

# Commercial Activities

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## Sub Activities:

Harbours

Airport

Leased Properties

Forestry

## Goal

To manage the District's forestry resources, investments, and property portfolio in a cost effective manner so as to provide the optimum financial return on those assets. Harbour and Airport facilities are to be developed in the most appropriate manner to provide for the needs of its commercial and recreational users.

## Nature and Scope of Activity

### Harbours

South Bay Marina is only 11 years old, however the increased number of commercial and recreational users of the facility, and the increasing size of the boats being housed there, is placing pressure on the marina and there is already speculation that a much larger facility will need to be provided within the next 10 year period.

The North Wharf is proposed to be replaced within the next year, and will provide a landing for cruise ship tenders to drop off visitors directly onto the wharf, in response to demand from the cruise operators. While the fisheries have ceased to operate from the fish and mussel processing factories at the wharf, the fishing boats do continue to use the wharf for offloading their catch.

### Airport

Kaikoura's Airport is situated on Department of Conservation land at Puketa, 8km south of the township, and is currently the home of the Kaikoura Aero Club and Wings Over Whales, and host to Soundsair. The Airport Management Committee has approached Council for permission to extend the runway and develop aircraft hangers on the site, and these projects have been provided for in the Long Term Council Community Plan.

### Leased Properties

In addition to the properties already mentioned, Council owns the building at 94 West End occupied by the Library and, until recently, a seal swimming operation. Council is now considering its options for the vacant space, which could potentially provide the library with much-needed room for expansion.

The land at the North Wharf has previously been leased to Pacifica Fisheries Ltd, but the closure of those premises has left much of the area vacant and unused. Council also owns the Kaikoura Top 10 camping ground land on Beach Road, the property at 25 Beach Rd currently occupied by a craft shop and gymnasium, and a house at 20 Beach Road. Other leased properties include various grazing leases, and minor buildings.

## Forestry

Council owns 378 hectares of forest located on leased land at Clarence, 8 hectares of forest on reserve land at South Bay, and also has an 11.5% share in the Marlborough Regional Forestry joint venture with the Marlborough District Council.

## Effects on the Community

<b>Economic</b>	☺	Harbour and Airport facilities are essential for the continued commercial investment in the district, particularly for our sea- and air-based tourism ventures. And, with the exception of the harbour facility, Commercial Activities also provide a return to Council, which is used to offset the rates requirement and build up cash reserves for further strategic investments.
<b>Environmental</b>	☹	The provision of commercial activities has a negligible impact on the environment, with the exception of forestry. Council's forests are pinus radiata, which gives good ground stability in sandy soils, but does tend to deplete soil nutrients over time.
<b>Social</b>	☺	Harbour and airport facilities provide for leisure, sport and recreational activities, as well as providing for a mode of transport for travellers.
<b>Cultural</b>	☹	Commercial activities have very little impact on the cultural wellbeing of the community.

## Community Outcomes

The following table highlights how Commercial Activities contributes to the achievement of Community Outcomes.

<b>Community Outcome</b>	<b>How the Commercial Activities Activity Contributes</b>	<b>Performance Measure</b>
<b>Safe, Efficient Transport Network</b>	By developing airport facilities as required to service passenger traffic	Annual capital spend on airport upgrading
<b>Affordable Access to Quality Community Facilities</b>	Upgrade harbour structures	Annual capital spend on harbour upgrading
	By disposing of two commercial properties to fund the development of the combined community complex	Disposal of 25 Beach Rd and the existing library building

## Report on Performance

Performance Measure	Last Year	Target 2007-2009	Actual Result 2006/2007
Annual capital spend on airport upgrading	\$34,331 spent to reseal taxiway	Airport Hangars constructed by December 2007	Council is unlikely to construct airport hangars: no plans have been prepared
Annual capital spend on harbour upgrading	\$115,749 spent on South Bay public slipway	New public jetty at South Bay, complete rebuild of North Wharf, re-establish boat parking protection and investigate a potential location for a new marina	The new public jetty has been constructed, and tenders have been advertised for the North Wharf replacement. The boat parking protection work has been delayed pending agreement from the community, and a potential location for a new marina is yet to be substantially investigated.
Disposal of 25 Beach Rd and the existing library building	N/A	Sale of the two buildings completed	New opportunities for the use of the library building have arisen and Council is considering its options for retaining it. Until such time as funds are required for the proposed community facility, the sale of these buildings is not essential.

