 2018	Release in part

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- financial information, under section 9(2)(b)(ii) – to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information,

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,
- names and contact details of junior officials and certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions, and
- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

Some information has been redacted because it is not covered by the scope of your request. This is because the documents include matters outside your specific request.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Natalie Labuschagne
Manager, Transition and Regional Economic Development

OIA 20180392, 20180394 & 20180431

Information for Release

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2.	<u>Aide Memoire: Regional Economic Development Ministers meeting, 2 July 2018</u>	2
3.	<u>Aide Memoire: Regional Economic Development Ministers 29 May 2018</u>	5
4.	<u>Email: PGF IAP Papers Upcoming Aide Memoire, input required</u>	7
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7.	<u>Email: PGF IAP Papers Upcoming Aide Memoire, input required</u>	11
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10.	<u>Aide Memoire: Delegated Regional Economic Development Ministers meeting - 3 September 2018</u>	21

Pages before this deleted as material not covered by your request

Out of scope

31	Hundertwasser Whangarei	Northland	MBIE	4. Not recommended at this stage - continue to work with key stakeholders	\$0	\$7,000,000	Provincial Growth Fund	Not endorsed by SROs at this stage, as the Trust is current revising their business plan due for completion in March 2018. Requested \$5-\$7 million for the shortfall in funding of the project up to \$27.9 million. Government has invested funding to date (\$7 million MCH, MBIE) and \$4 million Lotteries, other contributions is regional or smaller investors.
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Out of scope

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IN-CONFIDENCE



Reference: T2018/1763

File No: SH-11-1-2

Date: 29 June 2018

To: Minister of Finance (Hon Grant Robertson)

Deadline: 2 July 2018

Regional Economic Development Ministers meeting, 2 July 2018

On Monday 2 July 2018 at 5:00pm to 6:00pm you are meeting with Delegated Regional Economic Development (RED) Ministers. This aide memoire provides relevant briefing points in addition to the Ministry of Business, Innovation and Employment's (MBIE's) briefing (MBIE 3859 17-18 refers).

Out of scope

Item 3: Proposals for review

The Treasury was provided with the following proposals between late Tuesday 26 June 2018 and as recently as midday Friday 29 June. As such, our analysis is limited.

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A. Cook's Landing Restoration Project in Gisborne (seeking \$1.630 million)

The Treasury **supports** this proposal.

Out of scope

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Out of scope



Darian Woods, Senior Analyst, Business Growth and Innovation, s9(2)(k) [redacted]
James Messent, Acting Manager, Business Growth and Innovation, s9(2)(k) [redacted]

IN-CONFIDENCE



Reference: T2018/1428

File No.SH-11-1-2

Date: 24 May 2018

To: Minister of Finance (Hon Grant Robertson)

Deadline: 29 May 2018

Regional Economic Development Ministers 29 May 2018

On Tuesday 29 May 2018 at 10:30am to 11:15am you are meeting with Delegated Regional Economic Development Ministers. This aide memoire provides relevant briefing points in addition to the Ministry of Business, Innovation and Employment's (MBIE's) briefing (MBIE 3286 17-18 refers).

The agenda is:

1. Proposals for approval and noting
2. Out of scope
- 3.
- 4.

Item 1: Proposals for approval and noting

Your approval is required for PGF proposals greater than \$1 million.

MBIE is seeking your agreement to fund four proposals from the PGF. This comprises:

- Out of scope
- the development of seven business cases (\$6.250 million) for road projects in the Twin Coast Discovery Route that, if later agreed, would total up to \$94 million
- Out of scope
-

The Treasury supports these bids, with two conditions for the Twin Coast Discovery Route proposal.

