

## Commercial Activities

### Sub Activities:

**Airport**  
**Harbour Facilities**  
**Leased Properties**  
**Forestry**

### Goals

Airport and harbour facilities are to be developed in the most appropriate manner to provide for the needs of its commercial and recreational users. Forestry resources, investments, and properties are to be managed in a cost effective manner so as to provide the optimum financial return on these assets.

### What we do

Council owns the airport terminal at Peketa, the South Bay marina, the North wharf and old wharf, a number of leased properties including the building currently occupied by the community gym. Council also owns an 11.5% share in Marlborough Regional Forestry, a joint venture with the Marlborough District Council, and leases land at Clarence with established pine.

### Why we do it

The airport and harbour facilities are both strategic assets in terms of providing for the ongoing tourism and fishing activity within the district, much of which is reliant on water-based activity and convenient travelling services. Forestry and leased properties maximise the opportunities from property ownership and provide a return to ratepayer investment.

### Effects on the Community

<b>Economic</b>	☺	A primary driver for these activities is to provide a return to ratepayer investment. Commercial users rely heavily on provision of harbour and airport facilities.
<b>Environmental</b>	☺	Forestry stabilises sandy ground and acts as a carbon sink, but depletes nutrients in the soil over time
<b>Social</b>	☺	Harbour and airport facilities provide for leisure, sport, and recreation activity
<b>Cultural</b>	☺	This activity can provide a return on investment which enables future cultural facilities to be funded

## Airport

Kaikoura's airport is situated on Department of Conservation land at Peketa, 8km south of the township on state highway 1, and is currently the home of the Kaikoura Aero Club, Sounds Air and Wings Over Whales.

Council has adopted an Airport Management Plan that provides for the establishment of hangars and runway extension.

Whale watching by air is a popular alternative to the boating option, and the airport serves a growing number of visitors and recreational users. Skydiving and scenic flights also operate from this facility.

Council purchased the airport terminal building in 2009, thereby securing a strategic asset for future development of air transport services. First constructed in 1996, the terminal is a small but modern facility.

### Major Projects in the next three years:

Capital Projects	Cost	Funded by
Aircraft hangars	\$150,000	Loan

The ten year capital projects are outlined in the forecast cost of service statements.

### Council Assets and How They Will Be Managed

The Airport Management Committee is responsible for overseeing the day to day management of the airport, and reports directly to council on airport issues.

### Significant Potential Negative Effects

No significant negative effects have been identified in the provision of airport services.

### Community Outcomes

The airport contributes to:

- Safe, Efficient Transport Network

For an understanding of how this activity contributes to these outcomes, please see pages 144 to 145.

**How is it Funded?**

**Operating Expenses Funded by:**

User Fees & Charges

**Capital Expenses Funded by:**

Loan

Grants & Subsidies

Reserves

Property Sales

The airport is fully self-funding. Council will be developing new aircraft hangars in 2009/10 funded by loan; the lease revenue and landing fees will be sufficient to cover the loan servicing costs.

**Levels of Service**

	Base Line	2009/10 Target	2010/11 Target	2011/12 Target	10 Year Target
All airport facilities (land, buildings and hangar sites) are fully leased	100%	100%	100%	100%	100%
Airport facilities are adequate for aircraft weighing up to 5,000kg	100%	100%	100%	100%	100%

There is no intention to improve the current levels of service, other than the development of new aircraft hangars. Once developed, these will also be fully leased by Council to the airport operators.

## Harbour Facilities

The harbour facilities were vested in Council in 1989 from the former Marlborough Harbour Board (the assets then only consisted of the north wharf, old wharf, a shed and lockers, the Harbour Board office and a slipway at South Bay). Since then Council has spent over \$1m on the development of the South Bay Marina, which has a seawall, slipway, fuel facility, public toilets, boat wash down area, and parking for buses, cars, trailers and boats.

The north wharf will have been replaced by the end of 2009, providing an improved service for the disembarking of passengers from the cruise ships that frequent our shores over the summer season, and of catches from the local fishing industry.

The old wharf is in a poor state of repair, but is a site of historical value to the district, and it is likely that the community would be supportive of its restoration. Council will complete an investigation on the condition of the wharf by way of a conservation and management plan, which will determine and prioritise the capital work required for this restoration.

South Bay Marina is relatively new, 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 10 year period. However the area is very constrained and any expansion would likely involve developing a site at another location. No appropriate location has been identified and there is currently no provision in this plan for such a development.

