

# Cost Recovery Impact Statement – Lake Taupō fees review

## Agency Disclosure Statement

This Cost Recovery Impact Statement (CRIS) has been prepared by the Department of Internal Affairs (the Department). It provides analysis of the Department's recommendation to increase the fees charged for the Crown-owned and administered boating facilities on Lake Taupō.

The proposal is for a fee increase of 22 per cent for the boating facilities (with some exceptions) to be implemented immediately and a further fee review to take place in three years' time. The immediate fee increase is intended to stabilise the balance of the *Use of Facilities and Access to Lake Taupo by Boat Users* memorandum account (the memorandum account) and stop the deficit from increasing significantly. The further fees review in three years' time will consider what further fee increase is necessary to balance the memorandum account within ten years.

The Department undertook financial modelling to determine new fees that would balance the memorandum account. It also undertook some limited comparative analysis with other marinas around the country.

Following substantive consultation with users of the boating facilities, we propose a lower fee increase than we consulted on. We have achieved this by changing some of our assumptions as outlined in this CRIS. We consider a lower fee increase is more sustainable given the demand for the facilities and will still balance the memorandum account within a reasonable period of time. It is likely that a further fee increase in three years will be necessary to balance the memorandum account, but this (and the amount of any further fee increase) is subject to analysis of fees and costs over that period.

Our analysis assumes that demand for the boating facilities under the proposed fee increases will remain constant or increase over time, and that expenses incurred by the Department will increase at the same rate as consumer price inflation. Should expenses increase by more than inflation, demand drop, or large expenditure arise that had not been allowed for in our analysis, the fee increase will not be sufficient to balance the memorandum account. Our analysis also assumes that an additional fee increase will be needed following the next fee review in 2022.

Should the proposed fee increase be agreed by Cabinet, it will be implemented by September 2019.

This CRIS was originally published on 5 September 2019.

Raj Krishnan

General Manager Policy

12/06/19

## Executive summary

The Crown owns and administers boating facilities on Lake Taupō (the Lake) which it funds by charging users on a cost recovery basis. The Department of Internal Affairs (the Department) manages the boating facilities through its Lake Taupō Harbourmaster function.

The Maritime Transport Act 1994 gives the Crown the authority to charge for the boating facilities through regulations. The fees are set in the Lake Taupō (Crown Facilities, Permits and Fees) Regulations 2004 (the Regulations). The Department accounts for the revenue and expenditure through the *Use of Facilities and Access to Lake Taupo by Boat Users* memorandum account (the memorandum account).

Over the last two financial years, fee revenue has been insufficient to recover costs, putting the memorandum account into deficit. The Department forecasts that the deficit will grow should fees stay at current levels.

The Department released a consultation document which proposed fee increases of 30 per cent in 2019, and 30 per cent again in 2022, with some exceptions. Under this proposal the memorandum account would balance in five years.

Submitters indicated that the proposed fees were too high and that they would reduce their use of the facilities. In response, the Department revised its proposal in several ways including: balancing the memorandum account over a ten-year period; reducing the forecasted rate of inflation for maintenance costs; recovering a lower proportion of depreciation; and not implementing a second fee increase until fees have been reviewed again.

The Department now proposes a fee increase of 22 per cent across the boating facilities, with some exceptions, and to review fees again in 2022.

A mixture of commercial operators and private individuals will be affected by the fee increase. Some are residents of Taupō, while others travel from around the country to use the boating facilities. Marina berth holders will be most affected by the fee increases with a fee increase of between \$330 and \$880 per annum. Mooring permit holders face an extra \$42 per annum, and boat ramp users will pay an extra \$1 per day or \$20 per annum.

The main drivers for the fee increases are the depreciation and capital charge for Motuoapa marina which was redeveloped in 2017 along with increased operating costs due to general price inflation.

We are proposing 25 per cent of the depreciation on Motuoapa marina be funded by the Crown, rather than users, to acknowledge the public benefit the marina environment provides. This will mean an additional cost of \$0.044 million per annum to the Crown over the life of the marina (37 years), which can be absorbed within the Department's current baseline.

The Department considers the proposed fees fair and equitable. This is based on consultation with users, the standard of the facilities, the level of service provided and comparisons with other marinas around the country. The Department does not expect a large drop in demand due to fee increases. However, it acknowledges the risk. The effect of the fee increases will be monitored and evaluation of this will be considered during the next fees review in 2022.

## Status quo

The Minister of Local Government (the Minister) is the Harbour Authority for the Lake and the Department holds the Harbourmaster function. The Department has had this role since 1926 when the bed of the Lake was vested in the Crown. In 1992, the lakebed was vested in the Tūwharetoa Māori Trust Board (the Trust board) through a Deed of Settlement. Under the terms of the Deed, the Crown makes an annual payment of \$1.5 million to the Trust board for continued public access to the Lake, \$0.240 million is attributable to the rental of land for the Crown's marinas and boat ramps.

The Department administers four Crown-owned marinas and 18 boat ramps on the Lake and regulates the placement of private fixed boat moorings (the boating facilities). The marinas are named Taupō, Nukuhau, Motuoapa and Tokaanu.