IN-CONFIDENCE

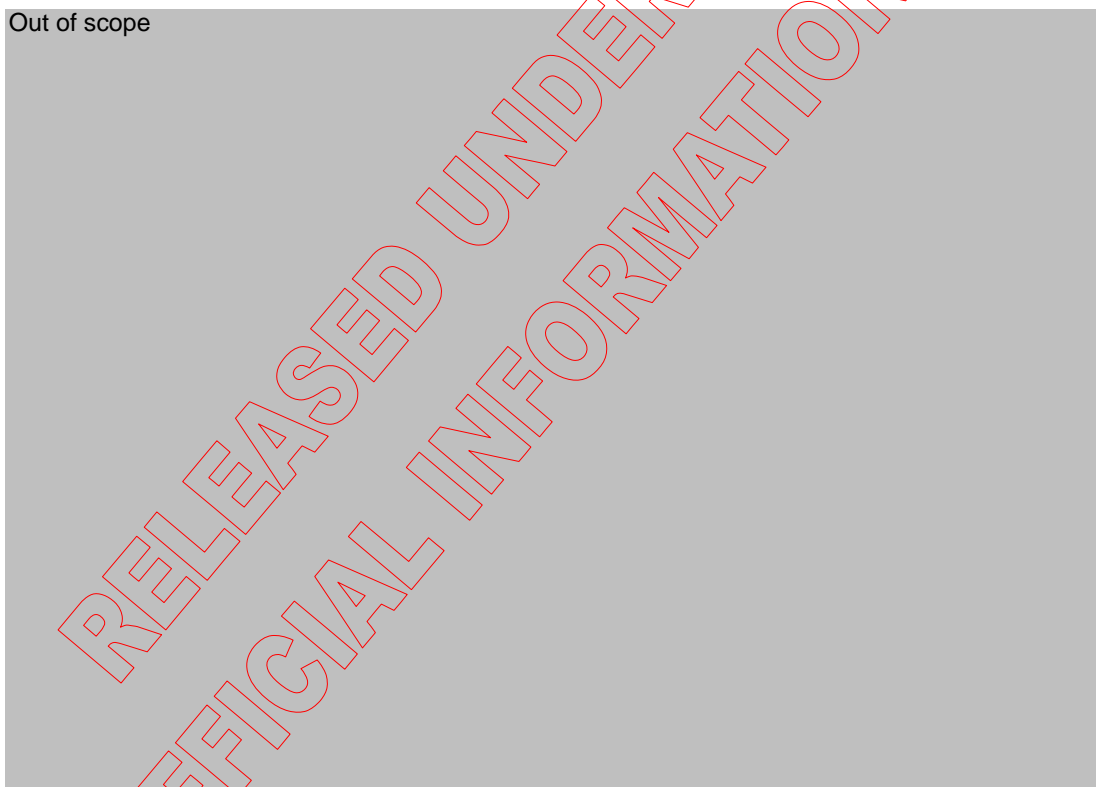
Twin Coast Discovery Route

We recommend you agree to the \$6.250 million for the seven Twin Coast Discovery Route business cases, but raise the following conditions for approval:

1. Only projects which offer a benefit-cost ratio greater than one receive PGF funding, and
2. NZTA secures support from the Regional Authorities for the projects (some of these seven projects are not in Regional Land Transport Plans).

These conditions are to provide NZTA with clarity of what is expected for PGF funding.

Out of scope



Darian Woods, Senior Analyst, Business Growth and Innovation, s9(2)(k)

Matthew Gilbert, Manager, Business Growth and Innovation, s9(2)(k)

From: Jon Butler [TSY]
Sent: Tuesday, 24 July 2018 10:09 AM
To: s9(2)(g)(i)
Subject: RE: PGF IAP Papers | Upcoming Aide Memoire, input required

Thanks s9(2)(g)(i)

I would agree with your concluding point, but the other questions you raise should be asked.

The Crown's position on regional airports should be consistent, and based on sufficient due diligence across the board or we risk setting a precedent.

Cheers

Jon

Jon Butler | Senior Analyst - National Infrastructure Unit | **The Treasury - Kaitohutohu Kaupapa Rawa**
s9(2)(k) | Jon.Butler@treasury.govt.nz

From: s9(2)(g)(i)
Sent: Tuesday, 24 July 2018 8:56 a.m.
To: Jon Butler [TSY] <Jon.Butler@treasury.govt.nz>
Subject: RE: PGF IAP Papers | Upcoming Aide Memoire, input required

Morning Jon,

I've been reading Eastland Group's application to the PGF and it raises a number of questions which I am slightly concerned have not been raised by MoT or the PDU in their assessments, well at least not in the material which has been provided to us.

