MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Regional Growth Initiatives Multi Year Appropriation

3b. Business Case Templates

April 2017

CONTENTS

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Regional Growth Initiatives Multi Year Appropriation
Business Case

Russell Wharf

Regional Lead/Applicant

Prepared by	Privacy of natural persons of Far North Holdings Ltd
Prepared for	MBIE
Date	08.02.2018
Version	1

Document Control

Document ID		
File name	**Russell Wharf MBIE Business Case**	
Version Number	Issue date	Changes/actions
1	**08.02.2018**	

Document sign-off

Name	Role	Sign-off date

Checklist and other annexes

COMPLETED

Executive summary	
Strategic case	
Economic evaluation	
Project plan	
Operational budget	
Management plan	
Next steps	

You should also attach any supporting documents. This must include evidence of endorsement by the regional lead which will be responsible for the relevant project, and could also include letters of support from regional stakeholders, governance documents, designs/concept development, feasibility studies, economic or risk evaluations or any document which supports assumptions, measurements or judgements made in the business case. Please list these in order below, and reference each document.

	Document (title)	Purpose
1	**Strategic Context**	**To provide an overview of how the five projects integrate within the district**
2	**Wharf plan & i-SITE drawings**	**To identify the proposed development**
3	**QS estimate**	**Provide an accurate estimation of likely tender submission based on current construction costs**
4	**Letters of Support**	**Show the support for the development as proposed**
5	**Statistical data and press article**	**Economic benefit from cruise ship passengers and actual statistical data**

EXECUTIVE SUMMARY

Regional priority

Russell wharf was constructed in 1970 and was not designed for the commercial fleet that now operate from the wharf. Furthermore, it was not designed for the number of customers that now utilise the wharf facilities and board the charter vessels, and cruise ship tenders that operate from here. In addition, the new charter boats accessing the wharf are larger and the structure has not been designed to accommodate these boats. Furthermore, the pontoons are not ideal for berthing to, for loading and un-loading passengers. Part of the existing infrastructure is built around the original old timber piles and provides low tidal landings which are unsafe and provide low utility value.

Russell Wharf serves as the community's connection to the rest of New Zealand. The communities economy relies almost solely on the wharf to provide access to Russell for tourists. It is the most important piece of community and tourism infrastructure.
Approximately 850,000 passengers use the wharfs ferry transport and the commercial tourism services that operate from here.

A new design has been developed over a Commercial Information in consultation with the; Commercial Information that use the wharf, that would see a value engineered solution, that upgrades the existing wharf to make it fit for purpose without any significant extensions being added to it.
The i-site will be replaced with a new improved facility, providing public toilet facilities and more deck area to allow easier circulation for the increased public use of this space.

Under the Resource Consent development is permitted, where it is replacing existing structures or making minor variations to these. The current wharf extension, albeit minor and dinghy dock will need consent. Commercial Information

Russell Wharf is an integral part of FNDC's Long Term Plan to provide the required maritime infrastructure. Needed to service the region.

Description of Project

Far North Holdings Limited (FNHL) are currently in the process of replacing the main commercial pontoon P5, which recently failed, and carrying out an expansion of the information kiosk and adding to this a café facility. The fuel jetty has also recently been replaced with a new fuel pontoon.

The proposed new development has been endorsed by the local Commercial Information and includes:

- Replacing the low tidal landings with floating concrete pontoons.
- Removing the fixed timber landing jetty and replacing this with a concrete pontoon.
- New dinghy dock.
- Wharf extension to the west to provide more visitor space and improve passenger flow.
- Jumping platform (controlled)
- Sewage and water services across the fuel pontoon.
- 4 super yacht mooring blocks.

Funding required from the Provincial Growth Fund

The total estimated cost of the project is $Commercial Information which includes $Commercial Informat being invested by the Far North District Council and FNHL to replace the front commercial pontoon, and to redevelop the i-SITE and café building, to include public toilets and increased circulation area around the building.

