

# Funding of Marlborough Harbour Traffic Organisation Services

## Options for Cost Recovery

### Contents

1.0 Executive Summary .....	2
2.0 Background.....	4
3.0 Requirements for a charging system .....	5
4.0 Review of Other Harbour Charging Practices .....	6
5.0 Maritime NZ Charging Practice.....	8
6.0 Charging Options .....	9
6.1 Commercial operators.....	10
6.1.1 RoRo Ferries.....	12
6.1.2 Other vessels greater than 500GT .....	12
6.1.3 Vessels less than 500GT.....	14
6.1.4 Marine Farms.....	15
6.1.5 Sheltering Vessels.....	16
6.2 Recreational operators.....	16
6.3 Summary of Recommended Options .....	19
7.0 Indicative Charging Regime.....	20
7.1 Commercial > 500 GT.....	21
7.2 Commercial < 500 GT.....	21
7.3 Marine Farms.....	22
7.4 Recreational vessels .....	22
8.0 Acknowledgements.....	22

## 1.0 Executive Summary

- 1.1 This report assesses the options for introducing a charging system for the recovery of costs associated with harbour control and implementation of the risk assessment outcomes to ensure safe operations by commercial and recreational users.
- 1.2 This report assumes that the service requirements and costs are those set out in previous report for Council: Review of Harbour Control Services, July 2005. Work done for this report has expanded the categories of commercial user groups and revised the benefit allocations used for that report.
- 1.3 All practicable options for charging for the services were evaluated in terms of the guidelines for setting charges in the public sector that were published by The Treasury in 2002.
- 1.4 To inform this assessment, Marico Marine provided a review of charging practices in other harbours generally. This included Australia and Europe. The UK was considered in more detail as this had undergone introduction of a national Port and Harbour Marine Safety Code, with similar need for increased funding. This review established that charges similar to those being considered for Marlborough are common in comparable overseas jurisdictions.
- 1.5 Marico Marine and Marlborough District Council Harbours Department staff carried out a detailed analysis of traffic movements in the Marlborough Sounds. This data has been provided for use in reviewing the benefit allocation. The work resulted in a share of benefits to commercial vessels of 76% and to recreational vessels of 24% arising from the additional harbour control and safety services.
- 1.6 Charging options considered were:
- (i) Annual charge relating to Gross Tonnage (GT), length or vessel type
  - (ii) Charge per movement, based on GT.
  - (iii) Charge per passenger trip
  - (iv) Charging Port Marlborough Ltd
  - (v) Marine farm rates
  - (vi) Maritime NZ Levies
  - (vii) Annual or daily safety charge for license to use harbour waters (and thus harbour safety management system)
  - (viii) Boat ramp and marina fees
  - (ix) General rates
  - (x) Maritime NZ levies

Marlborough Harbour - Safety Management Funding

1.7 The following table summarises the charging options recommended:

Category	Vessel Type	Charge System
Commercial >500GT	RoRo	GT + per passenger capacity charge per movement
	Cruise vessels	Per metre per visit
	Cargo vessels	GT per visit
Commercial <500GT	Fishing residential	Per metre per year
	Fishing seasonal	Per metre per month
	Tug and Tow	Per metre per month
Other Commercial	Water taxi	Per metre per year
	Barges	
	Commercial Charter	
	Other	
Marine Farms	Mussel vessels	Per metre per year
	Marine farm	Per farm per year
Recreational	All	National boat registration fees, harbour safety licences or none <sup>1</sup> .

1.8 The following table shows the charges needed to produce the revenue estimated to be required to deliver the necessary services:

Category	Charge see note <sup>2</sup>	Revenue
RoRo ferries <sup>Note 3</sup>	\$0.0045 per GT and \$0.05 per passenger capacity per movement.	\$ 806,898
Cruise vessels	\$20 per metre per visit	\$ 119,617
Cargo vessels > 500 GT	\$0.30 per GT per visit	\$ 149,130
Fishing residential	\$115 per metre per year	\$ 24,766
Fishing seasonal< 500 GT	\$9.63 per metre per month	\$ 9,214
Tug and Tow	\$9.63 per metre per month	\$ 3,500
Water taxis	\$115.00 per metre per year	\$ 22,983
Mussel vessels	\$115.00 per metre per year	\$ 66,275
Barges	\$115.00 per metre per year	\$ 12,943
Commercial Charter	\$115.00 per metre per year	\$ 29,288
Commercial Other	\$115.00 per metre per year	\$ 60,508
Marine Farms	\$95.00 per year	\$ 49,864
Recreational	\$2.44 per day	\$ 418,014
<b>Total</b>		<b>\$1,773,000</b>

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<sup>1</sup> If no charge is made to recreational users, then the cost has to be met by the Marlborough District Council from general rates.