The boat parking area is subject to ongoing erosion, however until consensus can be reached by the users and local residents, no boat park protection works will be undertaken.

### **Major Projects in the next three years:**

The north wharf having been completed in 2009, there are no further major projects planned within the next three years. If a consensus can be reached on the boat parking protection work, this may need to be included within the next three years.

### **Council Assets and How They Will Be Managed**

Council employs a harbour warden to facilitate the smooth operation of an often congested marina at South Bay.

### **Significant Potential Negative Effects**

There are certain risks involved in the ownership of harbour facilities, including serious damage in a storm event, or fuel spills from marine craft. The congestion at the South Bay marina and the constant flow of buses and trailer boats, particularly over the peak summer period, has permanently altered the character of the South Bay village.

### **Community Outcomes**

The harbour facilities contribute to:

- Sustainable Development

For an understanding of how this activity contributes to these outcomes, please see pages 144 to 145.

**How is it Funded?**

<b>Operating Expenses Funded by:</b>	<b>Capital Expenses Funded by:</b>
User Fees & Charges	Loan
Targeted Rates	Grants & Subsidies
	Reserves

Slipway fees, seawall licences and boat parking fees are the major sources of revenue for the harbour activity. The balance of operating expenses are funded by targeted rates.

A new rating system takes effect on 1 July 2009, whereby 50% of the net cost of the harbour activity will be funded by a commercial rate (paid only by commercial premises), and the balance funded by a new targeted rate; this will be applied to every rateable property in the district based on capital value, with a differential applied to the following areas:

- Urban properties 1:1
- Semi-rural properties 0.5:1
- Rural properties 0.25:1

This is in recognition that much of our tourism is reliant upon water based activities, and need good quality harbour facilities, but that there is also a large element of public good – with the public benefit generally occurring most to people living in the town, and less so in the rural and semi-rural areas.

**Levels of Service**

	Base Line	2009/10 Target	2010/11 Target	2011/12 Target	10 Year Target
All boat parking facilities are fully leased	100%	100%	100%	100%	100%

## Leased Properties

These properties include the land and some buildings at both the north wharf and also the old wharf, currently occupied by various commercial fishing operators. The buildings at the north wharf are currently unused.

The library building in the West End is considered a commercial property due to its high profile within the town centre and therefore its ability to be sold or leased.

Council also owns the property at 25 Beach Rd currently occupied by the community gymnasium in the upper floor, and the lower floor is being used for youth projects. That property had originally been purchased with the intention of developing the site to house new council offices plus museum and library. Potentially this property may be sold to generate funds for the proposed museum, or the swimming pool and indoor sports facility, or other strategic property purchases.

A house at 20 Beach Rd and an area of land behind it are intended to be sold to a developer to provide for a new shopping and accommodation area. Proceeds from the sale could also be used for any new community facilities, or be reinvested into other property.

## Major Projects in the next three years:

It is envisaged that any major projects for these leased properties, such as redevelopment of the north wharf buildings, would be undertaken by the lessee. No major projects are planned within the next three years. The ten year capital projects are outlined in the forecast cost of service statements.

## Council Assets and How They Will Be Managed

Commercial leases are in place for the majority of these properties, and the house at 20 Beach Rd is currently tenanted while sale of the property is being negotiated.

## Significant Potential Negative Effects

There are no significant negative effects identified by these leased properties.

## Community Outcomes

Leased properties contribute to:

- Affordable Access to Quality Community Facilities

For an understanding of how this activity contributes to these outcomes, please see pages 144 to 145.

**How is it Funded?**

<b>Operating Expenses Funded by:</b>	<b>Capital Expenses Funded by:</b>
User Fees & Charges	Loan
	Grants & Subsidies
	Reserves

Leased properties are, by their very nature, revenue generating. Surpluses from rents and other fees and charges are used to offset rates, and to accumulate cash reserves for future strategic property purchases or capital funding.

Council may, from time to time, acquire or dispose of land and property, where it considers that, a) there is a strategic or financial benefit, or b) there is a public good benefit, in doing so.