The required remaining funding is $1.114 million, which is summarised in the table below.

Components	Contribution	Comment
TOTAL EXPENDITURE	Commercial Information	
INCOME		
FNDC / FNHL	Commercial Informat	Funding secured.
TOTAL INCOME	Commercial Informat	
SHORTFALL	Commercial Information	Request from the Provincial Growth Fund

Timeframe for the delivery of the project

Task	Timeframe
Funding secured	**$Commercial Informat from FNDC and $Commercial Informat from FNHL This money is approved and in place**
Resource consent	**Submitted and expected by Commercial Information**
Tenders out	**Tenders will be issued when Growth Funding is Confirmed. It will only take Commercial Informatio to compile the tender documents and issue these.**
Tenders closed	**If funding is confirmed by the Commercial Information Tenders would be issues by the Commercial Information and close Commercial Information**
Build commence	Commercial Information
Project completion	Commercial Information **subject to contractor availability**

[add any other notes]

Strategic alignment

Historical development of the wharf has been funded by Far North District Council, FNHL and the community. There is an active Wharf Trust (The Russell Wharf and Waterfront Trust) that provides support and guidance on the wharf's development and maintenance. Approximately 850,000 passengers' use the wharfs ferry transport and the commercial tourism services that operate from here. (The passenger number was the total number of the customers, as provided by the wharf users themselves) Russell is a visitor highlight in the Bay of Islands that has a rich maritime history.

The wharf allows the region to host several nautical events including:

- Coastal Classic
- Millennium Superyacht Cup
- Russell Birdman
- School swimming sports
- Several sports fishing events
- Cruise Ship tenders
- Ocean Swim

The Russell Wharf aligns with the strategic objectives of the following stakeholders:

Commercial Information

STRATEGIC CASE

Investment objectives

Project Objective One	**ENSURE THAT RUSSELL WHARF IS A KEY PIECE OF DISTRICT INFRASTRUCTURE THAT UNDERPINS THE TOURISM ECONOMY OF NORTHLAND IS FIT FOR PURPOSE**
Existing arrangement	Russell wharf was constructed in 1970 and was not designed for the commercial fleet that now operate from the wharf. Furthermore, it was not designed for the number of customers that now utilise the wharf facilities and board the charter vessels, and cruise ship tenders that operate from here. In addition, the i-SITE is small and constrained so is to be redeveloped and extended providing increased local promotion, café and public toilets.
Business need/scope	To achieve this objective, an upgrade of the infrastructure to meet the current demands of tourism in the region is required. As the wharf has degraded overtime, it has limited the ability for tourists to flow freely through the venue compromising safety, and affecting the experience of visitors to Russell. If the work was not carried out to the wharf; it would reduce the ability of wharf users to expand their businesses as the tourism economy grows in the Bay of Islands and if it fell into further disrepair and had closure of any part would then reduce the current service provided and cause economic decline.
How will the project meet this need?	Russell wharf has been redesigned and reconfigured to allow wider and more customer friendly circulation and waiting areas, in addition we have created an additional number of berth faces to meet the changed needs of the modern commercial fleet that operate here and cater for the increased number of boats wishing to operate from the wharf. A new i-SITE and café will support the customers visiting Russell and provide new and improved wharf facilities.

Project Objective Two	**ENSURE THE WHARF CAN MEET THE CURRENT NEEDS OF THE MARITIME CHARTER FLEET AND PROVIDE A CUSTOMER VISITOR EXPERIENCE**
Existing arrangement	Russell wharf was constructed in 1970 and was not designed for the commercial fleet that now operate from the wharf. Furthermore, it was not designed for the number of customers that now utilise the wharf facilities and board the charter vessel, and cruise ship tenders that operate from here.
Business need/scope	To achieve this objective, an upgrade of the infrastructure to meet the current demands of tourism in the region is required. As the wharf has degraded overtime, it has limited the ability for tourists to flow freely through the venue compromising safety, and affecting the experience of visitors to Russell. If the work was not carried out to the wharf; it would reduce the ability of wharf users to expand their businesses as the tourism economy grows in

