

# Living Dinosaurs

Proposed Tourism Product  
Tuatarium/ Kakaporium



Feasibility Study

Venture Southland  
September 2017

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# EXECUTIVE SUMMARY

## 7 CB79DH'

A new export quality visitor experience showcasing the evolution and conservation stories of the kakapo and tuatara within a specially designed centre to the west of the Southland Museum and Art Gallery (SMAG). This product would be a significant tourism asset for Invercargill and align with the Southland Regional Development Strategy goal of increasing revenue from Tourism to \$1 billion by 2025. It would align with the proposed museum redevelopment, art centre and inner city development and foyer upgrade projects as well as supporting increased visitation of Queens Park.

## : -B5 B7 -5 @: CF975 GH'G AA5 FM'

Capital investment of almost \$5 million will be required (\$3.5 million building; \$1.27 million interpretation; \$200,000 car park and landscaping).

Working capital of up to \$1.1 million (Year 6 overdraft position) would be required to allow the debt to be serviced.

Based on the revenue and expenditure forecasts produced, the experience will be cash positive from Year 1 and will start providing net profit, following interest and depreciation payments, from Year 6. EBITDA (Earnings before interest, taxation, depreciation and amortisation) are forecast to rise from \$450,000 in Year 1 to \$770,000 in Year 10. Loan repayments of \$343,000 are expected from Year 1, with a twenty year term on the loan.

This model, which has been peer reviewed, assumes basic entry is free to locals, with 4% of locals paying for higher value tours; 13% of domestic visitors and 22% of international visitors visiting each year. It assumes that DOC does not work with another partner to establish another significant kakapo/ conservation product in competition and that visitor growth rates stay in line with national forecasts. It also assumes that the upgrade of the current SMAG facility foyer occurs and this will provide fit for purpose visitor toilets, retail area and the facility's main entry/exit.

A conservative model based solely on conversion of existing visitors to the Southland Museum and Art Gallery would result in a cash negative outcome with a shortfall of approximately \$250,000 each year. It is thus essential for the success of the operation that the facility is attractive to a significant proportion of existing visitors to Invercargill beyond those already visiting the museum. Investigation to date indicates that it is of appeal to these visitors as a trade commissionable product and complements other offerings in Fiordland, Queenstown, Catlins and Stewart Island.

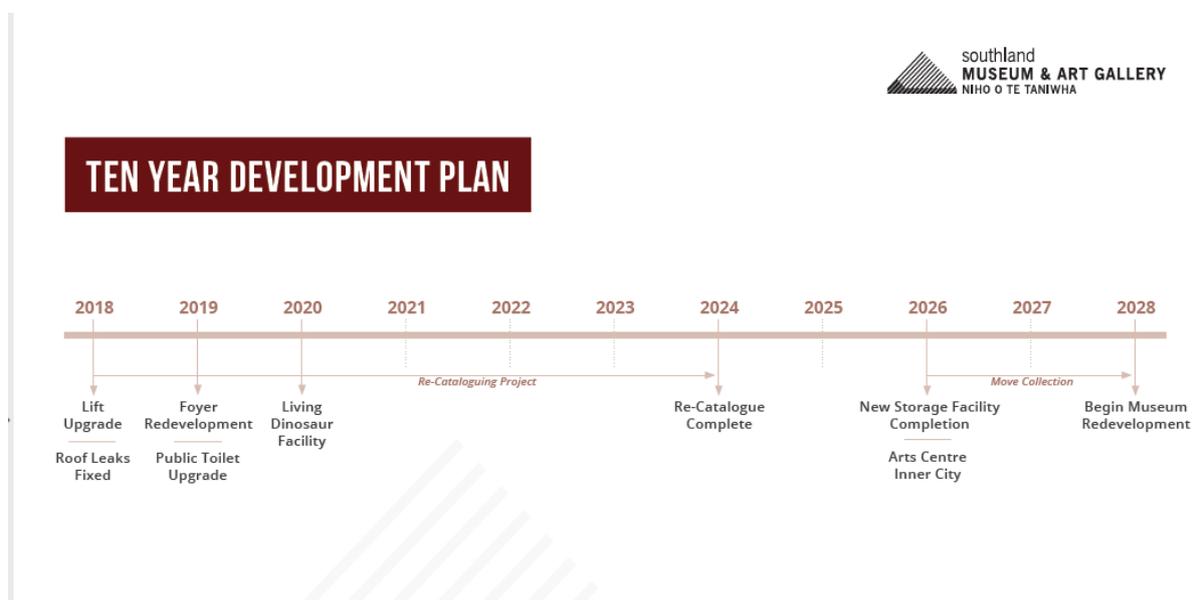
# PART 1: SETTING THE SCENE

657?; FCI B8

Invercargill City Council are reviewing a range of projects proposed as part of the Southland Regional Development Strategy. Tourism has been identified as a key area of focus and in the context of tourism growth within New Zealand and Southland, Invercargill wants to not only attract more visitors to the city, but also realise more value from these visitors. The intent is to keep them longer in the area and to give them opportunities to spend more.

Alongside this tourism focus are a number of other issues and projects affecting and/or impacting this project. These relate to the Southland Museum and Art Gallery's proposed redevelopment, the current condition of the tuatara facility, the DOC kakapo breeding programme and other ICC infrastructure and inner city development initiatives.