## Level of Achievement

There have been delays regarding completion of some projects, and Council will not be constructing airport hangars, but rather leaving this option for private developers, therefore Council has not achieved these targets as set out in its Long Term Council Community Plan.

## Operating Cost of Service Statement: Commercial Activities

FOR THE YEAR ENDED 30 JUNE 2007

	2007 BUDGET \$	2007 ACTUAL \$	2006 ACTUAL \$
<b>Operating Expenses</b>			
<u>Airport</u>			
Operations	23,368	13,300	13,147
Loan Interest	14,831	4,183	4,183
Depreciation	3,261	85	85
	41,160	17,568	17,415
<u>Harbour</u>			
Operations	94,421	79,913	78,907
Loan Interest	82,359	40,928	38,628
Depreciation	29,856	30,519	27,243
	206,636	151,360	144,778
<u>Leased Properties</u>			
Operations	61,162	24,326	23,934
Loan Interest	19,800	18,941	19,772
Depreciation	11,957	120	13,588
	92,919	43,387	57,294
<u>Forestry</u>			
Operations	19,472	122,283	134,502
Loan Interest	-	-	-
Depreciation	-	12,727	8,397
	19,472	135,010	142,899
<b>Total Operating Expenses</b>	<b>360,487</b>	<b>347,325</b>	<b>362,386</b>
<b>Funded by:</b>			
User Fees & Charges	332,963	337,544	277,713
Forestry Revenues	100,000	585,697	473,112
Targeted Rates	111,621	112,797	96,083
	<b>544,584</b>	<b>1,036,038</b>	<b>846,908</b>
<b>Operating Surplus/(Deficit)</b>	<b>184,097</b>	<b>688,713</b>	<b>484,522</b>

For the purposes of this Cost of Service statement, Forestry Revenue refers to forestry logging sales, the distribution revenue from Marlborough Regional Forestry, and Council's share of Marlborough Regional Forestry joint venture revenues. Council did not undertake any logging, nor did it receive a distribution from Marlborough Regional Forestry, in the 2006 financial year.

## Capital Cost of Service Statement: Commercial Activities

FOR THE YEAR ENDED 30 JUNE 2007

	2007 BUDGET \$	2007 ACTUAL \$	2006 ACTUAL \$
<b>Capital Expenditure</b>			
<u>Airport</u>			
New/Upgrade Assets	150,000	-	34,331
Renewals	-	-	-
Increasing Level of Service	-	-	-
	150,000	-	34,331
<u>Harbour</u>			
New/Upgrade Assets	640,000	122,492	115,749
Renewals	-	-	-
Increasing Level of Service	-	-	-
	640,000	122,492	115,749
<u>Leased Properties</u>			
New/Upgrade Assets	-	-	1,435
Renewals	-	-	-
Increasing Level of Service	-	-	-
	-	-	1,435
<u>Forestry</u>			
New/Upgrade Assets	8,000	-	2,318
Renewals	-	-	-
Increasing Level of Service	-	-	-
	8,000	-	2,318
<u>Capital Debt Servicing</u>			
Loan Principal	85,965	62,589	53,576
<b>Total Capital Expenditure</b>	<b>883,965</b>	<b>185,081</b>	<b>207,409</b>
<b>Funded by:</b>			
General Rates (Offset)	(76,249)	(77,907)	(22,926)
Transfers from/(to) Reserves	18,000	(541,539)	(295,193)
Loans	725,000	85,000	-
Depreciation	33,117	30,814	41,006
Operating Surplus/(Deficit)	184,097	688,713	484,522
	<b>883,965</b>	<b>185,081</b>	<b>207,409</b>

## **Capital Expenditure: Acquisition of Assets**

### **Airport**

Provision had been made for the Airport facility at Puketa to benefit from the development of new aircraft hangars; however this project is unlikely to be led by Council. Council had originally intended to build and lease hangar facilities, but instead has opted with potentially making land available for private operators to develop hangars at their own cost.

### **Harbour**

The new public slipway and jetty at South Bay has been developed to alleviate congestion during the peak summer season, however the proposed boat parking protection works is in doubt due to opposition from the very parties who lobbied Council for the work be done in the first place.

Designs for the replacement of the North Wharf have been put out to tender, and once this process is complete more accurate costs will be known. The project was budgeted for in the 2006/2007 year, and this has been deferred to 2007/2008.

### **Forestry**

No planting, pruning or thinning has been required in 2007/2008.