	the Bay of Islands and if it fell into further disrepair and had closure of any part would then reduce the current service provided and cause economic decline.
How will the project meet this need?	The new berth faces have been designed to meet the new boats that have been constructed by both, Commercial Information A new cruise ship tender pontoon has been proposed to provide a tender facility for the increasing number of anchoring cruise ships out in the Bay. Furthermore, additional berth space has been provided for the growing charter fleet that operate and provide a variety of experiences within the Bay.

Project Objective Three	**PROVIDE FOR A FUTURE PROOFED PAIHIA WHARF THAT WILL NOT ONLY MEET THE CURRENT NEEDS AND THAT IS ALSO DESIGNED TO ALLOW FOR FURTHER GROWTH AND HAS BEEN SPECIFIED SO IS TO MEET THE POTENTIAL CHANGING REQUIREMENTS OF THE EXISITING FLEET**
Existing arrangement	Russell wharf was constructed in 1970 and was not designed for the commercial fleet that now operate from the wharf. Furthermore, it was not designed for the number of customers that now utilise the wharf facilities and board the charter vessel, and cruise ship tenders that operate from here.
Business need/scope	The current project has been designed in liaison with the wharf users to ensure we meet the changing demands of a larger fleet and larger boats.
How will the project meet this need?	Additional berth faces are being provided over and above that currently required, reflecting the projected growth in demand, and in addition, the pontoons are being designed to cater for a range of vessels that berth against the pontoon face. We are ensuring pontoon height, for boarding and disembarking, gangway access etc will meet all user needs.

Project Objective Four	**TO IMPROVE THE ENVIRONMENTAL OUTCOME BY PROVIDING PUMP OUT FACILITIES**
Existing arrangement	None exist. Currently boats discharge at sea outside the marine pollution and regulation referenced boundaries.
Business need/scope	We are seeking to encourage no discharge at sea, wherever this maybe, by providing a local and easily accessible pump out facility.
How will the project meet this need?	By providing a new pump out berth which will encourage pump out rather than discharge within the Bay.

Key strategic risks

Risk	Responsible party	Risk treatment (by applicant)
Resource Consent	FNHL	Consent application has been lodged, but is only a variation to existing consents held by FNHL and is likely to be dealt with under discretionary authority. Risk is minimal.
Commercial charter users and public support	FNHL	18 months of consultation has already taken place with commercial user groups. The design reflects their input, letters of support are attached. Letters of support withheld in full - commercial information
Project does not come with-in the QS estimate when tendered	FNHL	FNHL may need to value engineer the project, if on tender the tenders received exceed budget.
No contractor tenders for the work	FNHL	Project delayed and re-tendered later. Risk minimal. At this stage we have pre-qualified Commercial Information whom are both available and intimated they would tender for the project.

High level objectives alignment

Stakeholder	Relevant high-level objective(s)	Explain contribution/alignment
Northland Inc	(1) Align with the Northland Economic Action Plan	Delivering to this as an identified key project.
Far North District Council	(1) Key piece of district infrastructure	By providing assurance that the wharf will exist and be bought up to a specification that will continue to underpin the tourism economy of Northland.
Northland Regional Council	(1) Environmental Protection	Providing pump out facilities to reduce marine pollution within the Bay.
Commercial users of the wharf	(1) New I-SITE & café building	New i-SITE and café will provide waiting customers premises they can wait for the ferry, get refreshments and make enquiries.
	(2) Improving customer and pedestrian circulation and berth waiting areas	A new larger deck outside the café and gangway to the ferry will provide improved customers flow and satisfaction and therefore results in increased pedestrian use on the wharf and allows further growth.
	(3) Increased number of berth facilities	Allows for further growth of the existing commercial fleet that operate from the wharf, thereby increasing investment; employment and growth of Russell and its surrounds.
Various	(1) Employment	Construction employment, and apprenticeships employed over the construction period under the three contracts, Paihia & Russell Wharf and Opua. Commercial users; by developing Russell Wharf, the existing fleet, which has invested considerably on vessels over the past couple of years will be able to continue this growth with the result in employment by each user, and the flow on effect is then into the surrounding economy with additional persons staying at hotels, restaurants and the retail which surround and rely on the wharf for customers to stay.
	(2) Pipeline to increased employment and training	Increased tourism numbers will result in an increase in employment and training opportunities across the far north within primarily the tourism sector but with flow on to other core industries.