The Department's objective is to facilitate the use and enjoyment of the Lake by locals and visitors to the district. The boating facilities promote active use of the Lake and create a pleasant waterside environment for public recreation.

The Department funds its Harbourmaster function through a mix of Crown and third-party revenue. Funding for the navigational safety aspect is provided by the Crown through the *Local Government Services* appropriation, while funding for the boating facilities is provided by third-party revenue. Third-party revenue derives from user fees as the Department generates revenue from the sale of berthing, ramp, and mooring permits. The current fee schedule is attached as **Annex 1**.

A small amount of revenue is collected from hiring out the Harbourmaster's vessels, infringement fees for offences such as using the boating facilities without a permit, and the sale of items such as nautical charts. This revenue is allocated to the boating facilities meaning less fee revenue is required to balance the memorandum account. It is not proposed to increase sale prices for nautical charts, or infringement fines at this time. These charges only form a small part of the overall revenue from the boating facilities.

The third-party revenue funds:

- the maintenance and administration of providing annual and temporary berths at Taupō, Nukuhau, Motuoapa and Tokaanu marinas;
- the maintenance and administration of providing boat ramps; and
- the administration of private moorings, and the rental of Crown-owned moorings.

Third-party revenue does not fund any of the other aspects of the Harbourmaster's role.

The Crown payment to the Trust board is funded by the *Tūwharetoa Māori Trust Board PLA* appropriation. Rental of the land for the boating facilities is included in this appropriation.

Depreciation on the Crown's assets has been covered by *the Crown-owned Assets at Lake Taupō – Maintenance Costs* appropriation. In June 2012, Cabinet agreed that fees for the use of boating facilities would include depreciation [EGI Min (12) 13/5 refers]. Other than Motuoapa marina, the other Lake Taupō assets are fully depreciated.

In the public sector, when entities provide services on a full cost recovery basis and the revenue and expenses will not necessarily agree in each financial year, the entity must operate a memorandum account that records the accumulated surplus or deficit arising from

providing the service.<sup>1</sup> Memorandum accounts are used to provide transparency and assurance that entities are not gaining from over-recovery of costs. The balance of each memorandum account is expected to trend to zero over a realistic period of time, with temporary deficits being met either from the entity's balance sheet or by a capital injection from the Crown.

Third-party revenue has been insufficient to cover expenditure over the last two financial years. The opening deficit in 2018/2019 was \$0.022 million, forecast to increase to \$0.173 million by the end of the year. Under the status quo the Department forecasts the memorandum account will hold a deficit of \$1.2 million by year end 2022/23.

In years in which expenditure is higher than revenue, the deficit in the memorandum account is covered by the Department. The Department requires the memorandum account to make good the deficit in the short to medium term. If the memorandum account does not repay the Department, the deficit on the Department's balance sheet would continue to grow which would impact on other Departmental operations and Ministerial priorities unless alternative steps were taken to address the deficit.

Taupō and Tokaanu marinas are currently at full capacity. Taupō marina has a waiting list for berths currently sitting at 127 people. Nukuhau marina is at full capacity of berths available to be leased annually, 14 berths at Nukuhau marina cannot currently be leased annually because of a sandbar which is discussed in the subsequent section, these are used as temporary berths during months when the lake level is sufficient.

At Motuoapa marina there are currently 31 berths available for lease. This is an opportunity cost of \$124,000 (including GST) to the Department however we have recovered approximately \$14,000 to date over 2018/19 by leasing the vacant berths on a temporary basis. The Department offered a berth at Motuoapa to those on the Taupō waiting list but there was limited uptake due to the distance between Taupō and Motuoapa marina of approximately 40 kilometres. The Department does not maintain an advertising and marketing budget for the vacant berths but it takes the opportunity to promote the marinas where it can, including allowing events around the lake to make use of the boating facilities.

## Reviews of cost recovery charges

It is not viable for the memorandum account to remain in deficit over the long term because it means the Department would be subsidising users of the boating facilities which contradicts the Treasury policy that the user pays for public sector goods and services.

The Department's existing cost recovery policy states that the expenses incurred from the administration, maintenance and depreciation of the boating facilities should be fully recovered.

In November 2018, Cabinet agreed to the release of a consultation document initiating a review of the fees charged for the boating facilities [DEV-18-MIN-0277 and CAB-18-min-0592 refer].

While the fees review encompasses all the boating facilities, fee increases will not be implemented for Nukuhau and Tokaanu marinas at this time.

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<sup>1</sup> Office of the Auditor General, Central government: Results of the 2011/12 audits.

To be fully operational, Nukuhau marina requires dredging due to a large sandbar near the marina. The Department is considering options to secure funding to undertake the work, but timing is uncertain. Given that access to berths is restricted and there is a potential risk of damage to vessels, we consider that an increased fee for the marina’s 16 permanent berth holders cannot be justified until the work is completed.

