

WHANGANUI PORT REVITALISATION

FREIGHT & LOGISTICS SPECIAL INTEREST GROUP MEETING AGENDA

Date: 4th May 2017 **Time:** 12:00 noon **Location:** 1st Floor Boardroom

Invitees: Bill McDonald, John Jarvis, Bernard Corkery, Cass Alexander, Cr Graham Young, Rowan McGregor, Phil Wardale, Sarah Pomeroy, Rene Olmos, Adrian Dixon, Myles Fothergill, Bill Carswell, Doug Smith, Matthew Doyle, Robert Bartley.

Quests: Midwest Ferries Ltd:

- Neville Johnson (Development Manager),
- Nik Zangouropoulos (Consultant, Sofos Ltd),
- Warwick Walbran (Consultant, Walbran Transport Analysis Limited)

In attendance:

Apologies: Chris Miles, Merle Benson

AGENDA

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| 1. Welcome | Bill McDonald |
| 2. Minutes of previous meeting (19/04/2017)
& Matters arising | Bill McDonald |
| 3. Midwest Ferries Final Report (to be released on 1 st May 2017) | Midwest Team |
| 4. Other Business | Bill McDonald |
| 5. Next Meeting | |

WHANGANUI PORT REVITALISATION

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Date: 4th May 2017

Time: 12 noon

Location: 1st Floor Boardroom

Present: Bill McDonald, (Vapour Consultants) John Jarvis (Vapour Consultants) Neville Johnson and Nik Zangouropoulos (Midwest Ferries Ltd), , Bernard Corkery, Rowan McGregor (WDC, Manager, Special Projects) Bill Carswell, (WDC), Rene Olmos (WDC), Cass Alexander (WDC)

In attendance: The meeting was recorded to prepare the minutes

Apologies: Cr Graham Young, Adrian Dickson, Merle Benson

Item	Discussion/Outcome
1. Welcome	Bill welcomed everyone to the meeting and asked Nik to provide an update on progress on the Mid West Ferries Feasibility Study report.
2. Minutes	The Minutes of the last meeting held on 19 th April 2017 were confirmed with Bill adding that minutes will be posted to the website shortly. However if there are any amendments, please send them to John Jarvis for amendments before release.
3. Midwest Ferries Limited, Final Report	<ul style="list-style-type: none"> • Bill asked Nik to give a brief overview of the final feasibility study report as most people have now seen the presentation and read the report. • Bill suggested Nik may like to bring to attention any points from the report that he may like to discuss further, any other information that was not able to be included in the report but may wish to discuss, or any other work that will be available shortly. • In terms of process this group reports back to the Project Control Group (PCG), who then prepares a report to its Governance Group which is a sub-committee of Whanganui District Council Holdings Limited (WDCHL). A meeting with Holdings is scheduled for the end of May and Holdings will then report to Council. • The Feasibility Study report will also be forwarded to Phil Wardale to

	<p>take into account in the Masterplan that needs to be finalised in parallel.</p> <ul style="list-style-type: none"> • Bill McDonald confirmed that the Midwest Ferries Limited Feasibility Study Plan is now formerly released and finalised. Any previous versions are to be destroyed. • The PCG will now prepare a report in response to the Midwest presentation. If there is other information that Council requires, then those reports will be going to Council at the same time. • The PCG will report to Holdings who in turn will report to Council on 7th June. • The Midwest report would now be distributed to as many people as possible including some government officials. Bill McDonald will supply Nik with a list of government officials he has forwarded the report to. • Nik commenced his over view advising that the process has incurred a level of cost around \$110k to date. To effectively take the plan to the next step of the detailed business case, by 1 July it will take around another \$40k allowing for a small amount of project management and legal work. The budget for the project is indicatively around \$150-\$160k for the whole of the second stage. He added that at this stage funding has been received from the public of \$60k, with another \$100k to be raised between now and the end of June. • Midwest will continue to raise money from the public, but respectively requests WDC provide a contribution to the last part of this stage for some professional project management and a certain amount of funding to engage the contractual side of what Midwest is proposing to do with both Council's. • In response to a question about the amount of funding requested, Nik added that in an ideal world, he would like to see a contribution of dollar for dollar, that would also cover some of the remaining funding for the work that has been done so far, but suggested a contribution of \$50k which is the difference of the \$110k and the \$160k forecast by 30 June. • Neville added that if the project was able to source \$50k from WDC it would be a significant advantage for the Midwest Group who will also be attending a meeting with Tasman DC next week and asking for the same amount. Neville added that he is also talking to other possible contributors, asking for a similar amount to get the ball rolling on and lever off. • Nik posed a question to Rowan asking "what the likelihood was of getting any funding from Council"? • Rowan responded that Council was only able to provide funding where there was a tangible benefit to the Whanganui Community or to advance a Council programme or project. Proposals that largely benefit a private organisation need to demonstrate that there is a wider public interest. Council is also required to be even handed and
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fair which may raise concerns around giving money to one feasibility and not others. However we could jointly commission some work that looked at this particular port in relation to the size of the vessel and the issues that stream from that. The merit to that is that Council is doing that for themselves as the information is then available for any future proposals involving the Port.