Key issues/questions:

- Passenger projections provided are only out to March 2023. It is unclear what the current capacity of the airport is today vs future state.
 - o This concern is compounded by the fact that there has been no mention in the application as to whether demand management measures have been contemplated – e.g. Asking AirNZ to move a flight (by say 30 minutes?) to spread demand through the day and avoid congestion issues.
- The extent to which the total cost covers remedial works (leak and NBS) vs proposed extension.
 - o The delivery timeframe is no longer valid as work would need to commence in August 2018 (I note the application is from March 2018). While meeting the proposed delivery timeframe isn't critical, missing this milestone ultimately presents an opportunity to move to a competitive tender process (with potential cost savings), complete further due diligence and options analysis (e.g. demand spreading).
- It would be interesting to understand the landing and passenger movement charges and how these compare with other airports. This would help with a more informed assessment of whether or not EG could earn a commercial return on the proposed investment.
 - o The application also notes that EG cannot make a commercial return on investment above s9(2)(b)(ii). It would be useful to understand what EG sees as a "commercial return". This also seems contra to ECT's objectives of providing benefits to the community – If they invested and took a less than commercial return but provided benefit to the community they would still be fulfilling their objectives?

- As you pointed out, EG's annual report provides some insights and they certainly made a reasonable net return last year, had strong profits, invested ~\$72m and have very low debt levels.
 - o This is important as it goes to the PGF's objective in only enabling investment that otherwise would not have happened. It's unclear whether this investment would occur without the a government contribution.

Having said this I do think that conceptually there is some merit in the idea – it aligns with regional tourism dispersal objectives and I suspect a larger airport would have positive benefits overall.

Anything else you'd add?

Thanks,

s9(2)(g)(i)

Balance of email deleted as material not covered by your request

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From: s9(2)(g)(i)
Sent: Wednesday, 1 August 2018 9:50 AM
To: Jon Butler [TSY]
Subject: RE: Upcoming Cabinet paper for departmental consultation

Morning Jon,

I've had a read of the paper just now and there are a number of gaps which I'm hoping either the PDU or MoT or NZTA can fill. It's a sizeable package and much more than I'd anticipated. The paper is unclear as to the total size of the package and relative anticipated contributions from the NLTF, the region (as can reasonably be expected).

The paper outlines at a very high level what is being sought but it's not clear what it actually being purchased. For example, it would be good to be able to understand how resilient the network would be compared to today, post investment (i.e. a CBA!). It would also be good to understand what the impact will be on the network in terms of disruption through the 5 years of construction.

I'm not overly familiar with the way roads are insured and how emergency funding is usually provided for in regard to roads. I note in paragraph 39 that the paper is seeking to fund the local share of emergency repairs – to me there is a precedent risk to depart from the usual 60/40 split (particularly as this was a natural disaster such as the Canterbury or Kaikoura earthquakes). I'm also unclear on what level of insurance pay-out the region will receive.

The paper talks about an 'up-to' amount. Ordinarily (i.e. not PGF), I would advise that a tagged contingency be established, with certain draw down conditions and delegated authority to the Ministers of Transport, RED and Finance. However, given the funding already sits within the PGF, the tagged contingency would only serve to satisfy us. We can still put conditions that joint Ministers must be satisfied are met before proceeding.

The recs also require a bit of work, but I might have a separate conversation with Jonathan about that.

I could go on...

s9(2)(g)(i)

Balance of email deleted as material not covered by your request

From: s9(2)(g)(i)
Sent: Wednesday, 1 August 2018 10:37 AM
To: s9(2)(a)
Cc: Jon Butler [TSY]
Subject: RE: Upcoming Cabinet paper for departmental consultation

Good morning again s9(2)(a)

I had guessed as much! Are you or the PDU advising Ministers on a preferred approach to the package? If so, would you like to have a conversation about how we think it should be approached from our perspective?

Certainly appreciate the ability to input into the paper and that you've had to draft this under time pressures. I've had a quick read of the Cabinet paper just now and have a few first comments – I've numbered them for ease of response/tracking.