<sup>2</sup> Charges are indicative only and taken from the opinion of the Author. A different charging regime could be devised to achieve the same level of revenue from the required beneficiaries.

1.9 It should be noted that the figures derived in this report and recorded above are only indicative of the structure and quantum involved. In particular, it should be noted that the most equitable and economically efficient method of charging recreational users is to establish a national registration system for boats. In the absence of this being established by Central Government, it is recommended that funding from the rates continues while licensing options are explored.

## 2.0 Background

In previous reports, Marlborough District Council has approved consideration of Harbour Management initiatives to address the recommendations stemming from the Marlborough Sounds Harbour Navigational Risk Assessment<sup>4</sup>

Authority was sought from Council to discuss, with affected parties and central government, issues identified by the Marico Marine Report and the need for additional harbour funding to deliver appropriate risk control<sup>5</sup>. The issue was to be referred back to Council for further consideration following input from those parties. Council further authorised the preparation of a funding consultation paper to be distributed to affected parties, this included central government. The objective was to outline the issues to be addressed, seeking feed-back on the issues, the mitigation issues identified, the options for funding and any other suggestions/feedback from those involved in the consultation process.

Council also authorised the Mayor and Council's Chief Executive to be initiate dialogue with the incoming Minister for Transport and about Harbour Functions and in particular, harbour risk management. The Minister's response to this matter has been that the Council should implement a Bylaw to recover the additional revenue required.

Pending a final decision on the method of funding for the provision of harbour services as outlined in the risk management report, it is appropriate for Council to consider options including relevant harbour safety system funding regimes in similar situations overseas.

This report assumes that the service requirements and costs are those set out in a previous report for Council (Review of Harbour Control Services, July 2005). Changes in those requirements or the associated capital and operating costs may alter the indicative charges calculated in this report.

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<sup>4</sup> Navigational Risk Assessment undertaken by Marico Marine, April 2005, ratified by Council and approved by Maritime New Zealand – MNZ (formerly Maritime Safety Authority – MSA)

<sup>5</sup> A key recommendation was for the introduction of monitored traffic management by a dedicated team and equipment, as part of the harbour regulatory management system.

The option for charging will only apply when the statutory responsibility for provision of harbour control services lies with Council. Hence, consideration of the appropriate service provider is not an issue for this report.

The cost of the present Harbour Control services are funded by general rates with an annual contribution of \$130,000 from Port Marlborough Ltd.

The broad range of funding options for the future provision of harbour control services are:

- General Rates
- Coastal occupancy charges
- Boat ramp and marina fees
- Charges under Bylaws
- Marine farm rating
- Maritime NZ levies
- Direct charges or tolls
- Direct recovery of full commercial costs from Port Marlborough Ltd
- Status quo

For the purpose of this report, charges associated with the commercial use of the RoRo terminal and linkspans by vessels have not been considered. Such fees are the passenger landing, vehicle usage charges and the use of land based assets<sup>6</sup>.

The July 2005 report indicated that the risk contribution was estimated to be 70% related to commercial vessel traffic and 30% related to recreational vessel traffic. This preliminary assessment has been revised after Marico carried out a detailed analysis of the traffic movements within the Marlborough Sounds.

This revision considered in more detail the vessel movements, passenger journeys, persons on board (with conservative estimates made), length of vessels/craft and Gross Tons. The summary of this analysis is attached at Annex A and concludes that 76% of the future benefits will accrue to commercial vessel traffic and 24% to recreational vessel traffic.

### **3.0 Requirements for a charging system**

Any charging system in a non-competitive market must have the primary objectives of being efficient, equitable and fiscally sustainable.

The rationale for the chosen system should be clear and the methodology for determining the level of charges should be transparent, i.e. easily understood by those on whom the charges will be imposed.

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<sup>6</sup> In Marlborough these generally belong to the Port Company and commercial charges are already being made.