ECONOMIC EVALUATION

Cost/benefit breakdown

The Paihia and Russell wharves provide a crucial service and are arguably the two central pieces of infrastructure supporting the local economies. The two wharves work together to support the movement of people, goods and services. They facilitate visitor activity by enabling a range of marine related activities, such as charter boats, cruises and overall visitor activity.

It is important to note that the CBA considers the two wharves in tandem i.e. it does not seek to separate the costs and benefits of the two wharves and present them separately. This is because of the nature of some users i.e. both wharves are needed to deliver the services and it not practical to report on the costs and benefit separated. For example, do the benefits of a person moving between Paihia and Russell accrue to Paihia or to Russell? Similarly, which part of the investment (cost) supports the movements? The investment in Paihia wharf or the investment in Russell wharf. Therefore, the two wharves and the costs and benefits are treated as one, combined project. **The CBA text is the same across the two business cases.**

The current wharf infrastructure is operating at capacity and is also in need of capital re-investment. Without the needed capital reinvestment, the economic activity underpinned by the wharves is at risk. In other words, there are downside risks to not updating the infrastructure to cope with current levels of demand. It would however be amiss to not use the redevelopment activities to future proof the infrastructure to allow for the growth to be accommodated. The cost benefit analysis considers growth component relative to the current situation. This assumes that the wharves will receive some form of investment to keep them operating but this will be on a 'business as usual' basis and only to accommodate

Key assumptions and Key findings

It is stressed that the wharves are viewed as enabling infrastructure. Visitors do not travel to Paihia and Russell to 'look at the wharves'. But, they use the activities (which are based on the wharves) to enjoy the visitor products. Without the wharves the visitor offer would not be as compelling and consequently, the local visitor economy would not be as strong. Conversely, improving the wharves and their ability to service the visitor sector will enable local businesses to capitalise on the opportunities.

The cost benefit analysis is based on several key assumptions that are summarised below.

- **Capital costs:** The total cost for to improve the wharves is estimated at $Commercial I broken down as follows:

	Paihia	Russel
FNDC/FNHL	$Commercial Info	$Commercial I
PGF	$Commercial Info	$Commercial Informa
Costs	$Commercial Info	$Commercial Informa
TOTAL	$Privacy of natura	
*** =Rounded**		

Of the expected investment, the FNDC and FNHL will contribute Commercial Information and this funding is already available from existing budgets. The balance is being sought from the PGF - $Commercial In The total development cost includes $Commercial Informat for contingencies. Commercial Information