- In the medium term, a new home needs to be built for the Tuatara as there are issues with their housing within the existing museum relating to a "humid" natural environment being created within the envelope of the building which requires museum standard climactic conditions for the preservation of exhibits. It is also considered that the current tuatara facility is no longer fit for purpose because of the roof nearing the end of its life span and the successful breeding programme resulting in too many tuatara for the space.
- The Southland Museum and Art Gallery (SMAG) board are currently reviewing their museum redevelopment in line with possible plans to relocate the art from their facility into a new purpose built facility in the inner city. This includes undertaking a staged approach which will address the facility's roof (and other infrastructure projects) as well as an immediate redevelopment of the entrance foyer area which includes the café, theatre area, retail space and i-SITE.
- The Department of Conservation are looking for a permanent home for their kakapo chick rearing programme, which at present takes place in a temporary lab which has been determined as sub-optimal. Chick rearing is variable, occurring once every 2 or 3 years or so but because of the location of Invercargill, DOC see this site as a desirable location to base their programme from.



Southland Museum and Art Gallery Ten Year Development Plan

Venture Southland was asked to undertake a feasibility assessment, initially with a view to seeking MBIE Tourism Growth Partnership Funding which is no longer an option. This feasibility assessment has been developed on the basis that:

1. Invercargill City Council would seek a commercial partner to co-invest and operate the facility.
2. The Department of Conservation would operate the Kakapo Lab and cover all running expenses of the kakapo rearing programme.
3. SMAG and ICC look to retain the museum in its current location.
4. Operating models including partnerships with the public and private sector are to be investigated and agreed upon.

Following gap analysis, market assessment and stakeholder consultation, the experience concept plan was developed, with support from consultant Karyn Owen (Appendix A). Architectural plans and associated cost estimates have been developed, alongside overall financial forecasts which have also been peer reviewed.

- **H Y Gci H `UbX` FY[ ]cbU` 8 Yj Ycda Ybh GfUH[ m** has set a target of \$1 billion revenue from tourism by 2015. Since this target was set revenue has already grown from \$550 million to \$619 million in line to achieve the target by 2025. Southland as a region has performed well in comparison to the rest of New Zealand over the last five years. Spend has increased 5% across New Zealand while it has increased 9% in Southland. Over the last five years, daily accommodation capacity across NZ has remained static and occupancy has increased 21%, compared to 38% growth in occupancy in Southland.
- **aj YfWU[ ]`hci f]ghia Uf\_Yh** has grown from \$206 million a year to \$218 million a year over the last year. The international share of the market has varied slightly from 20% to 24%. The domestic market continues to be strong with an increasing importance of non-commercial accommodation, whether those visiting friends and family, staying in options such as airbnb or self-contained vehicles.
- **A Uf\_YhiU][ ba Ybh-** Free Independent Travellers (FITs) are one of the most significant markets for Southland, although it is forecast that the tour market will increase following the construction of a new hotel in the City. FITs prioritise experiences and authentic offerings such as the proposed “Living Dinosaurs” facility which provide a unique chance to experience the real New Zealand.
- **7 f]hWU`a Ugg** - The development of additional tourism product along with a new hotel have been identified as key targets for Invercargill City. Transport World and Motorcycle Mecca form two significant new tourism assets within the City. The development of a kakaporium was one of the products identified within the regional development strategy, which together with existing products would help to create a cluster of offerings strong enough to provide a compelling reason to visit.
- **BUi fU` \ Yf]hU[ Y** is one of the top attractions for people when visiting New Zealand. The Living Dinosaurs facility concept would be well aligned to provide people with compelling stories of and experiences with some of Southland’s unique wildlife, in an interactive high quality environment. The linking of the stories of evolution of species and present day conservation programmes has been identified as a story which is being under-told in other wildlife experiences around the country.
- **I b]ei Y` cZyf]b[** - The inclusion of kakapo, with its strong connection to Murihiku, would create a unique experience which is not available elsewhere in New Zealand. The product would build on the well-established tuatara experience and breeding programme which Southland Museum and Art Gallery has developed over thirty years. During that time many other opportunities to view tuatara have been developed around the country but Invercargill still has the opportunity to build on the history and stories of characters such as “Henry.”

Alongside the local community, it is important to identify key stakeholders associated with various aspects of this project and to ensure clear roles and responsibilities are determined and agreed on. While a snapshot is suggested below, there will be others depending upon the final agreed details of the product.

| GHU_Y c`XYf`                                  | =bhYfYglg`  |
|---|---|
| Invercargill City Council (ICC)               | <p><b>Dfc`YWigdcbgcf</b> – ICC has commissioned Venture Southland to undertake a feasibility study into this concept as one of the major tourism products identified in the Southland Regional Development Strategy Action Plan.</p> <p><b>=bj Yglcf#Wc!ck bYf</b> – Should the product proceed to development it is recommended that ICC invest in the capital development (the model suggests 50/50 co-investment with a commercial partner) acting as a sleeping partner. Future operational roles to be determined. ICC could also play a key role in the provision of infrastructure such as car parking and toilets.</p> <p><b>7 cbhYbh</b>– The Tuatara team are employed by ICC and would continue to be closely involved in development of the new product. Parks and Reserves would be closely involved due to plans to develop new tours through the Queens Park area.</p> |
| Department of Conservation (DOC)              | <p><b>Bcb!Wc a YfVJU`dUfYf</b> – It is not directly suggested that DOC contribute to the capital investment associated with developing the building but they could support community funding applications. They would however be responsible for fit-out of the kakapo lab, planting within the Kakapo enclosure and operational costs to run the Kakapo rearing programme, including running educational tours and bringing adult birds to the centre on regular rotation.</p>   |
| Southland Museum and Art Gallery Trust (SMAG) | <p><b>DUfYf</b> – SMAG own the museum building which the proposed new facility would adjoin. They are seen as a key partner to assist with the development of the project. This could be through the provision and sharing of infrastructure (toilets and car parking) as well as the redevelopment of the foyer entrance area. They could also play a key role in attracting community funding for interpretation elements to tell key parts of the story.</p> <p><b>7 cbhYbhE</b> SMAG have an interest in the telling of natural history stories and how these will intersect with those told within the core museum. What happens with the tuatara facility directly impacts the museum. The new product would complement the offering of the museum.</p>   |
| Ngai Tahu                                     | <p><b>7 cbhYbh</b>– Ngai Tahu have close interest in the kakapo as taonga species whose “home” is Murihiku. They could have a role as expert consultants in developing content for the facility. They may also be interested in a role as <b>DchYbhJU`Wc a YfVJU`dUfYf#cdYfUcf</b></p>  |

