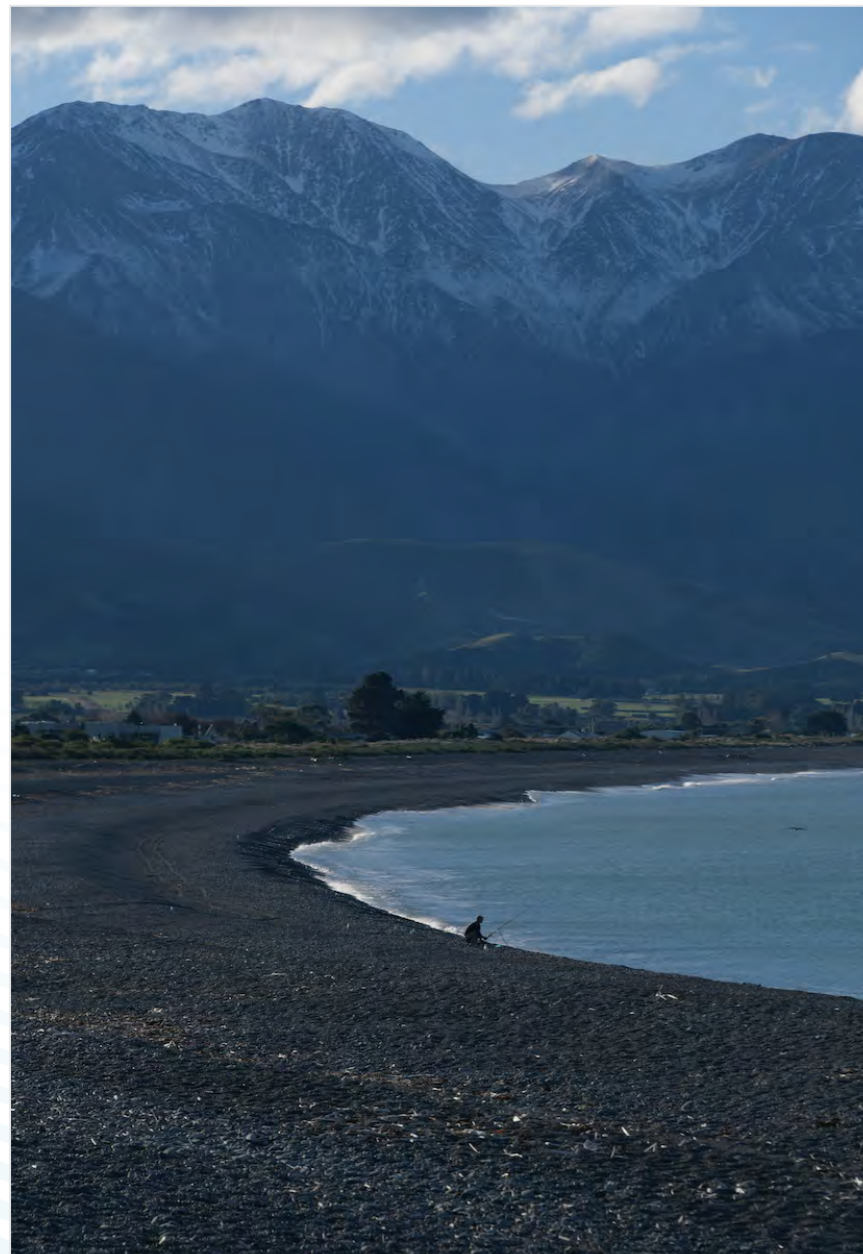


1.0 | Executive Summary

Business Case Overview

This Business Case has been developed to illustrate the costs, benefits, options and possibilities of how investment in a harbour can help build the future.



Overview

A business case can explain the rational considerations for decision makers to chart a path forward. At the same time, a business case should also show something of the communities and environments it has been created for; to tell their stories and highlight their aspirations.

In this case, a new harbour is significantly more than an economic opportunity. It is a cornerstone of a community, particularly one as marine-based as Kaikōura. The place their harbour sits within is one the community is deeply attached to; held fondly by many in their memories of gathering kai.