Commercial Information

- **Additional activity:** providing an ability for local businesses to expand their operations in response to the growing visitor numbers (i.e. capturing and servicing the growth) is the core driver of the net additional benefits (and costs). The shift is driven by increases in the number of visitors to the region and the associated lift in money that flows into the local economy. The increase is based on the growth trend of NZ's visitor market and assuming that the investment will ensure that the Bay of Island's share of the national visitor market remains constant. Similarly, the growth in the different types of visitors and their activities are assumed to remain constant. The basic structure of the market will remain the same with consisting of visitors to the Bay of Islands, cruise passengers and charter boat activities. The visitors spending is based on Statistics New Zealand data with refinements to reflect local conditions. It is estimated that visitors to the region spend around $215/day[2] but this is lower for the cruise passengers and visitors using the charter boats ($55 and $110 respectively). The spending is multiplied by the additional visitors (additional growth less baseline/business as usual visitors). Based on these parameters, the spending is expected to increase by between $400,000 and $2.7m (y-o-y).
- **Operating and ongoing costs:** Developing the wharves and expanding them will add additional costs. The CBA is however only concerned with the costs that are 'new' or those that would not have been incurred in the absence of the investment. Clearly, there are existing costs that will be ongoing and there have been removed from the analysis. Currently, the wharves cost $Commercial Informat/year to operate. This includes items such as security, maintenance and Northland Regional Council fees (but excluding depreciation). The net change in operating fees is based on the shift in passenger movements and applied to line items that are 'variable'. This approach suggests that the additional costs to operate the wharves will increase by between $Commercial In/y (in the short term) to an additional $Commercial Inform per year in response to the impacts of higher passenger movements. This cost is on the high side because the starting point (current spending) includes a high level of maintenance that will reduce if the infrastructure is renewed. In addition, the costs could be lowered through implementing cost controls but for the CBA, using a higher cost is consistent with taking a conservative approach. In addition to the mentioned operating costs, there are other costs to consider. When an economic or business activity is undertaken, resources are consumed and these resources have costs – direct and opportunity costs. The 'size' of this cost is a function of the cost structures across different economic sectors. This cost is informed by an analysis of official information published by Statistics New Zealand. Data in the Far North District Multi-Regional Input-Output model was used to refine and customise the information.
- **Baseline growth:** When undertaking a CBA, the baseline or 'without intervention' scenario forms the background against which the effects of the intervention is measured. In the context of the wharves, the principle effect of the investment is to unlock and support future growth. It is

[1] Commercial Information

[2] Including accommodation and so forth.

however unknown if the 'current capacity' and level of activity is at a point where no further growth can be accommodated. To take a conservative approach, a background growth rate of Con% is used over the short term and Con% over the medium term. This approach lowers the net (positive) effect of the investment because the baseline against which it is measured increases. The potential implications of and alternative growth rate are explored in the sensitivity analysis.

- **Timeframes and discounting:** The assessment covers the period from 2018 to 2043. The analysis uses Discounted Cash Flow (DCF) analysis to express the future cash flows in current terms (i.e. Net Present Value analysis). NZ Treasury recommends using a rate of Con% for discounting the future cashflows (costs/benefits) for infrastructure and special purpose (single-use) buildings[3]. The headline figures we report are estimated using a Con% discount rate. However, we have also reported the present value of cashflows at a lower Con%) and higher Con%) discount rate. This provides a range and shows the position (NPV and CBR) under different discount rates. The range is also in-line with the NZTA discount rates.

The results of the cost and benefit analysis are presented below.

Cost/benefit breakdown

	PREFERRED OPTION *Requested investment*	*EXISTING SITUATION*
Period of expected economic benefits from project (years)	In perpetuity The economic analysis looks out to 2043	Limited life, with a likelihood that the wharf will be compromised if investment is not made in the immediate future. Several berths and pontoons are nearing the end of their life and will start to fail, resulting in their removal or decommissioning.
Capital/whole of life costs	$Commercial Info $Commercia from FNDC and FNHL $Commercia from PGF	
Cost-benefit analysis of monetary costs and benefits		
Present value of monetary benefits	$Commercial (@NPV Co%) ($Commercial In $Commercial In The range represents the present value when using a discount rate of Co% and Con%, respectively.	n/a
Present value of costs	$Commercial (@NPV Co%) ($Commercial In $Commercial In The range represents the present value when using a discount rate of Co% and Co%, respectively.	n/a
Net present value	+$Commerc (@NPV Co%) (Net benefits) ($Commercia $Commercial In The range represents the present value when using a discount rate of Co% and Co%, respectively.	n/a
Benefit/cost ratio	Commerci (@NPV Co%) (Commercial Information The range represents the present value when using a discount rate of Co% and Co%, respectively.	n/a