|   |  |
|---|--|
|   |  |
| Other Iwi (TBC)                                 | Northern South Island Iwi have a special connection to the Tuatara and would need to be consulted if further commercialisation relating to the existing Tuatara offering occurs  |
| Ministry of Business, Innovation and Employment | <b>Dc`JWn#GfUW[ m</b> – MBIE plays a leading role in the Southland Regional Development Strategy which has identified this as one of the key products for Southland.<br><b>: i bX]b[</b> – Some elements of the project (e.g. car park and toilets) may be eligible for a grant from the Tourism Infrastructure Fund which MBIE administer.  |
| Venture Southland                               | <b>DfcXi Wf8 Yj Ycda Ybi/ `7 ccfX]bU]cb</b> – Venture Southland has led the feasibility plan development process and would be able to continue to develop the full business case if required. It also provides a key coordination role linking the project to various stakeholders including funders, investors and customers.<br><b>7 ca a i b]m: i bX]b[ `7 ccfX]bU]cb</b> – Can provide expert support and resource through the community development functions to prepare, submit and account for funding applications.<br><b>8 Ygh]bU]cb`A Uf_Y]b[</b> – Venture Southland is the Regional Tourism Organisation (RTO) with responsibility for promotion of tourism within the region. It will play a key role in ensuring liaison with the wider tourism industry and potential key markets including Cruise NZ, neighbouring RTOs (Regional Tourism Organisations) and other Invercargill and Southland tourism operators (who may partner with this new product).<br><b>]!G+9</b> – Venture Southland is responsible for the operation of the i-SITE visitor information centre which is located in the foyer of the SMAG facility. |
| Community Funders & Sponsors                    | <b>: i bX]b[</b> – It is expected that specific elements of the project may be eligible to apply to various community funds and this will be confirmed upon consultation with funders.<br><b>Gdcbgcfgl`jd</b> – It is important to identify potential sponsors and donators to the project considering existing arrangements and agreements (e.g. DOC Kakapo Breeding Programme) and ensure no conflict.   |

To date there has been a variety of informal and formal consultation undertaken in relation to this project. This includes surveys, desk top research, discussion and interviews undertaken by different parties as part of developing various plans. It also includes consultation with museum visitors as well as potential visitors to the new facility, staff and experts.

Considering the stakeholders identified in 1.3, a workshop was held on 10 March 2017 to discuss the themes and design of an experience which could incorporate both the tuatara and the kakapo. There was support for this concept and the workshop identified important concepts and considerations which have been factored into all planning to date.

Attendees included: Michael Skerrett (Iwi), Paul Horner (SMAG), Lloyd Esler (ICC Councillor), Hayley Browne (SMAG Operations), Tony Preston (Department of Conservation operations), Bronwyn Jeynes (DOC Kakapo Team), Brent McKnight (McCullough Architects), Robin Pagan (ICC Parks Manager), Rebecca Amundsen (ICC Councillor), Bobbi Brown (Venture Southland Tourism), Rhiannon Suter (Venture Southland, Strategic Projects), Lindsay Hazlett (SMAG, Tuatara Kaitiaki), Karyn Owen (Consultant). Apologies were received from Deidre Vercoe (DOC).

Consultation to date has provided key insights which have been integral in developing and testing concepts to date. More consultation will be required as details of the project are further defined and/or confirmed.

The product design has been developed to be an export quality commercial offering contributing positively to the Invercargill and Southland economy. However there are other significant community, social and environmental benefits which will be important in appealing to potential community funders and sponsors and also customers.

- <[ \ ei U] hndi fdcgY XYg[ bYX' YbWcgi fYg' UbX' UV ZW] h]Yg" Both the kakapo hand rearing programme and the tuatara programme are currently housed within sub-optimal environments. The development of this tourism product will bring commercial revenue to enable the provision of much needed conservation facilities.
- Cb[ c]b[ gi ddcfh Zf' VcbgYfj U]cb' dfc[ fUa a Yg" The Department of Conservation's Kakapo Breeding programme and the Museum's tuatara programme would benefit from increased awareness and education, as well as financially through a percentage of the ticket price and donation points within the experience. There is also the opportunity to support the work of the Bush Haven Trust through the promotion of add-on tours to the Otatara bird sanctuary.
- : fYY UWWgg' Zf' cWU' dYcd'Y" This will provide a quality community asset and maintain a sense of community ownership of the tuatara programme which has developed over time. It is believed that this will be important to maintain the social licence to operate. To enable this a ratepayers card or similar system, coordinated across ICC, SDC and GDC will be required to identify Southlanders. Local people would pay for add on value and tours, including audio guides.
- DfYgYfj U]cb' cZ \ Yf]HJ Y" This facility would look to protect and celebrate an important part of Southland's identity being the tuatara.
- : Ua ]miZ'W ggYX' UW]j ]hnia U ]a ]g]b[ 'Ei YYbg' DUf\_ " The product will enhance the liveability of Invercargill, utilise and celebrate Queens Park, which is already seen as an amazing attraction within the city. It could be a way to subsidise rate payer contributions to Queens Park by utilising visitor contributions, although it should be noted that this is not modelled.