- Nik summarised the discussion suggesting that Midwest will have to double its efforts to secure funding.
- Warwick added that the next stage will need at least \$1.5m and he does not see that amount of money being raised by the public of Whanganui or Motueka but from central government and private individuals. However Warwick said he would like to see WDC work with Midwest and others to identify the sort of structure that will be needed to be put in place to make that sort of funding possible. He suggested Whanganui District Council, Tasman District Council and perhaps Horizons work together to see what sort of structure we would need to have in place to be considered to attract significant funding.
- In response to a question about the funding, Nik added that the funding is not a capital raise but would be for further investigation work. Nik said the funding is for the “go”, or “no go” phase. He added that it is possible that the Engineering Study may say “you’re dreaming it can’t be done”, but added that Midwest have to be sensible and go through the process and get that level of confidence beyond the feasibility study and see that the project is actually a goer in practice. \$1.5m is required to make this project a “goer” in practice.
- After further discussions Bill McDonald summarised the discussion noting \$1.5m investment is required from a private capital raise to complete the business plan.
- Nik referred to questions raised at the Council meeting, with Bill McDonald saying it is important for Midwest to communicate and respond to any questions asked.
- Warwick mentioned a question raised by *Cr Graham Young who questioned the previous New Plymouth Feasibility Study which looked at 6 crossings of Cook Strait per week, and Midwest are looking at 12 crossings per week? Cr Young asked if Midwest thought there was enough business to support 12 crossings per week?*
- Warwick responded advising that modelling has been done and 12 crossings are possible. Warwick has studied freight flows, both top down and bottom up and there is nothing in the existing data to suggest that Midwest could not get the volumes needed. Warwick is convinced the business market is there.
- Nik added the key differences between New Plymouth and Whanganui is that Whanganui has a better catchment area for business transportation as opposed to New Plymouth. A ferry service

from Whanganui will attract business from Rangitikei, Manawatu and Taranaki and when you take the road distance and the sea conditions around Cape Egmont, Nik suggested a ferry service from Whanganui has advantages. The New Plymouth study was also looking at a 12 knot boat with sailing time taking around 12 hours.

- The New Plymouth was also targeting containers and slower traffic, and was a very different proposition to Whanganui, but the market advantages are not the same.
- Warwick said ***Cr Graham's next question was "is the boat too large"***
- Warwick responded advising that the boat is not too big to go to Nelson or Motueka. Midwest don't know whether they are going to Motueka or Nelson as yet but Motueka is looking the most likely at this stage, but Nelson Port is not ruled out either. The boat can fit into both Nelson or Motueka and Whanganui.
- Nik advised that the other angle that Midwest has not fully explored yet is Nelson City Council (NCC) the group intends to talk to them shortly. Nik added that the whole equation there is different with some land being available, but understands that NCC is very reticent only because of the environmental resistance, not because of what a ferry service would offer Nelson city but because there is doubt that any RMA consents would be approved?
- Bill Carswell referred to the report and said he could not find any environmental work highlighted in the report noting that the river is now a living identity under the Te Awa Tupua Act and is required to dovetail into any discussions with Iwi and their concerns around the health and wellbeing of the river. Bill questioned Midwest asking whether there are any environmental concerns, with organisations such as Forest and Bird In Motueka.
- Nik said Midwest have taken a structured approach to this project to get an idea at a principle level that it is feasible. The next level is, "can it really be achieved"? During this second process we will engage in the environmental side of the equation. We will start to scope the environmental issues, and whether the project is a "goer". There will be a very big engagement process over the RMA steps and environmental interests. The biggest likely "show stopper" is that it is prohibitively expensive to do the project.
- Bill Carswell remarked that the project could be in the Environment Court for 5 years.
- Nik added that Midwest will want to prove that the project is cost effective first before engaging in environmental issues.
- Warwick said to really assess the environmental affects properly there is a need to fully understand what it is being proposed. At the moment the team does not understand what it is proposing to do in enough detail to do the assessment of environmental effects. We need good detail of what it is being proposed to do, and then do the environmental assessment and environmental affects, apply for consent, appeals etc. The team is conscious of these issues and is