**Levels of Service**

	Base Line	2009/10 Target	2010/11 Target	2011/12 Target	10 Year Target
All properties are fully leased	100%	100%	100%	100%	100%

## Forestry

Council owns 378 hectares of pinus radiata forest located on leased land at Clarence, with the lease valid until 2025. Logging sales are undertaken whenever the log prices are economically advantageous and logging blocks are at a suitable stage of maturity. As there is less than 20 years remaining on the lease of the Clarence land, Council has ceased planting new trees as these would not reach maturity by the time the lease expires. Pruning and thinning is still necessary to ensure the trees are viable for logging when they reach maturity, and this work is capitalised.

A smaller forestry block is located on reserve land at South Bay; however this area is popular for recreation such as walking, horse riding, etc, and there is an intention in the long term to enhance this area with walkway and cycling tracks. Many of the trees may be left rather than logged, to provide for established landscaping protection.

Council has an 11.5% share in the Marlborough Forestry joint venture with the Marlborough District Council. This joint venture pays a capital distribution to both councils annually when the venture has generated surpluses. Of Councils share, 13.38% is held on behalf of Environment Canterbury, therefore capital distributions received are also apportioned and passed on to that organisation.

Forestry revenues are sufficient to fund any planting, pruning and thinning costs, and provide an offset to the rates requirement from its logging sales, and the Marlborough Forestry capital distribution payments are set aside to accumulate cash reserves for strategic purchases.

### Major Projects in the next three years:

Capital Projects	Cost	Funded by:
Pruning & thinning	\$12,792	Logging sales

The ten year capital projects are outlined in the forecast cost of service statements.

### Council Assets and How They Will Be Managed

Council does not have in-house expertise in forestry management, and contracts out this service to Merrill and Ring, who are responsible for ensuring that pruning, thinning, pest control, and logging programmes are carried out to provide optimum return from these forestry assets.

### Significant Potential Negative Effects

Logging activity reduces the natural reduction of carbon dioxide and other greenhouse gas emissions. The Emissions Trading Scheme is likely to result in costs for Council whenever logging activity is undertaken. The potential impact of the Scheme has not been provided for within this plan (see the forecasting assumptions within the Financial Information section for further details).

### Community Outcomes

Ownership of forestry assets contribute to:

- Affordable Access to Quality Community Facilities

For an understanding of how this activity contributes to these outcomes, please see pages 144 to 145.

### How is it Funded?

**Operating Expenses Funded by:**      **Capital Expenses Funded by:**

Logging Sales

Logging Sales

Marlborough Forestry Distributions

Forestry assets are, by their very nature, revenue generating. Surpluses from logging sales are used to offset rates and the Marlborough Regional Forestry capital distributions are set aside to accumulate cash reserves for future strategic purchases.

### Levels of Service

	Base Line	2009/10 Target	2010/11 Target	2011/12 Target	10 Year Target
Forestry activity generates cash surpluses that are able to be used to help offset the rate requirement, or to undertake strategic land purchases	100%	100%	100%	100%	100%

**Performance Measures to assess progress towards achievement of Community Outcomes**

Community Outcome	How Commercial Activities Contribute	Performance Measure	Target																								
<p><b>Sustainable Development</b></p>	<p>Provide and plan for good quality, cost efficient infrastructure, facilities, amenities and services that meet the needs of the community now and into the future.</p>	<p>Percentage of residents satisfied with the marina and wharf facilities</p>	<p><b>Percentage of Residents Satisfied with the Marina and Wharf Facilities</b></p> <table border="1"> <caption>Percentage of Residents Satisfied with the Marina and Wharf Facilities</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Baseline</td> <td>80%</td> </tr> <tr> <td>2009/10</td> <td>80%</td> </tr> <tr> <td>2010/11</td> <td>80%</td> </tr> <tr> <td>2011/12</td> <td>80%</td> </tr> <tr> <td>2012/13</td> <td>80%</td> </tr> <tr> <td>2013/14</td> <td>80%</td> </tr> <tr> <td>2014/15</td> <td>80%</td> </tr> <tr> <td>2015/16</td> <td>80%</td> </tr> <tr> <td>2016/17</td> <td>80%</td> </tr> <tr> <td>2017/18</td> <td>80%</td> </tr> <tr> <td>2018/19</td> <td>80%</td> </tr> </tbody> </table>	Year	Percentage	Baseline	80%	2009/10	80%	2010/11	80%	2011/12	80%	2012/13	80%	2013/14	80%	2014/15	80%	2015/16	80%	2016/17	80%	2017/18	80%	2018/19	80%
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<p><b>Safe, Efficient Transport Network</b></p>	<p>Develop airport facilities as required to service passenger traffic, until such time as the scale of operation warrants fully commercial management.</p>	<p>The airport is available for use by commercial and recreational users 365 days per year (no notam – notices of closure to the Civil Aviation Authority - are issued).</p>	<p><b>Number of Days the Airport is Open</b></p> <table border="1"> <caption>Number of Days the Airport is Open</caption> <thead> <tr> <th>Year</th> <th>Number of Days</th> </tr> </thead> <tbody> <tr> <td>Baseline</td> <td>365</td> </tr> <tr> <td>2009/10</td> <td>365</td> </tr> <tr> <td>2010/11</td> <td>365</td> </tr> <tr> <td>2011/12</td> <td>365</td> </tr> <tr> <td>2012/13</td> <td>365</td> </tr> <tr> <td>2013/14</td> <td>365</td> </tr> <tr> <td>2014/15</td> <td>365</td> </tr> <tr> <td>2015/16</td> <td>365</td> </tr> <tr> <td>2016/17</td> <td>365</td> </tr> <tr> <td>2017/18</td> <td>365</td> </tr> <tr> <td>2018/19</td> <td>365</td> </tr> </tbody> </table>	Year	Number of Days	Baseline	365	2009/10	365	2010/11	365	2011/12	365	2012/13	365	2013/14	365	2014/15	365	2015/16	365	2016/17	365	2017/18	365	2018/19	365
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**Performance Measures to assess progress towards achievement of Community Outcomes**