This business case has involved many workshops and extensive engagement with key stakeholders within the community, to hear and incorporate their concerns into the design of and consensus for, the preferred option that this case presents.

Purpose

This business case has been developed for Kaikōura District Council to provide the rationale necessary for decision-makers to provide the funding for this vital piece of infrastructure.

Approach & next steps

It is important to note at the outset that this business case has been designed with a staged approach; there are multiple decision points where Council and Government may consider the progression of the project. The purpose of this approach is to illustrate a clear path toward a successful outcome, whilst providing waypoints that offer additional certainty.

Thus, rather than seeking to secure funding for the investment as a whole, **this business case recommends that the Government:**

1. **Approve in principle** the harbour development
2. **Approve funding for the next stage**, which includes the parallel completion of the Feasibility Study and Developed Design components.

1.0 | Executive Summary

The South Bay context and current state

The harbour is a key piece of infrastructure for Kaikōura and the wider region; its current state presents risks and constrains economic activities.

The South Bay Harbour facility is Kaikōura's primary hub for marine-based activities in the region. There are a range of operators actively using the harbour on a daily basis. There are the tourism operators with the largest vessels (up to 30m in length), the local commercial fishing fleet, the Coastguard, and of course, a multitude of recreational boaties that flock to the harbour from across the region.

The harbour was extensively damaged in the 2016 earthquake and was rebuilt to the original specification, with some improvements to accommodate the four larger Whale Watch boats. There are a series of ongoing challenges however, including a lack of space in the water for all operators, an increased level of silting due to the geotechnical impacts of the earthquake, a change in wave patterns and ocean currents, and substandard onshore facilities for commercial and recreational users – not least of which includes the current jetty that is unsafe and too small to be fit for purpose. The harbour is poorly configured and inflexible, contributing to ongoing concerns regarding congestion, health and safety, and severely constrains the potential for both the expansion of existing operations, and alternative uses in future – such as marine berth hire, aquaculture, or marine research.

Another important point to note is that at present, there is no safe harbour between Picton and Christchurch; the lack of berths in South Bay prevents locals and visitors alike from hiring berths, and there is no space for harbouring rescued vessels.

Kaikōura's economy is strongly linked to the marine and coastal ecosystems, and the health and wellbeing of the moana is an integral part of Kaikōura's identity. The South Bay Harbour plays a vital role in connecting land and sea, as it has in the past and will continue to do into the future.

The purpose of this business case is to ensure the region has a harbour that is fit-for-purpose, for both the near future and in the decades to come. The document places the proposed investment within its regional and national context, identifies the current and anticipated challenges, illustrates the preferred path forward, and maps out how this can be achieved in such a way that will deliver significant local, regional, and national, benefits.

The remainder of this executive summary describes the conclusions of this business case at a high level.



1.0 | Executive Summary

The preferred option for South Bay

A development of the existing South Bay harbour has been identified as the preferred option for a high-value investment into Kaikōura's future.

Following numerous chapters of specialist consultation and stakeholder engagement, a preferred option for a new harbour development has been identified.

Multiple sites were considered as potential locations for a new harbour. Ultimately, it was determined that an expansion and redevelopment of the existing harbour made the best sense. This business case details the series of events and consultations that led to this conclusion.

The design of the preliminary concept plan pictured on the right has been developed through a series of consultations, technical assessments, and workshops with stakeholders.

The next few pages summarise the benefits of this proposed investment, and how the desired outcomes of the project will be achieved. The Strategic Case then details the challenges of the harbour in its current state and provides further context in terms of the role and significance of the harbour in Kaikōura in both present and future.

The Economic Case illustrates how the development options were assessed to refine the harbour configuration, and summarises the reports provided by the engineers, archaeologist, and ecologists. The second part of this section explores the roles of on-shore facilities, describing a potential on-shore development. The overall benefits of the proposed development are then explored in relation to Wellbeing, environmental and economic sustainability.

The Financial, Commercial, and Management cases that follow, altogether provide a guide to the implementation for the project.