aware they have not been addressed as yet, but are high on the priority list for initial assessment in the next stage with an Engineering Scoping study and Environmental Scoping study. The objectives of those studies is to tell us what needs to be done, how long will it take and how much will it cost. At that stage a decision will be made on further progress. There are some difficult environmental issues to be addressed particularly in the Motueka area. Whanganui not as much as we are proposing to dredge to 7 metres, which has been dredged to that depth in the past.

- Bill Carswell referred to the “Godwit” stories he has heard from Motueka which is of concern.
- Warwick referred to the seaward side of Jackett Island which has been eroding for some years. Tasman DC commissioned Tonkin Taylor to “fix” the erosion from occurring. One of the solutions that Tonkin & Taylor came up with, Warwick said looks very much like the proposed dredged channel for the ferry so this is a very positive effect.
- Nik added that a “show stopper” for Midwest in the short term is whether this can be done in a cost effective engineering design sense. If it can be done from a technical point of view, then environmental issues will be addressed as they arise, they maybe big issues, but there needs to be confidence that the project is actually going to work otherwise we would not even go there.
- Bill McDonald suggested that Council is interested if this project is feasible from an RMA and physical Environmental perspective as it may not be a ferry but another large ship proposal that asks for dredging to 7m for their boats, so there is potential for another proposal. From a Council perspective an individual proposal may not be commercially viable but Council will still want to know that information. Bill McDonald suggested an action point for Rowan as follows.
- **Action: - Rowan - what is the cost of doing a preliminary scoping from an expert in RMA and Planning who can ask some high level questions and identify the issues Bill Carswell is talking about from an objective perspective and outside of the whole process. Council can then be assured that no matter what proposal turns up, Council has confidence that it can refer to the study and the study says “These are the issues you need to overcome”**
- Bill McDonald said it would be good if Rowan could bring back to Midwest what that would cost, and although this work stream is much smaller than what Midwest is suggesting, it will be enough to say are there any “show stoppers” or any fatal flaws. These issues are running in parallel and money will need to be spent to get to that point.
- Bill Carswell said this is the “dovetail bit” which provides a handy segway to the other parts of the question which is Iwi liaison and the engagement which needs to include the Health and Wellbeing of the