Decisions<sup>7</sup> on the volume and standard of services demanded and supplied should be consistent with:

- (a) The efficient allocation of resources generally; and also
  - The outcomes the Council is seeking in providing the service;
  - Minimising the cost of supply over the short-term, and over the long-term when capital costs are significant;
- (b) Keeping transaction costs low, and evasion at acceptable levels;
- (c) Reducing reliance on funding from general rates (with its associated costs) except to the extent that ratepayers generally benefit from the services;
- (d) Dealing equitably with the ratepayers, those who benefit from the output, and/or those whose actions give rise to it; and
- (e) Looking for new ways to lower costs and find appropriate providers.

#### **4.0 Review of Other Harbour Charging Practices**

Marico Marine researched and provided a review of charging practices for comparable harbours in other jurisdictions, initially on a worldwide basis. The UK and Europe was selected for further consideration as the UK has introduced a Port and Harbour Marine Safety Code, similar to that being introduced into New Zealand. Harbours were selected which had a regular RoRo ferry service of some type operating out of them.

Harbour Safety Charges are universally applied in Harbours in many international Jurisdictions. In Australian ports, there are sometimes dues payable to a channel authority for the maintenance of entrance channel waterways, and a separate harbour safety charge for navigational safety and vessel monitoring services. In the UK, following the introduction of their Port and Harbour Marine Safety Code, charging structures were reviewed in a number of ports. Increases were made to fund new safety measures arising from the knowledge delivered by risk assessments. The UK was thus a good model to study. Although charges can be quite complex and are different in every harbour (due to the traffic profile using any harbour), broadly harbour charges can be broken down into three aspects:

- Passenger or freight landing fees (wharfage).

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<sup>7</sup> Guidelines for setting charges in the public sector, The Treasury, 2002

## Marlborough Harbour - Safety Management Funding

- A safety related charge for the delivery and maintenance of authorised pilotage services.
- A safety (or conservancy) charge relating to the maintenance of the waterway, its navigational aids and delivery of the harbour movement management system.

The conservancy charges raised in UK are used for the delivery of the harbour safety function, which includes maintenance to navigation aids as well as the Harbour Master function, vessel traffic monitoring and management.

However, each harbour is different, with some owning a responsibility for the waterway and others owning both the responsibility for the waterway and the terminal.

Both types have a common theme in that there is no harbour that is not recovering its cost of delivering safety related functions by imposing safety charges based on either Gross Registered Tons<sup>8</sup>, or passengers, or length for commercial shipping. This cost component, which essentially funds the Harbour Regulator, is missing in many New Zealand harbours.

Pilotage charges are universally applied to cover the costs of the pilotage service delivery. Within New Zealand this is usually a Port Company function.

It is of relevance to note that all of the UK harbours examined also applied a safety charge (PEC<sup>9</sup>) for the use of a pilot exempt licence. A few, e.g. Milford Haven Port Authority made only a token charge for a PEC movement, but they had other significant income to support their pilotage system. This additional safety charge is made on the basis that the Harbour Regulator's interests involved ensuring that properly trained and authorised pilot(s) are available at all times.

It appears that within New Zealand most harbour systems only have charges related to the use of terminal facilities and access to them. In general conservancy (or harbour safety) charges are not raised and PEC charges are not used. Current exceptions to this are Environment Bay of Plenty and the Southland Regional Council, which raise a harbour safety charge based on Gross Tons. However, even this is only a token charge when compared with the UK harbours considered in the preparation of this report.

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<sup>8</sup> Not a measure of mass, but a measure of the cargo carrying capacity (or passenger area) available to a vessel.

<sup>9</sup> Pilot Exempt Charge

Only one harbour was noted to be raising a safety charge for recreational craft. Most UK harbours raise fees on moorings or marina berths and these may<sup>10</sup> contribute to the Harbour Safety Management System.

The Marico review of charging systems in comparable UK harbours shows the following common features:

- (1) Charging structures were highly tailored to the type of merchant traffic or recreational use of the harbour;
- (2) Vessel types are specified in many charging systems with different charging criteria or charging rates for each type. It is common for charges to be raised by a gross tons (GT) range, with lower per GT charge bands as vessel size increases. Charges are also raised per movement,
- (3) Commercial charges for large vessels are mostly based on: gross tonnage (Dover 12.4 pence per GT for RoRo vessels), or length (up to £33.50 per metre or per passenger. Each UK harbour considered has a combination of these – it is more common to charge cruise liners per metre.
- (4) RoRo ferries are mostly charged a lower GT fee per movement than other vessels types (this being due to volume of RoRo movements). There is transparency as advertised charges are those levied and discounting by negotiation is rare. For RoRo trades, there were a very small minority that charged a negotiated annual rate for harbour safety services.
- (5) A per movement charge for a PEC licence, mostly on a per movement basis (£3-£26 for passenger and freight RoRo vessels).
- (6) Recreational vessels are charged marina, mooring or overnight fees. Recreational licence fees are raised in some harbours, including day licences for some small craft (e.g. jetskis).
- (7) Per movement or trip charges were not raised for recreational vessels.