1. The paper outlines at a very high level what is being sought but it's not clear what it actually being purchased. The paper is unclear as to the total size of the package and relative anticipated contributions from the NLTF or the region (as can reasonably be expected). For example, it would be good for the paper to articulate how resilient the network would be compared to today, post the proposed investment/works. It would also be good to understand what the impact will be on the network in terms of disruption through the 5 years (under option 2) of construction.
2. Along similar lines, NZTA had some concern that the local industry does not have the capacity or capability to deliver the package. I think that this should be flagged in the paper as bringing in the expertise and capacity will be more expensive than somewhere that had the capacity and capability. This isn't necessarily an issue itself, but it is worth flagging.
3. I think the paper would benefit from outlining the NLP process and that the package will be considered as part of the NLP and that this funding is purely an 'up-to' amount to cover the shortfall arising from NZTA decisions.
4. Regarding the emergency package, I understand that the board sets the FAR based on the local ability to pay and that they have the FAR at 93%. It would be good to understand how they arrived at this decision seeing as the paper is seeking \$4.8m to cover the local share from the PGF.
5. The text of the paper talks about two options regarding investigations, but the recommendations only provide for option two. I think that Cabinet needs to be given the option of either 1 or 2, with the trade-offs clearly articulated. Option one does not create an obligation on the Crown to fund the works should the investigations show that the works are both feasible and worthwhile. This should be clear, and indeed I see an argument that the works should be put through the usual application process post the investigations.
6. Given the substantial difference in costs of options 1 and 2, I think we need to contemplate how we should appropriate the funding. I am not convinced that a FNA without conditions or joint Ministerial (Ministers of Finance, RED and Transport) approval on the final amount is the best option. However, there are a range of options available to Ministers to ensure transparency and that negotiating positions are maintained.

Thanks and happy to discuss,

s9(2)(g)(i)

| National Infrastructure Unit | **The Treasury - Kaitohutohu Kaupapa Rawa**

s9(2)(k)

s9(2)(a)

s9(2)(g)(i)

From: s9(2)(g)(i)
Sent: Wednesday, 1 August 2018 3:44 PM
To: s9(2)(g)(i)
Subject: RE: PGF IAP Papers | Upcoming Aide Memoire, input required

Also the TIF has supported some of these projects and the other has gone to the panel. So the amenities block could be agreed on, and then not needed within the pgf.

PDU should have more clearly nuted out these figures. Also the ongoing maintenance costs, the precedence for other Tuia encounters regions this sets and the contribution of local iwi should be clearly noted.

From: s9(2)(g)(i)
Sent: Wednesday, 1 August 2018 3:41 PM
To: s9(2)(g)(i) <@treasury.govt.nz>
Subject: RE: PGF IAP Papers | Upcoming Aide Memoire, input required

Hahah even absent of that they only need 4.75 based on my back of the envelope, not 6!

From: s9(2)(g)(i)
Sent: Wednesday, 1 August 2018 3:41 PM
To: s9(2)(g)(i) <@treasury.govt.nz>
Subject: RE: PGF IAP Papers | Upcoming Aide Memoire, input required

Yep, sorry I didn't put much specificity into the figures. But there is just double/tripple dipping going on here!

From: s9(2)(g)(i)
Sent: Wednesday, 1 August 2018 3:33 PM
To: s9(2)(g)(i) <@treasury.govt.nz>
Subject: RE: PGF IAP Papers | Upcoming Aide Memoire, input required

Again - I think you're spot on with this. I get slightly different figures (although I haven't read the full application).

From: s9(2)(g)(i)
Sent: Friday, 27 July 2018 10:44 AM
To: s9(2)(g)(i) <@treasury.govt.nz>
Subject: FW: PGF IAP Papers | Upcoming Aide Memoire, input required

Mt Titirangi - Puhi Kai Iti

- Recommendation that no decisions are taken on this project until confirmation of exact funding being requested and clarity over what projects this is intended for. Justification of how further economic development will occur from these developments is essential eg. What services are going to run at these sights after the commemoration, how will money be gained from these sights?

Note that this is for the national commemoration of Captain Cook - First Encounters (which the event has been funded by central government). GDC has submitted numerous applications which in some cases go above and beyond the basics (eg. Capitalising on projects) for being one of the 18 sights of Captain Cook.