	<p>river and the scallop and mussel beds which are apparently fairly close to the bar. So what is Midwest’s strategy for Iwi engagement?</p> <ul style="list-style-type: none"> • Nik said the initial strategy was a commercial engagement with Iwi and discussions are continuing, but he acknowledged that any talks with Iwi will need to incorporate the Health and Wellbeing of the river. • Bill McDonald said the question is that this is a set piece of work and we need to know who is able to speak on this matter on this proposal which is quite different from other places that Council is engaging on. We have Iwi at the top of the South Island and Iwi in Whanganui. • Nik said he is already in talks with Gerrard Albert, Pahia Turia and Harete Hipango but it would be helpful to have more information on this matter. • Action: Bill Carswell to provide more information around Iwi consultation. • Rowan added that an environmental assessment will also need to be done for the South Island Port as part of the steps to advance the proposal. • Q: Cr Graham’s next questions were “<i>what advantages does Whanganui have relative to Port Taranaki</i>” which has already been covered. • Q: <i>The estimated capital cost for the New Plymouth option was substantially less than Whanganui at \$37m versus Whanganui option at \$75m, therefore doesn’t New Plymouth have an advantage?</i> • Warwick responded advising that it does not make much difference as although there are less capital costs at New Plymouth, berthage fees apply which has the same effect as a higher capital cost and no berthage. • Nik said that Midwest is very confident about the revenue and operating costs. What Midwest is least confident about is how much capital is required up front to do this. The estimate is \$75 - \$100m; there will be a certain tolerance as we understand the financial model well. If it goes over the level, then the project does not fly and that is what we need to show in the next 6 – 12 months that it is not going to be double or treble what we have estimated. • Q: Bernard Corkery asked if Mrs Pam Williams (Pacific Trawlers) has been contacted. • Neville Johnson responded that he had contacted Mrs Williams. Mrs Williams spent a large sum of money on dredging of the Port area in the 1990’s for her fishing company. Neville said Mrs Williams did not convey her support to him for the project. • It was acknowledged by all present that dredging is the “key” to the whole project. • Rowan advised he had a contact from Timaru via (Mike Graham) who travels around New Zealand advising on large dredging projects
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- **Action: - Rowan to supply contact details to Nik**
- Warwick referred to a report prepared for the Harbour Board many years ago about bringing 10,000 tonne ships into Whanganui Port. Warwick advised that the report has been reviewed by the Wallingford Research Laboratory in the UK. Warwick drew a sketch on the white board illustrating the purpose of sand traps in the dredging process, which he said is noted in the report and explains why the dredging will work.
- Warwick explained that in the report written by Roger Shand and others, there is an annual variation to how much material is dredged. In a good year it may be 80,000 cubic m and in a bad year 380,000 cubic m. Warwick provided an explanation on the need to be careful of where the dredging's are to be released.
- Rowan asked if the report defined if the dredging was sand or silt.
- Warwick said the report talks about sand but does not define the difference between silt and sand or particle grading's, but essentially it is the material that drifts down passed Castlecliff beach which is primarily sand.
- Neville advised the dredge will be owned by a separate company, probably a subsidiary of the Midwest Ferries Limited.
- The fundamentals are the dredge is a commercial operator's risk, their capital, and their return for whatever else they do with the dredge. The dredge would be integral to the ferry business, but not part of the ferry business.
- In response to a question from Rene, Nik explained the \$1.5m is for Stage 3 which has two parts, the second part which is the more expensive part is the detailed cost estimates which could be a capital raise.
- After further discussion around the financials included in the appendices, Nik acknowledged that the report has inconsistencies in the appendices. Bill McDonald suggested the appendices be amended and released on Monday 8th May.
- Rowan said that unless we have the six items answered (as tabled) to feasibility stage the project will not get the support required.
- Nik responded that the business model information is very good but if the business model does not float, then why would you bother with anything else. The issue is at what stage do we look at the next level and issue a "tick" that this is practically possible, there are some challenges, or this is a "game breaker".
- Rowan mentioned that If Midwest is going to fund the project entirely it is then none of Council's business but where do you decide to put these questions in the staging of your business case. If Midwest is wanting support from Council, then Council may say there are some "bits" of the puzzle that are not there. He added that there is a mix of support from Councillors, with Rowan advising that from a Councillors point of view, they will have and not only need to consider this project on its merits but also be aware of the next venture that may

come to the table for assistance as well. If Council does provide some funding then a clear explanation of funding will need to be communicated to the public. This will be most important.

- Nik discussed a possible communication matrix advising “what have we done”, “when do expect them to be addressed” and “next steps”.
- Bill McDonald added that you can make assumptions around these scenarios, which can then become risks e.g. Maritime NZ have indicated that Midwest can’t use Wharf 1. Ask Maritime NZ to put it in writing, if they won’t put it in writing, then note that MTNZ won’t put their comment in writing.
- Bill McDonald also suggested creating a list of what has been done which will form part of risks and issues to add as a supplement alongside the report and will become another piece of work that this group will investigate through these meetings. Nik Warwick, Rowan, to liaise to create this list.

ACTION: Rowan, Nik, Warwick to meet next week.

- Stage 3 is about gaining confidence about the risk issues identified.
- Neville Johnson advised he has been in discussions with Mike Graham (Ex Harbour Master, Westport) to help develop a 2-3 year development board. Neville approached Mike, to assist but has received a message from Mike to say he has been approached by Whanganui District Council to discuss a position of Marine Advisor for the Whanganui Port. Will this create a conflict of interest? Neville asked if we could all use Mike as a team, rather than have a proposed conflict of interest.
- Rowan advised that Mike Graham is not currently working for the Whanganui Port, but he has been approached to work for the Whanganui Port as a Regulatory Harbour Master. He would then report independently of the Port Operator to the Council. Rowan suggested as long he does not contradict that, in an advisory capacity due to his expertise on west coast bar ports, then he could not see any conflict.
- **Action: Rowan to confirm above with Neville.**
- Rowan said the Business Case was to be presented to central government on the Port Revitalisation Project in two stages. It is now looking like one stage at the end of June which is the target date. There will be some issues around how we handle Midwest Ferries and where that fits into the business plan. He added that there are some conflicts with other port users that have to be addressed such as where we might put the community functions of recreational boating. Rowan added that Midwest may come up with some method of turning boats within the harbour basin but we need to show how best to show the future options for siting the ferry without causing anxiety to other areas. The question is “how do we do that”?
- Bill McDonald said we need to incorporate the Ferry into the Masterplan in some manner. We need to show the size, scale and the future options(s) for placement of the Ferry. Bill suggested asking Phil