# PART 2: THE CONCEPT

Appendix A provides detailed information regarding the proposed concept.

## 8.9.7 Facility Description

The Living Dinosaurs facility is proposed to house the Tuatara, Kakapo chicks and touring adult birds alongside one or more other taonga species such as geckos, frogs and snails.

The main theme of the attraction would be the story of the Living dinosaurs, the stories of how Tuatara, Kakapo and other species have survived, including human conservation efforts and breeding programmes in Southland. Sub themes covered within this include nocturnal behaviour, camouflage, food sources, pests, and island sanctuaries. These themes are intended to link to but not duplicate other areas covered in the museum.

The intention is for the majority of the facility to be a curated “natural” indoor/outdoor environment with associated digital and interactive interpretation, along with linked guided experiences incorporating species kept in other areas of Queens Park (subantarctic garden/ aviary/ animal enclosure). The interpretation will be designed to be interactive and ensure a high quality experience for those times when neither kakapo adults nor chicks are present. The proposed floor plan has been developed following the concept plan.

## 8.9.8 Facility Offerings

The facility will offer a range of products designed to cater to a range of visitors:

|                          |   |
|--------------------------|---|
| 1 day multi-entry pass   | \$18 adult<br>\$9 children<br>Under 5s/ Southland residents free  |
| Audio guide              | \$5   |
| 30 min guided experience | \$30 (includes multi-entry pass)<br>Behind the scenes chance to interact with tuatara; learn from experienced staff and volunteers.<br>Designed to meet the needs of visitors with limited time availability looking for a unique experience (e.g cruise visitors).   |
| 2 hour extended tour     | \$55 (includes multi-entry pass)<br>Fully guided experience within a small group. Includes tour with interactive opportunities to highlight Queens Park with focus on unique regional wildlife including subantarctic garden, aviary and animal enclosure.<br>Designed to meet the needs of people looking for a half day experience, international visitors and tour groups. |

Additional offerings:

- “Tuatara Feeding Time” at a regular time each day
- Special tours will be available when kakapo chicks are onsite (Note. Locals will need to pay for these tours).

- There is the option to add on additional offerings including daily trips to Bush Haven in Otatara and cultural tours led by Iwi tour guides.
- There could also possibly be future partnership opportunities with the soon to be opened Curio Bay Tumu Toka Natural Heritage Centre (1 hour away) which tells the Jurassic story with the 180 million year old Petrified Forest.

Further detail can be found within the Concept Plan (Appendix A).

## &" · D<MG=7 5 @9BJ=FCBA9BH'



*Draft elevation of the proposed Tuatarium/ Kakapo Facility (Drafted prior to the change in floorplan)*

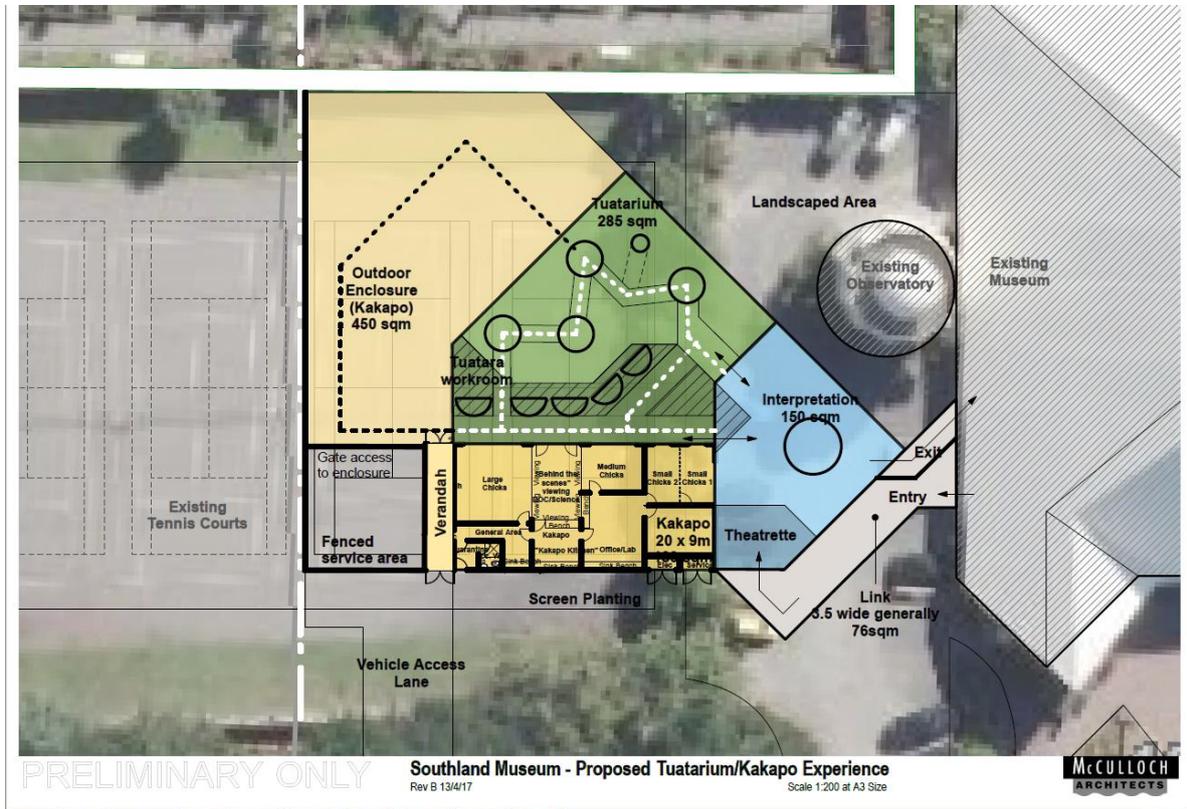
The new facility building will be mostly standalone except for a corridor link to the existing SMAG facility. The building will be designed to fit with the aesthetic of the Pyramid shape of the Southland Museum and Art Gallery, using modern glass and steel. Should ICC decide to proceed, elevations will be updated.