Community Outcome	How Commercial Activities Contribute	Performance Measure	Target																								
<p><b>Affordable Access to Quality Community Facilities</b></p>	<p>Develop sports, leisure and cultural facilities at a location or locations that satisfy the wishes of the community, including an indoor pool, indoor sports complex, gymnasium, museum, and potentially also local government offices.</p>	<p>Operating surpluses and proceeds from property sales are accumulated in readiness to fund the construction of these new facilities</p>	<table border="1"> <caption>Funds Accumulated for Sports &amp; Leisure Facility Development</caption> <thead> <tr> <th>Year</th> <th>Funds (millions)</th> </tr> </thead> <tbody> <tr> <td>Baseline</td> <td>2.0</td> </tr> <tr> <td>2009/10</td> <td>2.4</td> </tr> <tr> <td>2010/11</td> <td>2.8</td> </tr> <tr> <td>2011/12</td> <td>3.2</td> </tr> <tr> <td>2012/13</td> <td>3.0</td> </tr> <tr> <td>2013/14</td> <td>2.2</td> </tr> <tr> <td>2014/15</td> <td>0.1</td> </tr> <tr> <td>2015/16</td> <td>0.1</td> </tr> <tr> <td>2016/17</td> <td>0.1</td> </tr> <tr> <td>2017/18</td> <td>0.1</td> </tr> <tr> <td>2018/19</td> <td>0.1</td> </tr> </tbody> </table>	Year	Funds (millions)	Baseline	2.0	2009/10	2.4	2010/11	2.8	2011/12	3.2	2012/13	3.0	2013/14	2.2	2014/15	0.1	2015/16	0.1	2016/17	0.1	2017/18	0.1	2018/19	0.1
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In addition to the above performance measures towards the achievement of community outcomes, Council will also measure its levels of service for each of its activities