Illustration adapted from: Fig. 09. 'Option 2b South Bay Marina Expansion'. Tonkin + Taylor

1.0 | Executive Summary

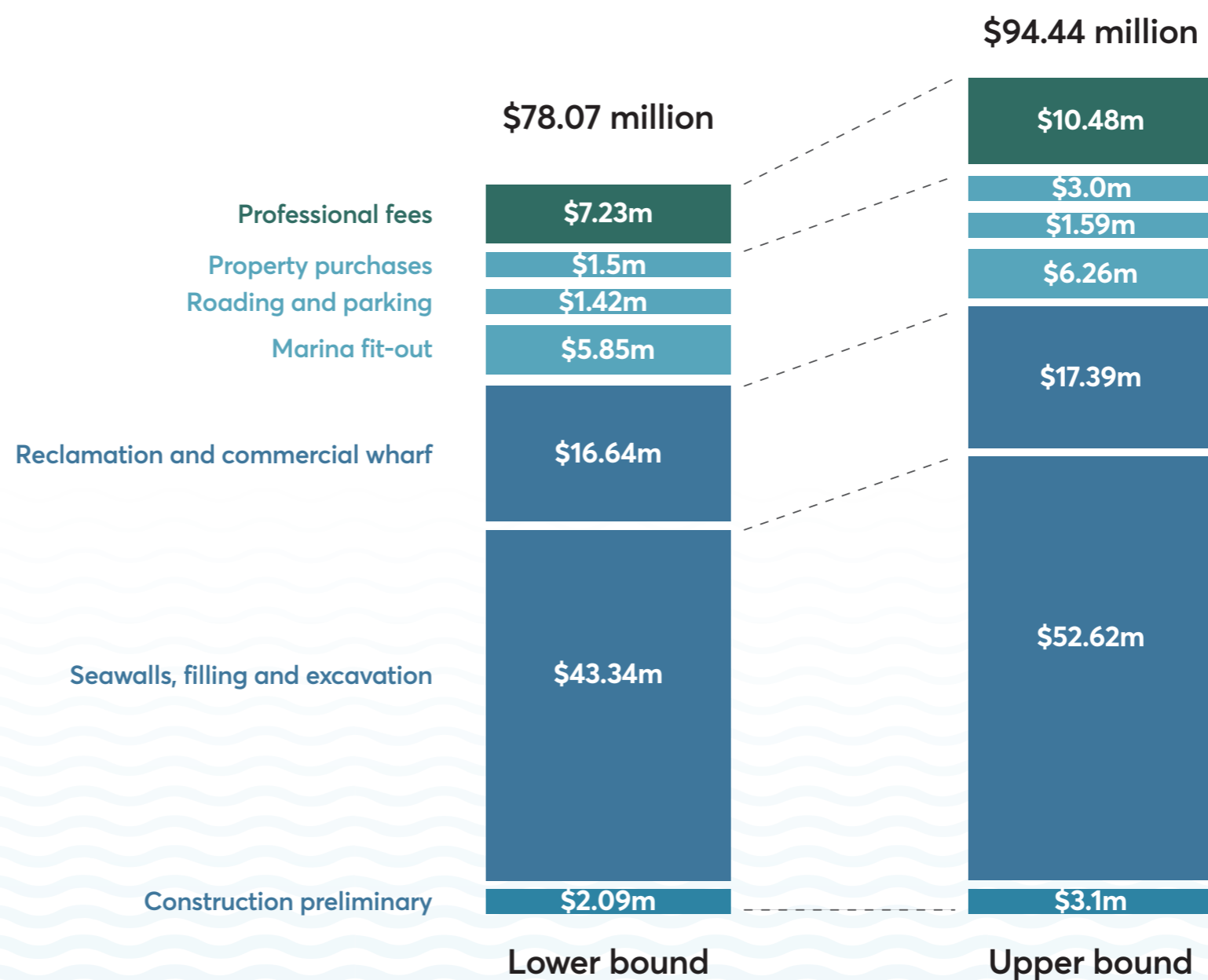
Investment requirements

Initial assessments indicate an investment range of \$78-\$94 million.