The new facility will use the same main entrance as the rest of the SMAG facility. **"GU Ygžf YRUJ"** **UbX' í gY ZY' gdUWÎ ' k J'' VY' \ ci gYX' k ]H ]b' h Y Z:nYf** of the Southland Museum and Art Gallery and will be included in the proposed upgrade of this space which is currently proposed by the SMAG Board. This area will also provide the main visitor toilets and an upgrade to meet anticipated increase demand is proposed.

There has been significant investigation into where to locate the facility (see Appendix A) and important details include proximity to car parking, toilets and how it fits alongside the existing SMAG facility and Queens Park.

## &' 5 B5FF5HJ9 >CI FB9M'

The layout of the facility has been designed to facilitate a number of functions and to create a compelling experience, taking visitors on a narrative journey. The visitor experience can be divided into eight key spaces or areas including how visitors enter and exit. Note that there are other 'non visitor spaces' intended for staff only to work with kakapo and tuatara.



Floorplan

### 5 fYU% ``9 b f UbW' UbX'K YWt a Y

The main entry is through the SMAG front doors and into the foyer arrival and welcome area. Entry fees will be collected here and visitors will be directed "left" towards the facility entrance.

### 5 fYU& ``5 bhjWdUjcb' GdUW'

The entry into the facility will be through an **UbjWdUjcb' gdUW'** which will be a tunnel or corridor with one way visitor traffic only and it will create an atmospheric introduction to the story of the kakapo and tuatara. The evolution story of the kakapo and tuatara will be told in this area, including a range of sensory experiences, through lighting, audio design. Displays may include skeletons and other elements to take visitors back in time to view these ancient species within the experience.

### 5 fYU' . ``H YUfYH' UbX' CfjYbUjcb' 5 fYU'

Visitors then reach a **H YUfYH'** which will be used to show a short film and to orientate and introduce the experience to tour groups. For times when the room is busy, an alternative entry into the interactive **jbhYdfYUjcb' gdUW'** will be available. The **H YUfYH'** will also be available after opening hours for meetings. It is possible that this space could be sponsored by a corporate sponsor of the kakapo programme.

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### 5 fYU( . ``bHYdfYUjcb`gdUW`

The **jBYdfYUjcb`gdUW`** will house a large interactive model of a tuatara, along with a range of interactive experiences aimed at children, providing the opportunity to learn about the features of the wildlife they will see.

### 5 fYU). ``Hi UUFji a`

From the **jBYdfYUjcb`gdUW`**, visitors will enter the **Hi UUFji a`** which will be designed to mimic a natural environment, containing natural light, planting, misting, a waterfall and a range of different viewing environments. The flow of visitors is two way and designed to provide interest with various natural stop and passing points. Part of the experience will be through a corridor under the built up natural environment which will mimic an underground experience with views into tuatara holes and displays of other species such as native geckos, weka and frogs, as well as the insects which are fed to the tuatara. From the other side of this space visitors will be able to view the kakapo lab through large glass windows. This area will also contain a workroom for the **Hi UUFji a`** which will be used for the “behind the scenes” tours.



### 5 fYU\*. ``Ci hXccf`?U UdC`9bWcgi fY`

From the **Hi UUFji a`** there will be entry into an **ci hXccf`YbWcgi fY`** which will be planted with sub-Antarctic and native species interspersed with models to provide an experience whether the kakapo are present or not. The pathway will be enclosed to provide security to the kakapo chicks when they are present. The pathway will slope down below ground level to provide enhanced viewing of chicks and will create a natural enclosed area which will house the adult birds.

The Department of Conservation have indicated that one or two adult birds will be present once or twice a year on rotation with other locations around New Zealand as part of the educational kakapo programme. The birds require plenty of rest and relaxation on the Sub-Antarctic islands which limits the time which they will be available for the Living Dinosaurs exhibit.

### 5 fYU+. ``?U UdC`@V`

The **?U UdC`@V`** contains a number of spaces which the Department of Conservation require for the hatching and raising of kakapo chicks. This area is required to meet certain bio-security and climactic control conditions. When the chicks are present people on the tour will be able

to enter the viewing space to see into each of the labs. When the lab is not required for chicks, the spaces will be used to house additional interpretative elements.

**5 fYU, .`9I jhUbX`FYUJ`Cddcfh b]hYg`**

At the **YI jh** the conservation experience will be told, with a space for visitors to take selfies and donate to the kakapo and tuatara conservation programmes. A digital wall displaying the photos of businesses, organisations and individuals supporting the kakapo programme is planned, with funding from a corporate sponsor. Visitors will exit through the retail area and have the opportunity to visit a range of connected exhibits within the Museum.