- **WHY?**

- This application is predominantly seeking up to \$6,067,000 funding for the Mt Titirangi Summit. (The accompanying requests in this document have other funding). \$4,990,000 is the figure I come to, excluding the existing applications.
- There is lack of clarity around the details of what is being funded. Between this application and the Cook's landing restoration project. There is double up in the requests eg. The Wānanga was a project outlined in both, reducing the credibility of this application.
- The contribution of third party funding outside of the crown is minimal. The main contributors are MBIE (PGF, TIF), DOC and NZTA (all crown funding). Recommend that the TIF application which consists of the summit car park and amenities block remain within the TIF application (for consistency and transparency).
- What is the iwi/hapu investment in the wānanga, this seems like something the crown should not pay for (unless this will deliver education?)
- Overall there seems to be inconsistencies with how economic development is defined and related to particular types of tourism investments.
- This initiative is unlikely to have a significant impact on employment, and does not outline a credible mechanism for capturing user pays. (ie. The developments will not capture revenue, however there may be an opportunity for informal work to occur at the summit in and around the new buildings).
- What is the iwi/hapu investment in the Wānanga, this seems like something the crown should not pay for (unless this will deliver education and also capture funds?)

Balance of email deleted as material not covered by your request

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From: s9(2)(g)(i)
Sent: Wednesday, 8 August 2018 6:51 PM
To: s9(2)(a)
Cc: Jon Butler [TSY]
Subject: RE: Latest recs
Attachments: 3995806_Draft recommendations for TRP (PGF) 2018.DOCX

Kia ora s9(2)(a)

Sorry for the delay – please refer attached.

I haven't run these past anyone yet so they may request changes post reading tomorrow.

s9(2)(g)(i)

Out of scope

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1. **Note** that investment in the roading network has been identified as a priority in the Tairāwhiti Economic Action Plan (TEAP), to unlock Tairāwhiti's economic potential;
2. **Note** the recently released Government Policy Statement on land transport 2018 (GPS 2018) supports the economic development of regional New Zealand by increasing the focus on developing safe and resilient transport connections to support freight and tourism;
3. **Note** that Provincial Growth Fund (PGF) funding is being sought to support the investment identified through the National Land Transport Programme (NLTP) to:
 - a) unlock economic potential in an identified surge region;
 - b) address the financial limitations of Gisborne District Council in meeting its local share of funding projects prioritised in the NLTP and identified for National Land Transport Fund (NLTF) funding;
 - c) assist with regional emergency funding, following a series of weather and other uncontrollable events; and
 - d) support identified projects that are unlikely to be fully reflected in the (yet to be finalised) National Land Transport Programme (NLTP)
4. **Note** the Tairāwhiti Roding Package (the Package) has been developed to support the actions identified in the TEAP;
5. **Note** that the proposed Package is estimated to cost up to \$151.700 million, including any **NLTF** and/or local share of funding consisting of:
 - a) physical works of up to \$33.900 million;
 - b) delivery of a five-year pipeline consisting of investigations (\$3.550 million) and implementation costs of up to \$108.450 million (total \$112.000 million);
 - c) funding for emergency repairs of up to \$4.800 million; and
 - d) resource support of up to \$1.000 million
6. **Note** that the split between operating and capital amounts are still to be determined;
7. **Note** that PGF commitment is sought to cover the costs of the projects in the Package that are not included in the final NLTP, or the local share of funding for the package;
8. **Note** that the New Zealand Transport Agency Board decisions on the NLTP are due by 31 August 2018, and final NLTP decisions will determine the level of PGF funding required to support the package;

9. **Agree** in principle, that the PGF provide funding for the following components of the Package net of any NLTF and/or local share contribution:
- up to \$33.900 million to support the physical works component noted in recommendation 5a;
 - up to \$3.550 million to support the pipeline investigations component noted in recommendation 5b;
 - up to \$4.800 million to support the emergency repairs component noted in recommendation 5c; and
 - up to \$1.000 million to support the resource support component noted in recommendation 5d
10. **Authorise** the Minister of Finance, the Minister of Transport and the Minister for Regional Economic Development jointly to agree the following:
- the final amounts required to give effect to recommendation 9 above following final NLTP decisions;
 - any necessary changes to the relevant appropriations, including establishing any new appropriations to give effect to recommendations 9 and 10(a) above and recommendation 14 below
11. **Agree in principle, that** the PGF provide up to \$108.450 million to support the pipeline implementation component noted in recommendation 5(b);
12. **Note** that the \$108.450 million is currently projected to fund the pipeline implementation, but the final amounts required may change depending on the outcome of the investigations (referenced in recommendations 5 and 9);
13. **Agree** to establish a tagged contingency of \$108.450 million as set out in the table below, with an expiry date of **1 January 2021**, for the purpose of funding the pipeline implementation as set out in recommendation **11** and with a corresponding impact on the operating balance:

Forecast fiscal impact	\$million – Increase/(decrease) on operating balance			
	2018/19	2019/20	2020/21	2021/22
Tairāwhiti Roothing Package Future Pipeline Implementation Tagged Contingency	-	108.450	-	-

14. **Authorise** the Minister of Finance, the Minister of Transport and the Minister for Regional Economic Development jointly to:
- a) swap an amount of operating contingency to capital expenditure once the final split between the operating and capital components has been determined;
 - b) draw down the tagged contingency for the purpose of funding the pipeline implementation grant schemes, when those Ministers have agreed that the following conditions have been met:
 - i. the relevant investigation is completed;
 - ii. the project (or portion of the project) is excluded from the NLTP following assessment against NLTP priorities; and
 - iii. the project (or relevant portion of the project) aligns with PGF criteria and objectives.
15. **Agree** that the operating expenses incurred in 13 above, be charged as a pre-commitment against the operating allowance for Budget 2019 or Budget 2020, depending on the timing of the investigations completed; and
16. **Agree** that the amount pre-committed against Budget 2019 or Budget 2020 above count against the \$1 billion per annum Provincial Growth Fund in the relevant year.

IN-CONFIDENCE

Reference: T2018/2047

File no: SH-11-1-2



Date: 09 August 2018

To: Minister of Finance (Hon Grant Robertson)
Cc: Associate Minister of Finance (Hon Shane Jones)
Associate Minister of Finance (Hon David Parker)

Deadline: 13 August

Aide Memoire: Delegated Regional Economic Development Ministers meeting, 13 August 2018

On Monday 13 August 2018 at 12:00pm to 1:00pm you are meeting with Delegated Regional Economic Development (RED) Ministers.

The agenda is:

Out of scope

This aide memoire provides relevant briefing points on the proposals for decision by RED Ministers. Out of scope

Out of scope

Out of scope

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Out of scope

Proposals for decision

Your approval is required for proposals greater than \$1 million. Out of scope

Out of scope

PGF proposals (agenda item 6)			
Project	Funding sought	PDU recommendation	Treasury recommendation
A) Gisborne Airport Terminal Redevelopment	\$5.500 million	Approve	Do not support - Defer
B) Mt Titirangi – Puhi Kai Iti Connection	\$6.067 million	Approve	Do not support - Defer

Out of scope

We received copies of the applications for proposals **A** through **F** on 23 July.

Out of scope

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Our advice below is based on the information we have received from the PDU/MPI and may therefore be limited.

A) Gisborne Airport Terminal Redevelopment – seeking \$5.500 million

We recommend that you **do not support** this proposal and **table an alternative recommendation to defer this decision**.

The Ministry of Transport (MoT) are progressing work on regional air connectivity. Funding decisions should be deferred until this work is completed (estimated end of August 2018) to ensure the Government's approach to funding regional airports is consistent. MoT share this view.

The funding and ownership structure of the project is unclear. The Eastland Community Trust and its commercial arm, Eastland Group (EG), are jointly providing funding of \$7 million toward the terminal redevelopment. Gisborne District Council (GDC) own the airport and EG manages it. GDC is not providing any co-funding. Given EG's continued strong financial performance (\$17.6 million profit in 2018), further due diligence around their ability to self-fund the project should be considered. We note that EG's 2018 Annual Report signalled a new terminal is "on the horizon".

The project's timing is focussed on delivering the upgraded terminal in time for the *Tuia – First Encounters 250 Celebrations* in October 2019. We consider this timeframe unrealistic. Resource consent has not been obtained and a contractor is yet to be engaged. A delay presents an opportunity for the PDU and/or Eastland Group to assess alternative procurement options such as a competitive tender process, progress work on better utilisation of existing capacity, align with MOT's forthcoming regional air connectivity strategy and complete further due diligence. A delay would not compromise the project's viability.

