14 April 2020

Tēnā koe,

The Eastern Bay of Plenty is well positioned to take up the Crown Infrastructure Partners Fund offering. Identified as a “Surge Region’ by the Provincial Development Unit, with some of the worst economic and social deprivation in Aotearoa New Zealand, the sub-region has completed significant work over the last two years to identify, prioritise and advance key developments.

The Eastern Bay of Plenty contributes to the regional and national economies through a significant primary production sector, a manufacturing sector ranging from boutique to large industry, and offers some of the country’s most loved domestic tourism destinations.

The suite of projects identified by the three TLA’s; Kawerau District Council, Ōpōtiki District Council and Whakatāne District Council clearly indicate where they can accelerate and augment the underpinning infrastructure required to capitalise on the Crown PGF Co-investment to date, and to help buffer the worst effects of Covid-19 on our communities as a result.

The Eastern Bay of Plenty has a proven track record of collaboration between Local Government, Iwi and key sectors, and this will continue to underpin our delivery. Our projects will provide stimulus and job creation, guided by the Eastern Bay of Plenty spatial plan, Long Term Plans and some innovative sub-regional projects.

Accelerating the right infrastructure projects will enable our productive sectors, the Māori economy and our communities to be positioned to recover and build resilience from both Whakaari eruption and Covid-19 in a timely, sustainable manner.

Thank you in advance for funding these projects and we look forward to working with your teams to ensure immediate roll out of these initiatives.

 Nāku iti noa, nā

Four Mayors Signatures

**Eastern Bay of Plenty CIP Summary**

**Background & Context – Eastern Bay of Plenty**

As one of the more deprived regions in New Zealand, with a GDP of only $1.9 billion and a population of approximately 48,000, the Eastern Bay of Plenty has been identified as a “surge region” by the Provincial Development Unit. The Eastern Bay of Plenty has recently secured over $180 million in Provincial Growth Fund (PGF) co-investment, which will – in time – result in an additional potential 7,000 jobs for our region. While this is a significant step-change forecast in the region’s social and economic trajectory due to the PGF co-investment , additional infrastructure is needed to create much needed stimulus post Covid-19, provide critical infrastructure to underpin the PGF related developments and support the forecast growth in employment and population.

There is currently a material legacy infrastructure deficit in the Eastern Bay of Plenty. This is a result of aging infrastructure, population stagnation and decline, and changes in industry profiles over the decades. Coupled with a very limited scope for reinvestment due to the chronic deprivation levels in the region significant investment is needed to provide a platform for future growth and improved wellbeing and resilience.

In 2018 a single strategic economic development strategy for the Eastern Bay of Plenty was created. This prioritised the catalytic clusters of aquaculture, high-value horticulture, Kawerau/Putauaki industrial development, manufacturing and tourism sectors for targeted investment and growth. These were chosen due to the existing competitive advantages of the region and their ability to provide the maximum uplift in jobs. The growth clusters are creating jobs in some of the most remote parts of our already isolated region, but are now putting significant burden on councils already stretched balance sheets to improve local services and infrastructure.

The Strategy has been endorsed by the leaders of 8 local Iwi, the District and Regional Councils (Kawerau District Council, Opotiki District Council, Whakatane District Council and the BOP Regional Council), who together form the Regional Growth Leadership Group (RGLG) Forum. There is widespread consensus and support for the strategic direction of the region, and there is strong and effective collaboration between Councils, Iwi, the business sector and the community.

However, the challenges of the region are significant. Within a short period of time, our communities have been hit hard by both the Matatā Debris Flow, Edgecumbe floods and Whakaari tragedy. The local tourism sector has experienced a near-total collapse in international visitors since December 2019’s Whakaari eruption – and the impact of Covid19 is compounding an already dire situation for the tourism, retail, hospitality and associated services sectors.

The Eastern Bay of Plenty is a major forestry region, and many of our remote communities are totally dependent on this sector. The disruption to the international commodity trade due to Covid-19 has created significant layoffs in the sector, impacting the already high levels of regional unemployment, which is currently running at 12.6%. No alternative employment options exist in these communities. It is possible that without significant intervention steps some remote communities will fall to zero employment as a result of this pandemic, placing a heavy burden on an already stretched social fabric.