## 5.0 Maritime NZ Charging Practice

Maritime New Zealand (MNZ) is empowered to levy Marine Safety Charges as set out in s 191 and the Regulation making provisions set out in s 445 of the Maritime Transport Act 1994. The purpose of these charges is to cover the cost of providing safety and related services to shipping operating in New Zealand territorial waters but outside waters

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<sup>10</sup> No check has been made to see whether the total of these charges exceeds the total operating cost of the facilities and thus make some contribution to harbour safety costs.

over which a Regional Council exercises jurisdiction as a Harbour Authority..

The Marine Safety Charges Regulations (2000) define the charges payable by each commercial vessel, in advance, for each year based on the following criteria:

\$12.50 per complete metre of length; or

\$3.75 per unit of gross tons, whichever provides the higher amount.

The Regulations further state that:

*charges for vessels of less than 24 metres must be calculated on length; and*

*vessels licensed to operate only within enclosed water limits is 45% of the charges set out above.*

## 6.0 Charging Options

Recreational and commercial operators are considered separately because of the widely different characteristics of each group.

The methods available for charging for Marlborough Vessel Transit Management Services can be split into those that could apply to commercial users and those that could apply to recreational users. The basis of this split is the objective noted in section 3.0 of keeping transaction costs low and evasion at acceptable levels.

### Commercial Users

- (i) Annual charge relating to GT, length or vessel type<sup>11</sup>
- (ii) Charge per movement, based on GT
- (iii) Charge per passenger trip
- (iv) Charging Port Marlborough Ltd
- (v) Marine farm rates
- (vi) General rates
- (vii) Maritime NZ Levies

### Recreational Users

- (viii) Annual or daily safety charge for license to use harbour waters (and thus Harbour Safety Management System)
- (ix) Boat ramp and marina fees
- (x) General rates
- (xi) Maritime NZ levies

As well as the general criteria set out in section 3.0, the selection of a charging system should be aimed at collecting, as far as practicable, revenue

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<sup>11</sup> This being normally applied to small commercial vessels regularly using the harbour.

from each user group in proportion to the use or benefit that they get from the service provided. This includes consideration of the risk contribution generated by each group. This allocation process cannot be precise, but it should take account of both the absolute risk of an accident as well as the likely consequences of an accident. In general, the risk of an accident increases with the size of vessel, the concentration of vessels and speed. The consequences of an accident will generally increase with the size of vessel, the number of passengers and any particularly hazardous cargo.

The charging system must be practicable. Practicability means assessing the transaction costs involved (cost of collection, cost of compliance and cost of enforcement) and selecting the option that collects the required revenue at the least total cost to harbour users and the Council.

To help ensure that services are adequate and appropriate, but not excessive, costs should be fully revealed and allocated between commercial and recreational users.

As far as practicable, fixed and variable charges should reflect the fixed and variable costs imposed by each user group.

Because budgeting cannot be a precise activity, it is suggested that separate accounts should be kept for recreational and commercial users. The aim would be for a nil balance in each account at the end of each year. In practice, there will be annual unders and overs but each sector will know that any excess or deficiency will carry forward for their sector and will not be a bonus or a liability on the other over time.

## **6.1 Commercial operators**

The Harbour Control Services provided for commercial operators fall into three broad categories:

- (a) The monitoring of standards for Authorised pilotage services and Pilot Exemption holders; and
- (b) The investigation of incidents and the operation of the Councils SMS needs for Port & Harbour Marine Safety Code compliance.
- (c) The maintenance of the waterway and its navigation aids, the delivery of the Vessel Traffic Management System and ranger services.

Care has to be taken in the design of any Harbour charging system for commercial operators because of the risk that it may result in inefficient decisions being made by those operators. For example, different vessel designs with the same overall dimensions may have different Gross Tons measurements. The more efficient design may be abandoned in favour of the

one that incurs a lower GT charge. Thus a charging structure needs to take account of the traffic using the Harbour currently and likely to use it in future, in order to minimise any such distortions.