Further due diligence could include:

- Evidence of the extent to which capacity is increased (and therefore extent to which the investment would futureproof Gisborne's airport).
- Robust assessment of forecast passenger movement growth models.
- Comparison and analysis of charges with other regional airports.
- Alternative approaches to managing demand within existing capacity.
- Alternative procurement and ownership models.

B) Mt Titirangi – Puhi Kai Iti Connection – seeking \$6.067 million

We recommend that you **defer this decision and invite the PDU to resubmit** this initiative at the 18 October RED Ministers meeting with the costings and co-funding confirmed and reconciled.

We have concern that the project is inadequately costed. Following conversations with the PDU, neither them or ourselves have been able to reconcile the project costs with the contributions obtained and funding sought.

Pages 4, 5, 7, 8 deleted as material not covered by your request

IN-CONFIDENCE

Next Steps

The next RED Ministers meeting is on 3 September.

s9(2)(g)(i) Analyst, National Infrastructure Unit (NIU), s9(2)(k)
Natalie Labuschagne, Policy Manager, Natural Resources, s9(2)(k)

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IN-CONFIDENCE



Reference: T2018/2417

SH-11-1-2

Date: 30 August 2018

To: Minister of Finance (Hon Grant Robertson)

Deadline: Monday 3 September 2018

Aide Memoire: Delegated Regional Economic Development Ministers meeting - 3 September 2018

On Monday 3 September 2018 at 5.00pm - 6.00pm you are meeting with Delegated Regional Economic Development ("RED") Ministers. The following is on the agenda:

1. Previous RED decisions and actions
2. Proposals for review
3. Out of scope
4. [Redacted]

This note provides you with comments on the Out of scope [Redacted], and comments on four proposals, to be considered as part of agenda item 2. As requested, the Treasury provides separate comments on proposals if we identify particular risks, our view differs from the recommendation of the Provincial Development Unit ("PDU"), or the Crown is considering an ownership stake in a proposal.

The full list of agenda item 2 proposals for consideration is in the table below.

PGF proposals (agenda item 2)			
Project name	Funding sought	PDU recommendation	Treasury recommendation
1) Gisborne Airport Terminal Redevelopment Project	\$5.500 million (loan)	Approve subject to conditions	Defer
Out of scope			
4) Rotorua Lakefront Development (BOP)	\$19.900 million	Approve subject to conditions	No comment
5) Rotorua Whakarewarewa Forest Park (BOP)	\$7.500 million	Approve subject to conditions	No comment

IN-CONFIDENCE

Out of scope

Proposals Warranting Treasury Comment

1) Gisborne Airport Terminal Redevelopment Project – seeking \$5.500 million

The Treasury recommends that you **defer this decision**.

Funding decisions should be deferred until the Ministry of Transport (MoT) has completed its work on regional air connectivity. This ensures the Government's approach to funding regional airports is consistent.

The project's timing is focussed on delivering the upgraded terminal in time for the *Tuia – First Encounters 250 Celebrations* in October 2019. However, we consider it would be beneficial to defer a decision until after MoT's regional air connectivity work is finished, even if that means the project cannot be completed in time. The delay would not compromise the airport upgrade project's viability yet would provide an opportunity for the PDU and/or Eastland Group to assess alternative procurement options such as a competitive tender process, progress work on better utilisation of existing capacity, ensure alignment with MoT's forthcoming regional air connectivity strategy, and allow for the completion of further due diligence.

Further, we note that the Eastland Community Trust and its commercial arm, Eastland Group (EG), are jointly providing funding of \$7 million toward the terminal redevelopment. Gisborne District Council (GDC) own the airport and EG manages it.

IN-CONFIDENCE

GDC is not providing any co-funding. Given EG's continued strong financial performance (\$17.6 million profit in 2018), further due diligence around their ability to self-fund the project should be considered.

Out of scope



IN-CONFIDENCE

Out of scope



s9(2)(g)(i) [redacted] Analyst, Transition and Regional Economic Development, s9(2)(k) [redacted]

Natalie Labuschagne, Policy Manager, Transition and Regional Economic Development, s9(2)(k) [redacted]