Some 44% plus of our regional population identify as Māori. It is in many of these most remote and isolated Māori communities (and reflected across the sub-region) that some of the highest social and economic deprivation indictors occur. Most economic modelling shows that the pandemic will have a disproportionate impact on Māori, so there is a very significant risk that the economic and social burdens of the pandemic are about to fall on these communities.

Between the region’s reliance on a small pool of industries, our exposure to international commodity markets and the low average incomes currently found in the region, the Eastern Bay of Plenty is expected to be much more impacted by the pandemic than other parts of Aotearoa New Zealand. We believe this justifies a significant, integrated and sustainable national response, which is beyond the resources of our Councils and our communities to deliver.

**Capital Infrastructure Projects**

To ensure there is a collective and coherent view of the investments in our communities, the three local Councils have collaborated to form a single sub-regional view. This is intended to maximise job retention and creation, and cost effectively minimise the impact on our small and less affluent ratepayer base, while future-proofing the region’s growth opportunities.

The key programmes of work are summarised on the following page for Eastern Bay of Plenty. These projects have already been identified in the Annual Plans, Long Term Plans, or have been assessed to ensure their compatibility with the development foreseen with the PGF investments that have been announced in the past three months.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Category | Programme Description | Cost $ | Employ #\* | Benefits | Shovel readiness |
| Three Waters  | **Opotiki:** Hikutaia expansion / infrastructure upgrades / surface flooding mitigation, with potential water quality and other environmental outcomes **Whakatane:** Infrastructure upgrades & replacements/ alternative water supply**Kawerau:** Infrastructure upgrades / stormwater improvements | $81M | 1000 FTE | **Social:** Improved health outcomes for communities – drinking water improvements. **Environmental:** WWTP & pipe renewals will result in improved freshwater water quality and other environmental outcomes (such as Harakeke habitat)**Economic:** Infrastructure will support additional housing needs, supporting PGF (7,000 jobs in EBOP) | Some of these projects are already underway, but can be fast tracked. Majority can be started within the next 6 months, as covid19 restrictions are lifted.**Risk**: Low |
| Transport | **Whakatane:** Safety improvements / road sealing southern transport link / new route Minginui to Taupo District**Kawerau:** Culvert replacements / Town centre parking & stormwater improvements**Opotiki:** Seal extensions / new road / bridge replacement / Footpath upgrade | $78M | 962 FTE | **Social:** Improved road safety **Environmental:** Culvert replacements, supporting flood management **Economic:** Road sealing, reduced transport times, supporting increase in domestic tourism. | All projects can proceed within next 6 - 12 months.**Risk**: Low |
| Buildings and Structures | **Opotiki**: CDB development and earthquake strengthening. **Whakatane**: Cultural hikoi project & CDB property development | $50M | 616 FTE | **Social:** Improved road safety **Environmental:** Culvert replacements, supporting flood management **Economic:**, Supporting increase in domestic tourism and fast tracking development of Council property for private sector development | All projects can proceed within next 6 - 12 months.**Risk**: Low |
| Other Infra | **Opotiki:** Parks & reserves improvements**Regional**: Flood management improvements for Rangitaiki / Otara / Waioeka / Whakatane | $20M | 248 FTE | **Social:** improved community spaces and wellbeing**Environmental:** increased resilience in the face of climate change; improved public land use options **Economic:** improved risk profiles for businesses operating in flood prone areas; creating a desirable place to live to attract talent; improved land use options; lessening the insurance burden to society | Many projects are underway and all projects can proceed within the next 6-12 months**Risk:** Low |
| Cycle Ways | Cycle trails – Linking up existing trails in the EBOP to create 1 connected trail through the EBOP | $27M | 340 FTE | **Social:**  road safety improvements and improved social / health outcomes**Environmental:** reduced carbon emissions and encouraging alternative transport means**Economic:** increased tourism spend in remote locations across the EBOP; supporting the PGF Tourism strategy to create more local products | Many projects are underway and can be accelerated.**Risk:** Low |
| TOTAL  |  | $257M | 3166 FTE |  |  |

**Economic benefits**

The employment impacts in the table above have been estimated using the PwC methodology contained in their “Valuing the role of construction in the New Zealand economy” report, published in 2016 by the Construction Strategy Group. While both costs and benefits from construction projects have evolved since the report was developed, the underlying methodology is regarded as both robust and relevant to the proposed investments.

Employment impacts include:

* Direct employment as a result of the project proceeding
* Indirect employment throughout the supply chain as a result of the project proceeding.