The range of commercial vessels transiting Marlborough Harbour is substantial, from large freighters and RoRo ferries to small high-speed water taxis. Council Navigation Bylaws generally categorise vessels as being greater than 500 Gross Tons or less than 500 Gross Tons. For the purposes of this report, a similar differentiation is adopted.

Both the GT measure and length measure are generally related to vessel size and can fairly be used as a basis for a safety charge. Practicability will be the deciding factor in a choice of one or the other for each vessel class.

Where passenger numbers are significant, it is reasonable to consider a per passenger charge to reflect the number of lives at risk in the event of an accident.

Continuing to charge Port Marlborough Limited (PML) for safety services is an option. The existing charge of \$130,000 per annum paid by PML to Council has, to some extent, been a proxy for a direct charge to commercial users. The reasons given for not continuing or extending this charge are:

1. The magnitude of the charge has to increase substantially and PML does not have the statutory power or appropriate commercial arrangements to allow them to recover those costs effectively; and
2. Many of the beneficiaries of the safety services do not use PML facilities; and
3. As for Maritime NZ safety services which are provided outside the area over which the Council exercises jurisdiction as a Harbour Authority, it is more efficient and transparent for the provider of the services to charge beneficiaries directly.

Maritime NZ levies currently fund all safety services outside the area over which the Council exercises jurisdiction as a Harbour Authority. . It would seem sensible that this system is extended to provide a single charging system and consistent standard for all maritime safety services. As, however, there is no current prospect of such a system being introduced by central government, this option is not considered further.

General rates have historically contributed significantly to the cost of providing safety services to commercial operators. As noted in section 3.0 above, a key objective of the current review is to reduce reliance on funding from general rates. Therefore, the option of ratepayer funding of services to commercial operators is not considered further.

The remaining options for charging the various commercial vessel types as noted above are:

- (i) Annual charge relating to Gross Tonnage (GT), length or vessel type
- (ii) Charge per movement, based on GT or length.
- (iii) Charge per passenger trip
- (iv) Or a combination of these

These are evaluated below for each vessel type:-

### 6.1.1 RoRo Ferries

Risks associated with RoRo ferries, relate to both size (passenger and cargo capacity) and movement frequency. Options for charging could be per-visit, based on either a vessel's length or Gross Tons, or a passenger levy, or a combination of these.

- **Gross Tons (GT)** of every vessel in this group is a known fact. A charge based on GT is used in the vast majority of ports and is internationally accepted by shipping companies. GT is related to the physical size of the vessel which in turn is closely related to the level of risk generated and the level of safety services required.
- **Length** of every vessel is also a known fact. A charge based on per-metre length is an option but is not often the basis of a charge on regular RoRo vessels. As RoRo designs can be of differing lengths for approximately the same Gross Tons measurement (because of open decks), the use of per-metre length for this vessel type is not recommended.
- **A per passenger levy** reflects, better than a GT or length charge, the magnitude of risk of loss of life in the event of an accident. The required level of safety services is closely related to this risk.

The most common practice internationally is to charge these types of vessel just on a GT basis. This, however, does not reflect the fact that it is passenger vessels that generate the greatest risk of loss of life. Clearly, RoRo vessels carrying freight only would escape any passenger charge. A combination of a per-passenger " Harbour Safety Charge" and a GT charge would avoid this problem

**Recommendation:**

*Considering the criteria set out in section 2.0 of this report, it is recommended that a combined GT charge per movement<sup>12</sup> plus a per-passenger charge per movement be introduced based on the carrying capacity of the ship.*

### 6.1.2 Other vessels greater than 500GT

There are a number of sub-categories that fall within this area:

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<sup>12</sup> A movement is an entry to or an exit from the harbour.

### **Cruise Passenger Vessels**

The Marico research found that a significant number of Harbours were charging Cruise Vessels on a per-metre length basis although some did charge on a GT basis.

Cruise vessels generally have a higher GT than an equivalent size RoRo vessel, but make many fewer calls in any given period although requiring similar safety services and generating a similar risk.

While it would not be unreasonable to charge cruise ships on the same general basis as passenger RoRo vessels, in practice a per metre length charge is considered preferable. This avoids the potential difficulty of verifying actual passenger numbers and still provides a strong relationship to the risks generated and benefits received.