As part of the concept design process, engineers WSP and Tonkin + Taylor were asked to provide ranged estimates for construction of the preferred option, using a Rough Order of Cost (ROC) methodology. The summary of the analysis is shown at right, and the breakdown for both the low range and high range estimates is contained in the appendix.

There are a number of underlying assumptions for the cost estimates, as follows:

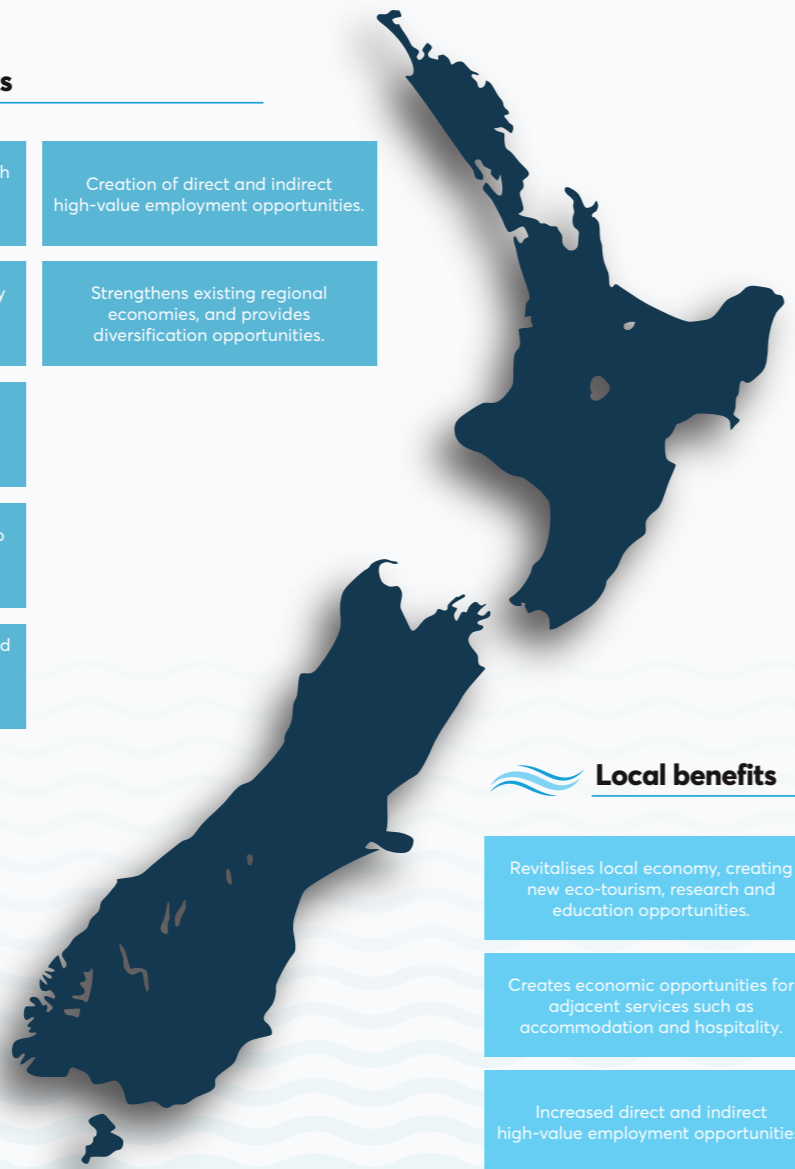
- Construction is costed in 2022 dollars, and construction cost inflators will need to be added to these figures to account for likely increases during the design phase before construction tenders are called.
- Construction costs are based on ROC guidelines for harbours of similar construction methods, such as at Ōpōtiki in the Eastern Bay of Plenty. These comparators are the most up-to-date available, given the Ōpōtiki harbour is currently under construction.
- Construction estimates are also informed by the major civil engineering works undertaken after the Kaikōura earthquake in 2016, so are likely to be robust.
- Industry-standard contingencies have been allowed for in the construction estimates, and these will be further refined during the detailed design process. As part of that process, quantity surveyors will provide P90 and P95 construction estimates for greater assurance of project delivery costs.