[3] http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/currentdiscountrates

The CBA suggests that extending the wharves will deliver positive economic effects to the local economy. Over the assessment period (2018-2043), the net benefit (total benefits *less* total costs) will be in the order of $Commercial (in NPV terms using Com%) and ranging[4] between $Commercia and $Commercial Info This suggests that the annual (average) net benefit is likely to be between $Commercial and $Commercial Inf

With reference to the CB ratio, the analysis revealed that the CBR is between 1.31 and 1.33. All the metrics remain in positive territory if different discount rates are used. The NPV remains greater than zero, coming in between $Commercia and $Commercial Info **Similarly, the CBR remains greater than 1 (>1) under the different discount rates.** The payback period for the PGF assistance is Commercial Inform (including the Commercial Information); this suggests that the net benefits that accrue to the economy is large enough for the PGF investment to be repaid by the end of the Commercial Informa (i.e. by the Commercial Informa, the cumulative benefits will outweigh the cumulative costs).

Sensitivity analysis

The sensitivity analysis was set up in a way to assess the effects on the NPV and CBR of changing the underlying assumptions. The sensitivity analysis looks at the downside or negative position. It is not concerned with assessing the upside risk – the potential maximum benefit that the investment could unlock. Such an approach is normally helpful when lobbying, marketing or advocating for a specific outcome. This assessment seeks to understand if the investment will deliver positive economic benefits and if it will 'breakeven'. The sensitivity analysis considers the following situations:

- Higher development costs (capex +Comm%, in addition to the Comm% deadweight loss),
- Higher operating costs (opex +Comm%), and
- Higher costs in the wider economy (the resources used to meet the additional activity in the local economy are Comm% greater than estimated).

The effects of these changes are shown for the growth scenario as well as second low growth (pessimistic) scenario. Under the constrained scenario, only Comm% of the anticipated change is included in the modelling. The following table summarises the outcomes of the sensitivity analysis.

Sensitivity Analysis									
Setting	Discount Rate	Scenario 1: Full Growth				Scenario 2: Constrained Grow			
		Benefit $m	Costs $m	Net $m	CBR	Benefit $m	Costs $m	Net $m	CBR
Base case	Commercial Information								
High capex: Development costs increased by 25%	Commercial Information								
Higher opex: Resources used to deliver the goods and services - +25%		Commercial Information							
Higher operating cost: Resources used to deliver the goods and services - +25%		Commercial Information							

[4] The ranges show the results under different discount rates.

The sensitivity analysis suggests that the net benefits of the proposed development is sensitive to encountering higher costs when delivering the goods and services associated with the visitors. However, even if these costs increase by Comm% and only half of the facilitated growth materialises, the project will still return a net benefit of between $C mer and $C mer (depending on the discount rate). With reference to the two other settings (higher opex and higher capex), both the full and constrained scenarios continue to return positive (>1) CBRs under all the sensitivities but the CBR gets close to 1.

A deeper analysis of the sensitivities, reveals that:

- The investment in the wharves needs to see growth that is only Com% higher than the baseline to return a CBR of 1. This level of growth will see the total people movements grow to Commercial I by 2043. (Compared to Commercial I under the constrained scenario).
- Using Scenario 2, the capex will need to increase Commercial Information (xCommerci or $Commercial Inform for the CBR to fall below 1.

The breakeven point, where the overall economic gains are greater than the PGF investment, is expected to be in Commercial Inunder scenario 1 and Commercial Information under the constrained growth scenario.

The sensitivity analysis suggests that the proposed development is likely to deliver positive benefits, even if the anticipated level of growth does not materialise or if the project costs are exceeded.

