

19 February 2021

## **Summary of Price Waterhouse Coopers (PwC) Review**

PwC were engaged to provide an independent, expert review of the proposal, including assumptions, risks, costs and revenues. They were asked to assess if any additional options were available to meet Council's objectives.

PwC thoroughly scrutinised the business case and looked at how the ongoing operational costs of a Gateway Centre could be met most effectively and sustainably.

Core functions for the Gateway:

- Biosecurity inspection area for visitors to Kāpiti Island
- Visitor and discovery centre

Other possible uses include:

- A display and exhibition space for local artists
- A small gift shop selling high quality local art and crafts
- Office space for boat operators
- A daytime café and a night time café & bar.

PwC considered 11 options made up of different mixes of use. They assessed each option against the project's 6 objectives plus 6 other criteria; financial feasibility, risk management, Te Ao Maori connection, promotion of ecology and the environment, meeting tourist demand and visitor cross-patronage.

PwC also carried out a thorough risk analysis. They considered 17 different types of risks for each option. Risks covered financial, contractual, demand, delivery, scope creep and so on.

After assessing the 11 options, PwC concluded there are three viable options. Each option has a similar period (5 to 6 years) before breaking-even and not requiring a ratepayer subsidy in the long term. Some options carry slightly more risk but are also viable. The maximum projected shortfall to Council over the period prior to break even (5-6 years) is \$349,000 (or around \$58,000 per year).

The most viable options are:

Option K breakeven		Option J breakeven		Option F breakeven	
<i>Biosecurity</i>		<i>Biosecurity</i>		<i>Biosecurity</i>	
<i>Visitor / Discovery Centre Office</i>		<i>Visitor / Discovery Centre</i>		<i>Visitor / Discovery Centre Office</i>	
<i>Gift shop</i>		<i>Gift shop</i>		<i>Office</i>	
<i>Café and bar/brasserie</i>		<i>Café and bar/brasserie (no office)</i>		<i>Gift shop (no Café and bar/brasserie)</i>	
Breakeven period	6 years	Breakeven period	5 years	Breakeven period	6 years
Sum of shortfall	-\$349,000	Sum of shortfall	- \$302,000	Sum of shortfall	\$347,000
Equal level of risk rating = -1.1 (on a scale from 3 to -3)				Risk rating of -0.2	
Weighted overall score as meeting objectives and factoring in risk +1.8 (on a scale from 3 to -3)				+1.7	

If Councillors agree to proceed with a café & bar/brasserie, PwC recommended that it be outsourced and tendered.

PwC also investigated other similar ventures across the country and the report includes lessons learnt and recommendations from those. Examples of other ventures they reviewed include:

- Sanctuary Mountain Maungatautari a 3,400-hectare ecological sanctuary in the Waikato
- the New Plymouth iSite, a visitor information centre embedded within their combined museum and library, Puke Ariki
- the Whangārei iSite, a visitor information centre operated by the Whangārei District Council which has a gift shop and café attached.

The main lessons learnt from the ventures above are that:

- well-managed, outsourced cafes are a good idea
- gift shops selling high-quality local artisan products are profitable.

## **Summary of Revised Economic Impact Assessment (EIA)**

Economic Solutions Ltd were engaged to update their EIA based on the revised visitor numbers and proposed business model.

They found that the economic impacts (Gross Regional Product) of:

- construction period were relatively unchanged at \$2.23m and 16 jobs
- the operation of the facility was unchanged at \$0.16m and 3 jobs
- current visitor spending was unchanged, assuming the same base-line as 2019, and represents GRP of \$2.08m and 24 jobs
- in 2023, the first full year of operation of the Centre, there would be additional GRP of \$0.62m and an additional 8 jobs created (per annum)
- by 2030 there would be additional GRP of \$2.07m and an additional 25 jobs created.