	<p>Wardale to come back with how the Ferry plan can be incorporated in that process. The Masterplan is running in parallel and needs to be completed by the end of May for the business plan to be completed by the end of June. Future stages will certainly have conflicts with other users and the Ferry operation.</p> <ul style="list-style-type: none"> • Nik added that the golden thread is optionality so that whatever is being proposed does not “kill the prospect” of this proposal. In general terms in the way things are progressing, even if the maximum proposal occurs it will not be “fatal” to what Midwest are proposing, it may add cost, but proportionately a small cost. So long as the project is not “killed” by this. • Bill McDonald advised it is not a good idea to have too many “pictures” from here on out. This is the “Feasibility Study Report” which stands on its own, the Masterplan is the port vision picture and final plan to include in the Revitalisation Business case. • Warwick Walbran suggested the Masterplan will look for an optimal plan for all users. We don’t want to end up with a “sub optimal plan”. • Bill McDonald provided feedback on Midwest’s Feasibility Study report and said the report is now well defined, so we can now do some assessments from a technical perspective. It makes a great case from an economic perspective and commercial perspective, the technical issues may still be an open question along with cultural conversations and RMA conversations that are still to be had. Bill said that from his point of view the report was not quite a completed feasibility study as the above points are very important aspects that need to be addressed. He suggested that Council will undertake to provide the support and resources to do this over the next month. Horizons (HRC) have said they will provide some “in kind” support. Asking Horizons (HRC) what they can provide is important. • Bill said this is a different proposal than has been presented previously. This is a private capital investment, but does raise the question if the investment is so good, why the private sector is not prepared to invest from the start and this is probably a question government will ask. Bill added that Neville has done a great job of effectively “crowd funding” for the first part of the project, but we have not seen any large investors or players put any money on the table as yet. • Bill McDonald suggested it is important to get a “letter of intent” if possible from these parties, such as potential freight owners and a large transport company etc. This will add much more weight to the project. • This proposal needs to “live and die” on the science, not people’s opinions. Bill added that once people read the report, plenty of feedback will be received and suggested contacting people from a previous freight survey and offer them a “letter of intent” for funding.
Meeting Close	There being no further business, the meeting closed at 1.27 pm

<p>Tabled at a Special Interest Group Meeting by Rowan McGregor on 3 May 2017</p>	<p>Suggested matters to address to help advance “practically possible” to “practically feasible” concerning the Midwest feasibility study presented to the Whanganui District Council on 2nd May 2017</p> <p>While many of the issues relate to both the Whanganui and Motueka Ports, some relate only to Whanganui in the sense it is a river bar port.</p> <ol style="list-style-type: none"> 1. <u>Navigation</u> What are the parameters for bringing large vessels though a shallow high energy sea with significant lateral drift, significant tidal and river flow, especially when there is a fresh in the river, hazards such as logs. 2. <u>Marine regulations</u> Regulations and good safe practise around size of vessel for entrance, manoeuvring, turning, depth under the keel from datum (entrance and harbour), any need for tugs, etc. Potential game breakers. 3. <u>Harbour and River management structures.</u> Dimensions, condition and design capability of existing infrastructure in relation to large ship needs, required modifications or new infrastructure. Description of required harbour and entrance channel dimensions for a large vessel, how the bar effect will be mitigated, infrastructure needs, dredging needs and discharge needs. 4. <u>Docking structures</u> Needs, new and impact on existing wharves. Vehicle staging area and access. 5. <u>Impacts/conflicts on other current or proposed uses.</u> For Whanganui, marine precinct, powered and non-powered recreation, other community uses. Motueka ? 6. <u>RMA needs and degree of difficulty.</u> Specialist lawyer and resource planner over review of issues, time frames, potential game breakers, degree of difficulty.