1.0 | Executive Summary

Investment benefits

An investment into Kaikōura’s harbour infrastructure will create benefits spanning the local, regional, and national.



Regional benefits

- Enables the development of research institutes and international partnerships and investment.
- Creation of direct and indirect high-value employment opportunities.
- Aligns with Environment Canterbury long term plans and existing community outcomes.
- Strengthens existing regional economies, and provides diversification opportunities.
- A safe harbour for vessels on the eastern coast of the South Island, particularly between Picton and Ōtautahi Christchurch.
- Wealth creation and contribution to regional economy from increased economic activity.
- Relationship with marine science and education enhances regional innovation and entrepreneurial business.

National benefits

- Directly contributes to the priorities of the Ministry for the Environment, particularly 2, 3, 4, 5 and 7.
- Improved safety in harbour and marine activity reduces national costs.
- Supports the goals of the Ministry for Transport and Maritime New Zealand, for safety, accessibility, economic prosperity, and resilience.
- Reflects the priorities for Coasts and Oceans, as outlines within the Conservation and Environment Science Roadmap.
- Aligns with the priorities of Ministry for Primary Industries regarding the support of future opportunities for commercial activity.
- Direct links to Te Waihangā’s infrastructure wellbeing benefits.
- Supports the dual goals of economic development and environmental protection.
- Demonstrates the national value of conservation and marine science, as held by DoC and the national Biodiversity Strategy.
- Contributes toward the goals of Ministry for Business, Innovation and Employment, and in particular, the goals of the tourism strategy.

Local benefits

- Revitalises local economy, creating new eco-tourism, research and education opportunities.
- An efficient and safer operating environment for all user groups.
- Aligns with the goals of the Kaikōura District Council’s long-term and annual plans.
- Creates economic opportunities for adjacent services such as accommodation and hospitality.
- Increased value of the harbour for residents (improved views and accessibility).
- Aligns with the Kaikōura Marine Strategy - Sustaining Our Seas.
- Increased direct and indirect high-value employment opportunities.
- Secures the longevity of the harbour, and the future for local businesses.

This illustration, presented in the Strategic Case, highlights some of the national, regional, and local benefits of an investment into Kaikōura’s harbour infrastructure.

The value of a harbour is not always easy to see. In part, this is because its benefits can be so diverse and wide-ranging, and indeed, include those that stem from the spin-off investments that hinge upon the harbour itself.

In Kaikōura’s case, it is easiest to see at the local level, where a new harbour creates a safer and more efficient operating environment for its varied user groups. For the recreational users in particular, it becomes a safer environment. For the commercial fishers, efficiency is key. Similarly for the tourism operators, efficiency is important, though having room to grow and the opportunity to provide new alternative offerings is highly valuable.

A new harbour in Kaikōura, and the additional marine-based activities it could support, will also in turn enable the investment into on-shore facilities. These might include accommodation and hospitality services for the increased number of users and visitors.

The greater size of a new harbour would accommodate larger vessels, such as those used by marine research institutions. In turn, on-shore research and educational facilities would attract investments into national and international research and development. All of the above contribute to economic and social benefits for the Canterbury region, and the nation.

At a national level, the proposed investment is also closely aligned with economic, social and environmental aspirations that are enshrined across the strategic plans of multiple Ministries.

1.0 | Executive Summary

Investment benefits

Co-locating tourism and marine research creates a central hub of economic activity.

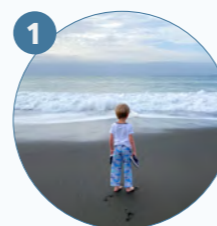
Redevelopment of the harbour allows for the expansion of existing operations in South Bay – such as tourism and fishing – and it also provides opportunities for new functions, such as marine education and improved marine research.