#### ***Recommendations:***

*It is recommended that Cruise vessel visits should be charged on a per metre of length basis.*

*It is recognised that not all cruise vessels berth in the Harbour and this charge should be due on vessels crossing into the compulsory pilotage jurisdiction.*

### **Bulk and General Cargo Vessels**

This category includes all other vessel types that do not fall within any of the above categories but are greater than 500GT. It includes tug and tows, where GT values are considered as the sum of the combination of both units. Options for charging include:

- **Gross Ton bands** based around the many differing vessel sizes and combinations. This has the advantage of being fair across different sizes of vessel of the charging regime. However it has the disadvantage of being complex and difficult to administer.
- **Single Gross Ton Scale:** this is an alternative which is internationally applied and has the advantage of low administration costs.
- **Length:** All large vessels are registered internationally and carry appropriate certificates making the information readily available. While a length based charged would be reasonable, the availability of GT data and the widespread acceptance of this as a basis for charges weigh against using a length charge for these vessels.

#### ***Recommendation:***

*Commercial vessels other than passenger or RoRo vessels, greater than 500 Gross Tons, entering the bylaw jurisdiction should be charged against a general GT scale, on a per-visit basis.*

### 6.1.3 Vessels less than 500GT

Because of the number of vessels of less than 500 GT, a per movement charge is likely to involve excessive compliance and administration costs. Also many of these vessels will not have an assigned GT measurement.

For these vessels it would be better to operate on an annual fee based on a per metre length with provision for those expecting to have a low number of movements to select a shorter licence period, probably from one day to six months.

Within this category, there are a number of sub-groups, each being considered separately below:-

#### **Fishing-Residential**

As these vessels spend most of their time operating within or close to the harbour limits of jurisdiction, it would be administratively difficult to implement a per trip charge.

#### ***Recommendation:***

*A per-metre length per annum fee is the preferred option for this category of vessel.*

#### **Fishing – Seasonal**

During seasonal events such as the Hoki fisheries, vessels from outside the District will call into the port almost every other day. A per movement charge would involve a substantial administrative component. A monthly per metre charge would be much simpler to operate and would fairly reflect the use of safety services.

#### ***Recommendation:***

*A per-metre length per month fee is the preferred option for this category of vessel.*

#### **Mussel Service vessels**

These vessels are specific to Marlborough and are unlikely to normally exit harbour extents. Accordingly it is suggested that charges for these are considered on a per-metre length per-annum basis.

#### ***Recommendation:***

*A per-metre length per annum fee is the preferred option for this category of vessel.*

### **Tug and tow vessels**

Tug and tow operations of less than 500GT generate somewhat higher risks than mussel service vessels. In other respects they are similar to those vessels and should be charged on the same basis, albeit at a somewhat higher rate.

#### ***Recommendation:***

*A per-metre length per annum fee is the preferred option for this category of vessel.*

### **Water Taxis**

There are a large number of small water taxis operating on the Marlborough Sounds. These may carry up to 20 passengers and generate a commensurate level of risk.

A charging regime based on a per-passenger fee is an option to recover a fair contribution from these vessels. However, the administration and compliance costs associated with this structure would be excessive as passengers are often carried informally and sometimes over short distances. This creates difficulties in tracking both numbers of trips and numbers of passengers.

Where a comparison can be made, the UK example suggests a per metre length per annum charge and this approach is also recommended for this vessel type.

#### ***Recommendation:***

*A per-metre length per annum fee is the preferred option for this category of vessel.*

## **6.1.4 Marine Farms**

The risks associated with the farms are relatively constant although they may vary to some degree with the size of the farm. However, the costs of attempting to set charges relating to size needs to be considered alongside other legal review processes which are active. Council is seeking judgement over the ability to set rates for marine farms. Should this result in rates being charged, then this mechanism would be the most efficient way of raising a marine farm contribution to harbour safety management.

**Recommendation:**

*An annual charge should apply to marine farms. Council may, however, consider deferring charges for Marine farms and review the situation once the Declaratory Judgement on the ability for Councils to set rates for marine farms has been delivered.*

### **6.1.5 Sheltering Vessels**

Vessels wishing to enter Wellington, sometimes anchor within the Cloudy Bay area of the harbour jurisdiction due to stress of weather. From time to time vessels may also seek temporary shelter in other areas of the Marlborough harbour waters. If vessels are anchoring for shelter, then it would not be appropriate to raise a charge, provided the period at anchor relates to the period of adverse weather.