Induced employment is not included in the numbers stated above. The impacts are also confined to the construction phase only; ongoing operational roles once the various projects have been completed have not been calculated, but will be additional to the numbers above.

Employment can take two forms: it can be the creation of new roles as a result of the project proceeding, which is the case if the investment would not have been made at all. It can also be the retention of existing roles if the project is underway but would have been cancelled due to the impacts of Covid-19.

The FTE figures include both regional and national impacts, so not all roles will be created or retained in the Eastern Bay of Plenty. While the detailed economic analysis to assess the regional employment benefits could be done, it was felt to be out of scope for the application given the timelines for Ministerial consideration.

**Social benefits**

This infrastructure investment plan creates significant impact across the entire sub-region by not only creating jobs in the construction industry and supporting services sectors, but also providing a lifeline to communities that would otherwise have no other options for employment.

The generations of deprivation in these communities, which have been profoundly impacted by unemployment, crime, poor education options, and some of the country’s worst healthcare statistics, will be further compounded by the impacts of Covid-19 without this intervention and investment.

The precise social impacts of the pandemic are hard to estimate, but there is an expectation that there will be negative wellbeing implications for individuals and whanau across the region, due to the economic uncertainty, job losses and business failures that are certain to eventuate. And data shows that steeply reduced wellbeing results in increased substance abuse, domestic violence and crime, with negative social consequences that extend well beyond the confines of the people affected and their families.

These investments, coupled with the already committed PGF projects, will create an enduring impact on the region’s social fabric. The construction sector will be the immediate beneficiary and there will be significant opportunity to upskill displaced workers into this sector, resulting in improved wellbeing across a range of deprived communities.

**Environmental benefits**

The region’s aging infrastructure carries significant environmental risk and exposure to global warming challenges (as evidenced by the Edgecumbe floods). These investments have been prioritized to maximize the environmental impacts in the regions.

As guardians of the district the Councils are aware of their responsibilities to the environment and are directly responsible for a number of the UN Sustainable Development Goals including: Clean Water & Sanitation, Life Below Water, Life on Land; Responsible Consumption & Production and Sustainable Cities & Communities. In order for Councils to show leadership and kaitiakitanga in these areas and other environmental initiatives the projects will be physical demonstrations of the collective commitment to the environment.

The procurement approach for most projects has been “local first”, for reasons of both regional economic support and environmental stewardship. Sourcing materials, expertise and labour locally will decrease the embedded carbon within structures, reduce the carbon content inherent in materials and people travelling to site during construction phases, and provide some possible efficiencies in the generation and management of waste from the construction process.

In addition, some projects are designed to reduce the community’s carbon footprint from the outset. This includes the cycleway package, which will provide a low-carbon active transport alternative for communities and visitors alike.

**Readiness**

Successful workforce development plans are already in place by Toi EDA and their partners for various sectors, and this model will be able to quickly pivot to ensure rangatāhi and newly displaced workers are able to be trained across the region. Partnership models with various iwi and training organizations have already proven successful in developing the skills required at the local level, and will be scaled up and rolled out accordingly.

**Next Steps**

The Eastern Bay of Plenty is poised ready to progress these capital infrastructure projects, as soon as funding is confirmed.

In addition to progressing this immediate capital infrastructure programme of work, we will regroup the RGLG Partnership, together with local iwi partners, to identify any other potential capital projects that will support wider recovery.

The region has some very distinct competitive advantages that may be able to be leveraged to support future job growth, including:

* Further expansion of sustainable and environmentally-friendly land use developments (such as kiwifruit/organic farming) and the supporting infrastructure needed to support their growth (packhouses and coolstores)
* Expansion of the Kawerau industrial site, leveraging the available geothermal resources
* Supporting the rapid restart of local forestry operations as global trade recommences
* Accelerate the penetration of internet connectivity into our remote regions
* Accelerate the circular economy development and green energy (hydrogen) based on abundant geothermal resources
* Invest in local tourism packages to support the development of the domestic market in the medium term, to buffer the immediate impacts of both Covid-19 and Whakaari eruption
* Capital projects to address affordable housing
* Accelerate the deployment of Predator Free NZ programs into our unique native forests

These and other projects will be assessed and pursued by the RGLG Partnership, with the aim of bringing further opportunities to the attention of government as requested.