While expansion in some areas (such as marine engineering) is catered for in the design of the new harbour, it is apparent that new on-shore facilities are needed to provide the engine for economic development in Kaikōura, facilities such as:

- **Visitor facilities** to allow greater numbers of people to interact with Kaikōura and experience its unique environment, regardless of the weather forecast.
- **Educational facilities** to enable students and other private groups to visit and learn about its geology and ecology, in one-day or multi-day visits with suitable accommodation offerings.
- **Research facilities** to enable local and international institutions to base themselves in Kaikōura and conduct short-term and long-term research initiatives, using the harbour facilities as needed, supplemented by on-shore labs and research facilities, office space, and short-term and long-term accommodation.

These three aspects – tourism, education and research – are synergistic. Tourists benefit from education about the Kaikōura region, educational learning benefits from the depth of knowledge generated by research teams, and researchers benefit from the public outreach and the opportunity to cost-effectively use shared facilities

The diagram below summarises the facilities and infrastructure required to support each component of interaction, research, and education. Many of these are included in the WWK concepts, ready to be further refined. The proposed harbour for South Bay will also provide a great opportunity for other tourism operators to grow their businesses and develop additional on-shore offerings and facilities as well.



1 INTERACTION

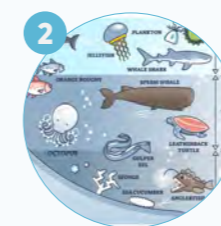
...visitors experience and interact with the Kaikōura environment and are informed about the unique attributes of the land and marine ecology.

Required facilities

- Visitor information about Kaikōura
- Activity information and booking for multiple operators
- Information displays
- Interactive exhibits

Supporting infrastructure

- Short term car parking
- Coach and bus facilities
- Easy access to the harbour



2 EDUCATION

...visitors can learn about the local ecology at a deeper level of engagement; students and researchers can offer high-quality research outputs to inform engagements and other innovations.

- Dedicated teaching areas
- Interactive learning facilities
- Remote learning facilities
- Field trip capabilities
- Accommodation

- Car and coach parking
- Easy access to the harbour



3 ACTION

Interaction and education empowers people, encourages behaviour change, and altogether enables us to make better informed and higher quality decisions as a society.

- Research laboratories and supporting facilities
- Dedicated and shared working spaces
- Dedicated and shared office and admin spaces
- Medium and long term storage areas
- Short and medium term accommodation

- Medium and long term vehicle parking
- Easy access to the harbour
- Dedicated research infrastructure
- Dedicated vessel berths
- Wharfside working areas

1.0 | Executive Summary

Securing the future of tourism in Kaikōura

There is a community-led vision for development of on-shore tourism and research facilities.

In recent discussions, Whale Watch Kaikōura (WWK) described their Peninsula Development Plans that contributed to the formation of the tourism Zone, and generously shared some internal documentation so that we could detail this section accurately on their behalf. A presentation document, titled 'Kaikōura Peninsula Property/Development', described the original purpose, drivers and components of the Peninsula Development, and includes several illustrations and renders of ideas and plans, such as the image below (a visitor centre concept).



Important to note at the outset is that the WWK plans were not created in isolation, but in fact were the result of extensive consultation with, and wide support from, the local community. WWK holds the needs and aspirations of its community at its core, alongside steadfast views on the importance of protecting and enhancing the natural resources that surround Kaikōura for future generations. Those core values are reflected in the forward-looking drivers behind the original development plans, such as:

- Providing quality tourism products that are not weather and wildlife dependent
- Enhancing the overall visitor experience
- Providing facilities that can attract and accommodate existing and forecast demand, whilst increasing the length (and spending) of visits
- Enable developments relating to marine research and education
- Creating employment and increased economic returns for the company and community.

WWK's business is in tourism; a predominantly seasonal (November-April) and very weather-dependent business. A fundamental purpose of the on-shore development plans is to provide tourism products that are non-weather dependent and offer attractive activities for visitors outside of the main tourism season.

The plans include concepts for a range of accommodation options and related facilities (hotel, lodges, conference area, restaurants etc.), with a large visitor centre as the main attraction, a.k.a., "The Marae of the Sea".