Other Considerations

The CBA assessment focuses on the additional effects of the infrastructure. It is acknowledged that investment will enable a range of other activities in the local economy, but it is not practical to translate all of the effects into monetary terms. The potential environmental benefits and the associated flow-on effects as well as the potential health and safety effects of not addressing the infrastructure issues are examples of the costs/and benefits not included in this assessment. Including these effects in the CBA is likely to improve the CB ratio but it will also increase the cost side of the ledger. These are more difficult to (robustly) estimate and quantify. Examples include:

- The environmental effects of:
    - The pollution and risk associated with additional traffic through the Bay if Islands, this includes the potential costs of a collision or marine accident, e.g. the sinking of a vessel and environmental damage.
    - A lift in the number of vessels moving around the coastal area with a decrease in the amenity values (because of overcrowding).
- Further pressures on infrastructure such as the marina and related network e.g. the transport network and parking constraints. This also includes the potential effect on the towns' municipal infrastructure and ability to cope with additional people movements.
- The change in the costs to patrol the area and to provide safety services (e.g. the Coastguard's services).
- Negative impacts on perceptions and downward effects on visual and other amenity values (i.e. becoming too crowded).
- The increase in global exposure and the associated 'marketing value' with the district being viewed as a destination.

- The potential implications on the accommodation market (e.g. the growth in the AirBnB market and the need to provide additional accommodation).
- Social effects such as the potential impacts on inequality and negative impacts on local cultural considerations.
- Costs associated with managing visitors around sensitive areas (cultural or environmental).

As with all modelling, this analysis is subject to limitations. The analysis focuses on the Far North district and the relative costs and benefits to the district. It is acknowledged that the PGF costs are spread across NZ taxpayers, with only a portion of NZ's taxpayers residing in the district, and most of the benefits will be felt locally. The CBA considers only the effects of the additional spending associated a lift in the number of people visiting the area and using the wharf infrastructure. It is possible that some of this additional spending might simply be a transfer (to the Far North) from another region and therefore not new/additional to NZ. However, most of the spending used in the CBA assessment is associated with international visitors and therefore, the within-NZ transfers are likely to be small to moderate.

The potential to develop synergies with other projects and the interplays with other projects, have not been assessed. The potential direction of such interplays could be either positive or negative, depending on the effect. If the different projects support each other and, for example, lead to visitors spending longer time and more money locally, then the effects will be greater. If the different projects capture the same spending and reduce the overall spending, then the effects will dilute the overall net effects. Intuitively, the different projects are likely to complement each other, with synergies between them and therefore creating additional benefits.

The wharves provide a vital link that the Russell community uses to interact and engage with Paihia and the rest of NZ. Improving these linkages will have other economic effects and impacts. The CBA did not consider the potential implications (and costs) of improving the resilience of these linkages. Further, it does not consider the benefit of avoiding infrastructure outages. If the main objective of the investment is to improve resilience, then there could be an alternative (less cost) way of delivering resilience outcomes. A simple way to illustrate the potential size of the outage is to consider the potential cost (i.e. lost visitor activity) if no services are provided. The information in the CBA suggests that a two-month outage could cost the economy between $Commerci $Commercial in lost sales[5].

In terms of the employment effects, the additional activity will support employment opportunities throughout the district and region. The analysis suggests that, once the full growth has been achieved, the visitor spending will support Commerci and Commerc jobs in the visitor sectors[6] (per year) in the economy[7]. Some positions will be filled by people moving to higher paying opportunities and some of the opportunities will be new hires. There are many factors to consider when attempting to account for the costs (direct and opportunity) associated with the labour market effects. For example, some individuals might move into employment and reduce the reliance on social welfare. Further, there might be a mismatch in the skillset that are available and those needed by the growth. Northland has relatively high levels of unemployment

[5] This is indicatively only and ignores aspects such a seasonality, the alternative ways to operate (undertake business) and the costs to rebuild and associated delays, the effects of poor market perceptions (i.e. that the location is 'closed for business') and any transition/management efforts.
[6] E.g. accommodation, retail spending, food and beverage services.
[7] This is the employment supported by the additional spending. This figure is not in any way related to an economic impact, multiplier or similar analysis.

and so it can be expected that a portion of the jobs will be ‘new hires’. This does not suggest that the opportunity cost of labour is zero. While important, it is not possible to put a firm estimate on the opportunity costs of labour, but for this project, it is not expected to alter the conclusions.