## Forecast Cost of Service Statement - Operating

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Operating Expenses</b>										
<u>Airport</u>										
Operations	25,155	26,901	28,176	24,610	25,476	33,550	37,365	38,310	39,284	43,694
Loan Interest	42,896	41,518	41,059	42,886	42,886	40,827	35,195	35,195	35,195	28,845
Depreciation	2,635	2,372	2,124	1,646	2,750	5,719	7,623	7,943	7,943	7,943
	<b>70,686</b>	<b>70,792</b>	<b>71,360</b>	<b>69,143</b>	<b>71,112</b>	<b>80,096</b>	<b>80,182</b>	<b>81,448</b>	<b>82,422</b>	<b>80,481</b>
<u>Harbour</u>										
Operations	74,881	77,493	79,103	81,294	83,453	85,595	88,032	90,541	93,180	95,944
Loan Interest	86,222	77,499	68,345	65,940	65,940	55,146	54,445	46,844	36,390	35,609
Depreciation	36,256	35,231	35,231	35,231	36,164	36,164	36,164	36,917	36,917	36,917
	<b>197,359</b>	<b>190,222</b>	<b>182,679</b>	<b>182,465</b>	<b>185,557</b>	<b>176,905</b>	<b>178,641</b>	<b>174,302</b>	<b>166,487</b>	<b>168,471</b>
<u>Leased Properties</u>										
Operations	15,057	15,486	15,948	16,356	16,762	17,233	17,733	18,177	18,629	19,077
Loan Interest	18,341	18,341	9,038	9,038	9,038	3,718	3,718	0	0	0
	<b>33,399</b>	<b>33,827</b>	<b>24,986</b>	<b>25,394</b>	<b>25,800</b>	<b>20,951</b>	<b>21,451</b>	<b>18,177</b>	<b>18,629</b>	<b>19,077</b>
<u>Forestry</u>										
Operations	326,577	344,894	205,848	272,592	313,066	288,278	309,910	288,921	310,866	289,978
	<b>326,577</b>	<b>344,894</b>	<b>205,848</b>	<b>272,592</b>	<b>313,066</b>	<b>288,278</b>	<b>309,910</b>	<b>288,921</b>	<b>310,866</b>	<b>289,978</b>
<b>Total Operating Expenses</b>	<b>628,021</b>	<b>639,735</b>	<b>484,873</b>	<b>549,594</b>	<b>595,535</b>	<b>566,231</b>	<b>590,185</b>	<b>562,848</b>	<b>578,404</b>	<b>558,007</b>
<b>Funded by:</b>										
User Fees & Charges	369,710	371,637	374,931	382,072	385,161	391,633	394,334	400,713	403,146	409,579
Forestry Revenues	485,033	522,845	383,373	449,598	489,547	464,291	485,793	464,291	485,793	464,291
Targeted Rates	80,545	84,705	78,959	77,286	80,772	71,216	77,020	27,101	19,285	23,522
	<b>935,288</b>	<b>979,188</b>	<b>837,263</b>	<b>908,956</b>	<b>955,480</b>	<b>927,140</b>	<b>957,147</b>	<b>892,105</b>	<b>908,224</b>	<b>897,392</b>
<b>Operating Surplus/(Deficit)</b>	<b>307,267</b>	<b>339,453</b>	<b>352,390</b>	<b>359,362</b>	<b>359,945</b>	<b>360,909</b>	<b>366,962</b>	<b>329,257</b>	<b>329,820</b>	<b>339,386</b>

## Forecast Cost of Service Statement - Capital

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Airport</u>										
New/Upgrade Assets	150,000	0	0	0	0	0	0	0	0	0
Renewals	0	0	0	0	0	0	0	0	0	0
	<b>150,000</b>	0	0	0	0	0	0	0	0	0
<u>Harbour</u>										
New/Upgrade Assets	0	0	0	0	0	0	0	0	0	0
Renewals	0	0	0	0	0	0	0	0	0	0
	<b>0</b>	0	0	0	0	0	0	0	0	0
<u>Forestry</u>										
New/Upgrade Assets	4,136	4,277	4,379	4,484	4,588	4,698	4,810	4,926	5,049	5,175
Renewals	0	0	0	0	0	0	0	0	0	0
	<b>4,136</b>	4,277	4,379	4,484	4,588	4,698	4,810	4,926	5,049	5,175
<u>Capital Debt Servicing</u>										
Loan Principal	102,685	107,116	112,090	114,931	117,119	114,161	120,966	53,158	53,158	59,351
<b>Total Capital Expenditure</b>	<b>256,821</b>	111,393	116,470	119,415	121,707	118,859	125,777	58,083	58,207	64,527
<b>Other Revenue:</b>										
General Rates	-24,320	-23,675	-23,145	-22,522	-255,258	-262,617	-263,900	-295,589	-296,596	-300,581
Reserves	-215,016	-241,988	-250,130	-254,302	-21,894	-21,316	-21,072	-20,444	-19,877	-19,138
Loans	150,000	0	0	0	0	0	0	0	0	0
Depreciation	38,891	37,603	37,355	36,877	38,914	41,882	43,786	44,860	44,860	44,860
Operating Surplus/(Deficit)	307,267	339,453	352,390	359,362	359,945	360,909	366,962	329,257	329,820	339,386
	<b>256,821</b>	111,393	116,470	119,415	121,707	118,859	125,777	58,083	58,207	64,527