&)' : I B7HCBG'5 B5 @MG-G'

| Area | Function                         | Space m2 | % | Building \$ | Interpretation \$ | Int per sqm | Notes              |
|------|----------------------------------|----------|---|-------------|-------------------|-------------|--------------------|
|      |                                  |          |   |             |                   |             |                    |
|      | Entrance and Welcome             |          |   |             |                   |             | u<br>oU ° 8'       |
|      | Anticipation Space               |          |   |             |                   |             |                    |
|      | Theatrette and Orientation Space |          |   |             |                   |             | o<br>-<br>U<br>)\# |
|      | Interpretation Space             |          |   |             |                   |             |                    |
|      |                                  |          |   |             |                   |             |                    |

|  |                          |              |             |                  |                  |              |  |
|--|--------------------------|--------------|-------------|------------------|------------------|--------------|--|
|  | Tuatarium                |              |             |                  |                  |              |  |
|  | Outdoor Kakapo Enclosure |              |             |                  |                  |              |  |
|  | Kakapo Lab               |              |             |                  |                  |              |  |
|  | Exit                     |              |             |                  |                  |              |  |
|  | #                        |              |             |                  |                  |              |  |
|  | #                        |              |             |                  |                  |              |  |
|  | #                        |              |             |                  |                  |              |  |
|  | <b>Sub-total</b>         | <b>1,145</b> | <b>100%</b> | <b>3,690,000</b> | <b>1,274,000</b> | <b>1,347</b> |  |
|  | <b>TOTAL</b>             |              |             |                  | <b>4,964,000</b> |              |  |

# PART 3:

## FINANCIAL CONSIDERATIONS

' "% : -B5 B7 -5 @DFC>97 H-CBG'

The financial projections have been prepared by Venture Southland incorporating input from ICC staff, quantity surveyors and the concept consultant. A peer review of the figures prepared was undertaken by Bevan Tydda of OnField Solutions, who has expertise in the area of tourism products and has undertaken reviews of business plans prepared for MBIE as part of the Tourism Growth Partnership Fund programme.

' "& 7 5 D-H5 @-BJ9GHA9BH

There are three primary areas of capital investment required:

1. Building and outdoor enclosure – estimated at \$3.5 million
  - a. Kakapo Lab and Enclosure - \$770,000 (Fit out is not budgeted for – This is the responsibility of DOC)
  - b. “Experience areas”, including Tuatara spaces - \$1.89 million
  - c. Consents, professional fees and contingency - \$830,000
2. Interpretation – displays, models, planting - \$1.27 million
3. External infrastructure
  - a. Carpark - \$200,000

There is a further element of capital investment which is essential to this project but is not included:

1. Redesign of the Southland Museum and Gallery foyer
2. SMAG Redevelopment

A detailed breakdown of capital costs can be found under Functions Analysis above and in Appendix 4.

' " ' F9J9BI 9'

\$1.3 million revenue is forecast for Year 1 rising to \$1.65 million in Year 10.

There are six forecast revenue streams:

- Multi-entry pass – 19% of forecast revenue
- Multi-entry pass + Audio guide – 17% of forecast revenue

- Multi- entry pass + 30 minute tour – 23% of forecast revenue
- Multi-entry pass + 2 hour tour – 29% of forecast revenue
- Merchandise – 8% of forecast revenue
- Local supporters card – 4% of forecast revenue

Revenue from kakapo tours is not modelled as it is assumed that this goes to the Department of Conservation. A percentage return to over operational expenses could be negotiated but has not been modelled.

Providing high quality tours which meet visitors' demands for unique personal experiences will be essential to meeting revenue forecasts. There is potential to exceed revenue forecasts through attracting more visitors to Invercargill, for example through bringing tours down from Queenstown, or through converting a higher ratio of visitors into paying customers.

The assumptions which underpin the revenue forecast are discussed under 3.8.

### ' ( ' 7CGHC: ; CC8G'

5% of multi-entry tickets (basic package only) sold has been allocated to the Kakapo recovery programme. This amount could be negotiated.

Note that a return to SMAG and/or the i-SITE for selling tickets has not been modelled and if this option is chosen then staffing rates may be adjusted slightly.

Trade commission of 25% is allowed for a third of the higher cost tours on assumption that these are sold remotely either on or off-shore.

Cost of merchandise sold is modelled at 60% to allow for 100% mark up, freight cost and some wastage.

Cost of goods sold for Year 1 is forecast to be \$110,000.

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Operational expenditure has been estimated but would require a full business planning process to be undertaken to be fully assessed. It could vary depending on who is operating the facility and what other resources they can bring to the operation.

Staff wages (Manager, two visitor hosts, two visitor guides, animal technician (7 days a week plus sick and leave cover) is forecast to make up 67% of operational expenses.

The promotion budget has been set at 6% of revenue and makes up 10% of operational expenses. Allowance has also been made for development and maintenance of an ecommerce site.

Other expenses, including vet bills, animal food, ACC, insurance, accountancy, audit, rates, training, phone, internet, product development, electricity, bank fees, admin costs, legal, health and safety, travel, repairs and maintenance, fire compliance and vehicle make up 18% of forecast costs

A contingency of 5% of operational expenses has been allowed for.

Operational expenditure in Year One is forecast at \$770,000.

There is an additional element of operational expenditure which will be required but is not budgeted for as it falls outside of the scope of this project.

1. Implementation of a local ratepayers' card or sticker system to identify locals in order for them to enjoy free access to the museum. Alignment between the three territorial local authorities and/or regional council would be required.

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The forecast budget assumes that the capital required for the building, interpretation and working capital is raised through a loan. Interest payments of 7% are allowed for. It is recommended that ICC seek a co-investor to share the debt load 50/50 although this is not modelled. This may affect the ownership structure of the facility (see 3.7).