**Recommendation:**

*Vessels would be exempt charges while sheltering in harbour waters from adverse weather conditions but not otherwise making use of harbour management and safety services.*

## **6.2 Recreational operators**

The harbour control services provided for recreational operators comprises the maintenance of the waterway and its navigation aids and the delivery of the harbour traffic management system and ranger services.

Recreational use in a harbour is always a difficult area for Harbour Safety charges.

Marico note that only one UK harbour raising a specific safety charge for recreational craft.

The number, variety and location of recreational movements, means that it would be impracticable to consider a per-movement levy on such vessels.

The other options for funding recreational user services are:

- (a) An annual fee on moorings and recreational marina berths.
- (b) Harbour service licences (similar to acclimatisation fishing licences)
- (c) Boat registration charges by Maritime New Zealand
- (d) Some or all of the benefit allocation to be met by Marlborough District Council ratepayers.

Mooring and berth fees

## Marlborough Harbour - Safety Management Funding

All vessels using moorings and berths utilise harbour services and contribute to the risks that Council is required to manage. An annual charge on these facilities could be made for harbour safety services.

The disadvantage of this approach is that it does not charge those recreational users who do not use moorings or berths. Significant numbers of summer visitors are likely to fall into this category.

In addition the economic efficiency of charging these users is doubtful as the cost of collection is likely to be significant in relation to the actual charges imposed.

### Harbour licences

This would require all recreational vessels operating in the harbour to have a safety services licence. This could be issued and policed in a similar manner to acclimatisation licences for hunting and fresh water fishing.

With rangers operating to promote safety, they could easily be utilised to also check on licences. Daily, weekly, monthly and annual licences could be dispensed either electronically at points of supply or over the counter by Council or other appropriate outlets.

Legal advice on the ability to introduce a licence arrangement would need to be sought. Issues such as policing and cost of administration would need to be considered. Certainly the cost of administration would be significant and would need to be assessed in relation to the harbour control benefit attributable to this sector.

### Boat registration

This would require a central government decision to legislate for small boat registration and to establish a national registration system, probably similar to that applying to vehicles. Part of the revenue collected could then be allocated to harbour control authorities.

This would be the most equitable basis of charging recreational users for harbour control services. The establishment of a national system would not be difficult through the introduction of legislation and would be more efficient and effective than establishing local systems of licensing.

### Ratepayers

A proportion of ratepayers are also harbour users.

There may be some general public benefit to the district from having good harbour safety services which attract visitors with consequential economic gain to the region. This is drawing a somewhat long bow.

The main advantage of payment by ratepayers is that it is an established, and apparently generally accepted, source of funds.

## Marlborough Harbour - Safety Management Funding

The problem is that with the increasing costs under the new requirements of the Port and Harbour Safety Code, and in the absence of any other charges to recreational users, the costs to ratepayers would rise substantially.

The disadvantage of ratepayer funding is that probably a significant majority of ratepayers are not harbour users.

Also, it violates almost all the requirements set out in section 2.0 for a charging system. In particular:

- (a) It does not encourage the efficient allocation of resources;
- (b) It does not reduce reliance on funding from general rates;
- (c) It does not deal equitably with all ratepayers; and
- (d) It possibly discourages searching for new ways to lower costs and find appropriate providers.

The available option that would ensure a fair contribution from all recreational boat users would be a harbour safety licence system.

The only other options are:

- an annual safety charge for every recorded mooring and berth;
- continue with ratepayer funding; or
- a combination of both of the above.

### **Recommendation:**

*It is recommended that the most equitable and economically efficient method of charging is to establish a national registration system for boats. In the absence of this being established by Central Government it is suggested that ratepayer funding be used as a proxy while licensing arrangements are explored.*

### 6.3 Summary of Recommended Options

The following table summarises the charging options recommended above:

<b>Category</b>	<b>Vessel Type</b>	<b>Charge System</b>
Commercial >500GT	RoRo	GT + per passenger capacity charge per movement
	Cruise vessels	Per metre per visit
	Cargo vessels	GT per visit
Commercial <500GT	Fishing residential	Per metre per year
	Fishing seasonal	Per metre per month
	Tug and Tow	Per metre per month
Other Commercial	Water taxi	Per metre per year
	Barges	
	Commercial	
	Charter	
	Other	
Marine Farms	Mussel vessels	Per metre per year
	Marine farm	Per farm per year
Recreational	All	National boat registration fees, harbour safety licences or none <sup>13</sup> .

<sup>13</sup> If no charge is made to recreational users, then the cost has to be met by the Marlborough District Council from general rates.