PROJECT PLAN

Outline the procurement process used/to be followed
Contract to be tendered Commercial Informatio.
Outline the key project requirements, used/to be used in procurement
A tender to be placed to the open market and a normal tender procedure would follow. An analysis of the tender will be made in terms of: contractor, availability, price, quality etc. FNHL will provide full project management services, act as engineer to the contract and will ensure contractor payment certificates are validated throughout the process to ensure both, security, accountability and delivery of the contact on budget and time.

Project timeline

DATE	**Project milestone**	**Associated payment**	**Evidence/reporting required**
Commercial Information	Building Consent / Resource Consent Submitted		
Commercial Information	Building Consent / Resource Consent received & construction contract awarded		
Commercial Information	Tender Awarded		
Commercial Information	Completion date		

Key project risks

Risk	**Responsible party**	**Risk treatment (by applicant)**
Variations to Contract	FNHL	No variations are envisaged. The contract will be prescriptive, and a fixed price contact will be sought.
Weather	FNHL	Unavoidable, whilst this may delay the delivery date of the contract, this should not increase the value of the contract unless the bad weather days exceed the time allowed for within the final agreed construction contract that has been executed.
If the summer trading season is impacted because of the contractor not being available for the programmed development period then the construction contract may need to be split over two	FNHL	Contract management by Far North Holdings Limited.

seasons.		

Operating budget

Applicant and project name					
Preferred option	Year 0	Year 1	Year …	…	Total
Expenditure					
Capital expenditure	$Commercial Information				$Commercial Information
Contingency	$Commercial Informat				$Commercial Informat
TOTAL	$Commercial Information				$Commercial Information
Operating expenditure	$0.00	$Commercial Inf	Increasing to $Commercial Inform/year once fully operational.		
TOTAL	$Commercial Information				$Commercial Information
Co-funding secured, source	$Commercial Informat	FNHL/FNDC			$Commercial Informat
TOTAL	$Commercial Information				$Commercial Information
Capital funding required	$Commercial Information				$Commercial Information
Operating funding required	$0.00				$0.00
Funding shortfall (if any)	$Commercial Information				$Commercial Information

MANAGEMENT PLAN

Far North Holdings Limited is the Far North District Council's commercial infrastructure company. Far North Holdings Limited involvement reflects the commitment of the Far North District Council to supporting the development of his part of the district.

Far North Holdings Limited will provide project management, value engineer the project through the development cycle and acting as engineer to the contract.

FNDC are transferring the Russell Wharf to FNHL for $[redacted] The Wharf will then be held by FNHL in perpetuity.

FNHL have an MOU with the [redacted] as the community representative, and work closely with them in respect of any maintenance or capital work, and have done so for the past several years.

FNHL are Certified International Port Security Accredited.

The only two risks to the project are;

(1) The work when tendered comes in over the QS estimate or because of existing work load we do not receive any tenders.
(2) That FNDC elect not to transfer the Wharf to FNHL for $[redacted] FNHL currently operate under a lease. A formal transfer process is underway, the transfer has full Community and [redacted] support but has not yet been formally ratified at Full Council. But even if it has not been formally transferred at this date it does not stop the work proceeding, but should be noted.

NEXT STEPS

If funding is approved, Consent will be finalised, and tenders sought.

FNHL will work with central government on joint messaging for any announcement of this project, as previously.