Depreciation of thirty years on the building and five years on the interpretation is allowed for. This would allow the interpretation to be refreshed in Year 6 to ensure that product quality is maintained. However it may be that instead is decided to budget for elements to be refreshed every year and/ or the asset as a whole to be sweated for longer.

It is forecast that turnover will be sufficient to cover all interest from Year 1 and all depreciation from Year 6.

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It is recommended that consideration be given to the ownership structure of the facility and the key driving organisation of the project to ensure that all avenues of funding have been explored. While Council may be eligible to apply to some funds, a Trust structure would certainly enable applications to be made to community funds such as those administered by the Lottery Grants Board, Invercargill Licensing Trust (ILT); ILT Foundation and the Community Trust of Southland. Consideration should also be given to applying to the Horizons Fund operated by Christchurch Airport for the purposes of promoting tourism in the South Island.

With a not for profit charitable entity driving the project, this would enable the key driver to have donee status with Inland Revenue which significantly improves the appeal to donate to the project. This means that people who donate would receive a tax credit and organisations which donate, a deduction. While it is thought that the project could be supported with donations, it would need to be clear how this fits alongside individual components within the facility such as the kakapo breeding programme (and conflicts avoided).

Community funders will primarily be interested in supporting the public good benefits (see 1.5). Funds such as Lottery Environment and Heritage and/or Lottery Significant Fund will prioritise the heritage and conservation aspects of the project and how they are interpreted. They also require the project to already have contributions secured before it can apply to its funds.

Depending on consultation with partners and confirmation of the project's details, the infrastructure upgrades required (toilets and car parking) could be eligible for funding support from the MBIE Tourism Infrastructure Fund. This fund covers actual and anticipated increases in demand.

It is difficult to estimate how much could be raised from community funds as it will also depend on how many applications they receive, amount they have to distribute and how they prioritise this and other projects. With this in mind though, it is significant that this project is listed as a key priority in the Southland Regional Development Strategy Action Plan. This may mean that its significance is understood and supported by key funders including future government contributions.

It is recommended that a full community funding plan be developed in consultation with ICC and the SMAG Board to ensure all projects align, do not compete and the overall picture and outcomes are clear to all funders. There also needs to be consideration of how the funding plan will be implemented especially considering the expertise required to prepare, submit and account for all funding applications. If a new not-for-profit entity is sought, there will need to be support to develop this.

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### Visitor numbers

Existing numbers of the visitors to the Southland Museum and Gallery have been used to form the conservative forecast.

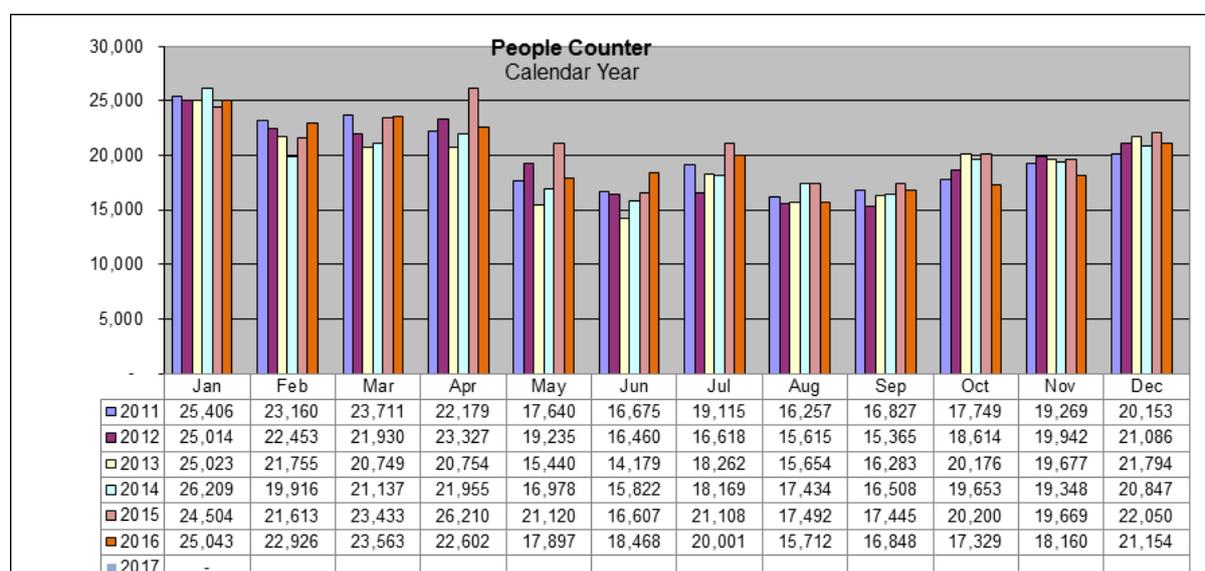


Fig. Southland Museum and Gallery Visit Count, 2011 – 2016

240,000 people a year visit the Museum and it is estimated that 39% visit the Tuatara (SMAG survey, updated post modelling – door counts show 25% but the technology is a door beam which is believed to undercount when multiple visitors pass through the door). The number of visitors has been fairly steady over the last five years, although the latest figures received following modelling, have fallen slightly to 232,000.

50% of respondents to the museum survey undertaken in the 2016/2017 summer stated that their primary purpose of visiting was the Tuatara and a further 30% visited them as a secondary purpose. 67% of respondents said they would pay to visit the Tuatara.

SMAG recently implemented a customer survey which has been running for three weeks since August 2017. 23% of visitors over this time have completed the survey. Over this time 35%

have visited exhibitions on the ground floor and 22% the upstairs galleries. 39% visit the Tuatara, 18% visit the shop, 10% the I-site and 25% use the toilets.