## 7.0 Indicative Charging Regime

This section provides an indication of the charges that may apply under the charging system recommended above.

The following table shows the revenue estimated to be required<sup>14</sup> to meet the required standards for Harbour control, a total of \$1,776,000 per year. The benefit allocation is based on a combination of vessel movements, passenger journeys (or people on board), length and Gross Tons, over all categories of vessel or craft. This approach has produced a more accurate benefit allocation based on use of the harbour. The results of this allocation are shown in Annex A. The revenue requirements were then determined from the allocation to each user group.

Relating these revenue requirements to the categories recommended in 6.3 should provide, in the opinion of the Author, the following approximate annual revenues:

<b>Category</b>	<b>Charge see note <sup>15</sup></b>	<b>Revenue</b>
RoRo ferries <sup>Note 16</sup>	\$0.0045 per GT and \$0.05 per passenger capacity per movement.	\$ 806,898
Cruise vessels	\$20 per metre per visit	\$ 119,617
Cargo vessels > 500 GT	\$0.30 per GT per visit	\$ 149,130
Fishing residential	\$115 per metre per year	\$ 24,766
Fishing seasonal < 500 GT	\$9.63 per metre per month	\$ 9,214
Tug and Tow	\$9.63 per metre per month	\$ 3,500
Water taxis	\$115.00 per metre per year	\$ 22,983
Mussel vessels	\$115.00 per metre per year	\$ 66,275
Barges	\$115.00 per metre per year	\$ 12,943
Commercial Charter	\$115.00 per metre per year	\$ 29,288
Commercial Other	\$115.00 per metre per year	\$ 60,508
Marine Farms	\$95.00 per year	\$ 49,864
Recreational	\$2.44 per day	\$ 418,014
<b>Total</b>		<b>\$1,773,000</b>

<sup>14</sup> from section 9.5 of the Farley Report on a Review of Harbour Control Services, July 2005

<sup>15</sup> Charges are indicative only and taken from the opinion of the Author. A different charging regime could be devised to achieve the same level of revenue from the required beneficiaries.

## **7.1 Commercial > 500 GT**

The benefit allocation to this group is about \$1,075,645 per year.

### **7.1.1 RORO Ferries**

As a separate benefit allocation was not done for the ferries in the previous report, the charges assessed in this section are based on GT plus a per passenger charge per movement, reflecting the higher risks of loss of life associated with passenger ferries. Charges associated with passengers are based on carrying capacity.

Projected annual revenue from these vessels is \$806,898.

### **7.1.2 Cruise Vessels**

The charge for these vessels is on per metre of length per visit. Projected annual revenue from these vessels is \$119,617.

### **7.1.3 Cargo Vessels**

The charge for these vessels is on GT per visit basis.

Projected annual revenue from these vessels is \$149,130.

## **7.2 Commercial < 500 GT**

The benefit allocation to this group is about \$206,172 per year. This amount has been split between the following groups.

The charges assessed in this section are based on a monthly charge based overall length.

### **7.2.1 Fishing Residential**

Based on a safety charge of \$115 per metre per year, the projected annual revenue from these vessels is \$25,000.

### **7.2.2 Fishing Seasonal**

Based on a safety charge of \$9.63 per metre per month, the projected annual revenue from these vessels is \$10,000.

### **7.2.3 Mussel Farm Vessels**

Based on a safety charge of \$115 per metre per year, the projected annual revenue from these vessels is \$53,000.

### **7.2.4 Tug and Tow**

Based on a safety charge of \$9.63 per metre per month, the projected annual revenue from these vessels is \$3,500.

### **7.2.5 Water Taxis**

Based on a safety charge of \$115 per metre per year, the projected annual revenue from these vessels is \$23,000.

### **7.3 Marine Farms**

The risks associated with the farms are relatively constant although they may vary to some degree with the size of the farm. The simplest system for charging marine farms would be a fixed annual marine safety charge.

The benefit allocation to this category is \$50,000.

Based on an annual charge of \$95.00 per farm per year, the annual revenue would be \$50,000.

### **7.4 Recreational vessels**

The benefit allocation to this sector is \$418,000 pa. The current ratepayer contribution to harbour safety services is \$465,000.

To recover the \$418,000 from recreational users would require a daily harbour safety licence charge of \$2.44 per vessel.

## **8.0 Acknowledgements**

The preparation of this report would not have been possible without the input on maritime practice provided by Marico Marine and the Harbour Master, Marlborough District Council.