The visitor centre is envisaged to be of such scale that it could host exhibits, information displays, restaurant, cafe, research and education facilities, offices (for WWK, and potential tenancies for other local tourism operators or others), retail, and a conference area for visiting groups, lectures, and evening shows.

WWK also recognise the valuable role their tourism offerings play in educating visitors about whales and the marine environment. The intention of hosting marine research and educational facilities at the visitor centre is in part to support new research that will inform and increase the value of WWK tourism products, but to also provide other educational opportunities for visitors, locals, and even an international (online) audience.

The case for the harbour

Herein lies the key connections with the South Bay harbour development; Kaikōura is in a very strong position to offer:

1. High-value marine research opportunities that are sought after by local and international universities and research institutes
2. Incorporate research outputs into innovative and high-value eco-tourism and educational products.

Offering the above would be transformative for Kaikōura's economy, and in turn enable the township to also contribute national returns, as well as towards social and environmental goals. The next pages point to existing relationships and capabilities available to help secure these outcomes, and the role of the harbour in answering the question of capacity.

1.0 | Executive Summary

The next steps

A feasibility study for the onshore facilities will provide development certainty.

As noted on previous pages, the development of the campus goes hand-in-hand with the development of the harbour: both investments are required in order to realise the financial, human, social and environmental benefits to Kaikōura and the nation.

This business case is primarily aimed at assessing the rationale for investing in the harbour; it is not a business case for the multi-use campus. In order for iwi and the private sector to be willing to invest in the campus and help realise the wellbeing benefits, a feasibility study will be required. The purpose of the feasibility study is to:

- To propose a concept design for the multi-user campus, taking into account the likely requirements of the various user groups, resulting in a master plan for the peninsular area
- Propose a staged approach to how the campus could be developed, aligned with the harbour development
- Identify the likely users of the facilities, and engage with them to obtain the indications of interest necessary to give confidence in the investment
- Undertake the financial modelling to demonstrate the financial viability of the campus investment to prospective iwi and private sector interests
- Obtain in-principle commitments from the landowners, funders, developers and prospective users so that the Government has confidence in approving development of the harbour.

The process is shown in the diagram at right, including the interim decision gateways. It is expected development of the feasibility study will take around 12 months and be ready for Council and Government consideration no later than 30 June 2023.



Harbour Business Case
(this document)

The purpose of the Harbour business case is to establish whether there is a need for the further development of the South Bay harbour. The business case sets out the case for change, assesses the options, and provides the rationale for development. It also presents the concept design for the project.

Feasibility Study

(Due June 2023)

The Feasibility Study identifies the opportunities for onshore development and the benefits these will bring to Kaikōura and the nation. The document sets out the development and funding approaches for the facilities, focused on a commercial model, and identifies the participating organisations.

Developed and Detailed Design

(Due June 2023)

The Developed Design confirms the functionality and layout of the harbour, based on the current and future requirements of users. The Detailed Design develops the detailed documentation necessary for consenting, final confirmation of costs and tendering.

1.0 | Executive Summary

The path forward

Approval in principle allows the feasibility study and detailed design to proceed.

The diagram at right sets out the upcoming decision points for the project. These are:

- Once the business case (this document) has been approved by Council, it is submitted for central Government consideration, seeking approval in principle to develop the harbour.
- A feasibility study for the onshore facilities and the developed design for the harbour are then completed, in order to establish the economic and commercial viability of the project. Council and Government then consider the results of the assessment.
- Once the developed design has been agreed and the benefits and commercial viability of the harbour established, detailed design is undertaken. This process completes the work for consenting and tendering purposes, and tenders are called, with a decision to proceed once final costs are known at the conclusion of procurement.

Each of the decision points is shown as a gateway in the diagram. At these gateway points, Council and the Government can make one of three possible decisions:

1. To continue with the project as planned
2. To revise the project based on the information received and request additional work, at either the design or procurement steps
3. To not proceed with the project.

Advice and appropriate information will be provided to Council and the Government by officials at each of these gateways to enable informed decision making.