The conservative forecast of visitor numbers is 40,200, (67% of the 25% already visiting the Tuatara).

However, it is forecast that there is a wider market to be considered than those already visiting the museum. The median forecast number is 60,200. This is the number on which the financial modelling is based.

345,000 people are estimated to visit Invercargill, staying overnight (Commercial Accommodation Monitor/Qrious). Of those, 80% are domestic and 20% international visitors (69,000). Note, that a recent additional estimate of visitors to Invercargill produced by Qrious puts the number of domestic visitors at 474,000 and international visitors at 89,000. While it is believed that this is an overestimate it suggests that the estimate produced using CAM and Qrious is sound.

The SMAG survey undertaken in August/ September 2017 shows that 42% of visitors to the museum are from Invercargill, 21% from other areas of Southland, 20% from other areas of New Zealand and 17% from overseas. As this survey has been undertaken in Winter, it is expected that the number of international and domestic (other areas of New Zealand) will be higher in the summer months. These figures again support the accuracy of the analysis above.

22% of international visitors are forecast to take up one of the offerings. This is estimated based on knowledge of interest areas for international visitors where interest in New Zealand wildlife is high. Estimates for domestic visitors are lower to reflect that higher numbers of domestic visitors are believed to be travelling for commercial purposes.

78% of domestic visitors who are interested in visiting Southland or within easy reach are interested in visiting a zoo or wildlife park (DGIT). Call to actions and specific events to draw domestic visitors are very important. The ability to see Kakapo chicks is therefore more important to the domestic visitor. As it was determined to be too complex to model kakapo tours, in response to feedback from the peer reviewer, the number of domestic visitors forecast to visit has been increased from 10% to 15%.

24% of domestic visitor spend is business related (TSA, 2016).

### Ticket pricing

The ticket price and tour prices were set at levels recommended by the consultant Karyn Owen. These prices were benchmarked against Orakanui Eco-reserve, Zealandia, Kiwi Experience Queenstown and Richardson Transport World. The ticket prices have not been changed following the peer review, which accepts they are appropriate.

Ticket prices have been set at the lower end of prices within New Zealand to reflect the remoteness and relatively undeveloped nature of the Invercargill market and to reduce the risk of price reductions being required which has negatively impacted similar products such as Zealandia.

The model assumes that locals will enter free but will pay for tours and audio guides or choose to hold a local supporters card. A conservative forecast of 4% of locals paying for tours each year (primarily attending with visiting friends and family) and that 1% will purchase a local supporters card.

### Retail

The number of visitors purchasing in the shop is estimated at 8%, with an average spend of \$24.78 (exc. GST).

This is based on data from the SMAG shop, where 5% of those that visit the galleries (60% of SMAG visitors visit the galleries – Jan 2016 data) purchase something from the shop at an average spend of \$24.78 (exc. GST). A slightly higher number is forecast for “Living Dinosaurs” as this is a facility aimed at tourists directly who are more likely to purchase souvenirs (24% of tourists plan to shop on their travels – Trip Barometer 2015). This calculation was adapted in response to the peer review.

# PART 4: EVALUATION & RISK ASSESSMENT

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There are a number of critical success factors for this project:

- **H Y' dfYgYbW' cZ\_U Udc** is required in order to create a unique export quality experience which cannot be found elsewhere in New Zealand. A MOU is in place between ICC and DOC to explore and develop this opportunity. However, it should be noted that DOC have indicated that due to their obligations under the Wildlife Act and the Conservation Act they cannot guarantee that they will not partner with another organisation to develop a competitive product in another area. This is by far the most significant risk factor for this initiative as the facility will lose its unique proposition if this occurs.  
  
Tuatara can now be seen in many areas of New Zealand and will not by themselves create a sufficient pull factor. This risk can be partially mitigated through bringing additional species into the mix but none of these will have the standing of kakapo and DOC has raised that there are challenges with bringing identified species into captivity - even though they are viewable in many places in New Zealand.
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- **<[[ \ 'ei U]m]\_bck`YX[ YUV'Y UbX' YbhYfU]b]b[ ` [ i ]XYg** are required to provide the special personal experience people value. Tours make up over 40% of forecast revenue and therefore if take up is lower than forecast, the operation is at financial risk. Feedback from current visitors and trade (which have a high interest in tours), is that the current Tuatara manager is key to the success of the experience. The ability to train others to deliver a similar experience and mitigate against loss of this key staff member will be crucial.
- **5` \ ] [ \ 'ei U]m] cdYfUrcf# a UbU] Yf** able to deliver an export quality product is essential. Ticket prices have been set at the lower end of prices within New Zealand to reflect the remoteness and relatively undeveloped nature of the Invercargill market and to reduce the risk of prices reductions being required which has negatively impacted similar products such as Zealandia. Nevertheless high quality skilled management with a strong focus on customer service will be required and may be difficult to attract to Invercargill. This may depend on how the wider tourism industry develops in Invercargill as well as the attractiveness of businesses to invest and operate here.
- **7 cb]bi ]b[ ``Yj Yg'cZj ]g]fU]cb'hc`-bj YfWUf[ ]`** – Existing visitor levels, with a 5.4% growth in line with national forecasts will be required to achieve the revenue forecasts. The peer review agrees this is achievable unless there is a significant shock to either the international or domestic markets. It is believed that some people will travel (either within the region) or from outside the region specifically to visit the attraction (ie that new visitors will be attracted who would not otherwise have visited Invercargill) which

has not been modelled. This factor may help to offset any small temporary decline in the market, although it should be noted that the national growth forecasts for the market remain strong.