In 2017, Tokaanu marina was assessed by a marine consultant as being in very poor condition. The marina structure is approximately 46 years old and two of the berths are unusable. The Department is currently considering options for the future of the marina. Given the condition of the marina, we do not consider it justified to increase fees for the marina’s 22 berth holders until the Department has determined whether to repair, replace, divest or remove the marina.

Once these issues have been dealt with the fees for Nukuhau and Tokaanu marinas will be increased at the same rate as proposed for the other two marinas. Our analysis assumes that fees will be increased for these marinas by 2022.

Motuoapa marina was redeveloped in 2017 through a Crown appropriation and capital injection and was valued at \$6.5 million in 2018. In November 2016, Cabinet noted that the depreciation of the marina would be addressed as part of the fees review now taking place [EGI-16-MIN-0298 refers].

## Cost Recovery Principles and Objectives

Principle	Description
Authority	<p>Authority to charge for Crown marinas and boat ramps that are owned or operated by the Crown and not subject to the jurisdiction of a local authority comes from section 33W(2) of the Maritime Transport Act 1994 (the Act). Fees for privately owned moorings can be set under section 33R(1)(d) of the Act which enables a regional council (including the Crown in relation to the Lake under section 33W(3)(c) of the Act) to prescribe fees and charges ‘in respect of navigation generally.’ In this case, regulating the number and placement of moorings in the Lake is necessary for navigational safety reasons.</p>
Effectiveness	<p>The Department has prepared an Asset Management Plan (AMP) for the boating facilities which sets out its approach to managing the boating facilities to an identified level of service, at optimised levels of expenditure and within sustainable funding constraints.</p> <p>The AMP demonstrates how the development, operation, maintenance, rehabilitation, and replacement of assets is</p>

	<p>managed in the most cost-effective manner to meet the needs of present and future stakeholders.</p>
	<p>The AMP includes an ongoing process of monitoring of the performance of the assets. An Improvements Register is maintained to capture all identified items of improvement for both the physical assets and the asset management processes.</p>
<p>Efficiency</p>	<p>Regular reviews of fees ensure that fees reflect the current costs of providing the facilities.</p>
	<p>The Department follows Treasury guidance which expects the balance of memorandum accounts to trend towards zero over a reasonable period.</p>
	<p>Berth prices follow a standard practice of charging by length of berth. Options for the length of time desired for temporary berths and ramp permits are available. A 24-hour temporary berthing permit is being recommended as part of this fees review because there is demand from stakeholders for it.</p>
<p>Transparency</p>	<p>During consultation on the fees review, the Department has been transparent on its current and forecast costs.</p>
	<p>We provided an income and expenditure report in our consultation document which detailed baseline and forecasts for the next five financial years.</p>
	<p>The balance of the memorandum account is published in the Department's Annual Report.</p>
<p>Consultation</p>	<p>The Department has undertaken comprehensive consultation as set out in the consultation section below.</p>
<p>Equity</p>	<p>Costs are fully recovered from the users of the boating facilities who are the direct beneficiaries.</p>
	<p>The Department proposes to fund a proportion of the depreciation costs to</p>

acknowledge the public benefit provided by the boating facilities.

The Department considers its proposal fair and equitable based on consultation with users, the standard of the facilities, the level of service provided, and comparisons with other marinas.

#### Simplicity

The fees are fixed in regulations. Annual berth and mooring holders are invoiced, ramp users can purchase permits from designated providers and online.

#### Accountability

Fees must be set by regulation approved by Government where the usual accountability mechanisms apply.

The Act does not provide criteria for how the fees regime is to operate, other than stating that fees are to be prescribed by regulations. The review has been guided by the principles set out in The Treasury's *Guidelines for Setting Charges in the Public Sector*.

The Department's objectives for the management of the boating facilities are to:

- actively manage the Crown assets on the Lake;
- facilitate the use and enjoyment of the Lake by locals and visitors to the district;
- enable safe access to the Lake and facilities; and
- set fees that are fair and equitable in relation to the quality of service provided.

## Policy Rationale

Cost recovery is appropriate because the users of the boating facilities are the direct beneficiaries of the services provided.

The boating facilities are private goods because people can be prevented from using them by the Department. One person's use of the boating facilities will also reduce another's use, given there is a limit to the number of marina berths, boat ramp space, and room on the Lake for moorings. As the boating facilities are private goods, a fee is the appropriate way to recover costs.

The boating facilities are regarded as a single set of Crown assets, because many of the costs (for example, staffing) are shared across the services. This approach increases efficiencies and enables the Crown to maintain a level of service across all facilities. The costs of servicing the facilities are recovered from users of the facilities as a whole rather than, for example, ramp users meeting all the costs associated with the ramps.

The marinas themselves have a public good element. The Lake is a natural capital asset of national importance. The Crown has responsibilities for the upkeep of the Lake, its facilities and the waterfront that reflects the importance of the Lake. The facilities in and around Motuoapa marina are open to the public at large, including the beach, toilet block, car park

and roading, and street lighting. The marina includes a foreshore rock which provides erosion protection for the foreshore. The grassed and paved areas around the marina are used by the public for general recreation and the marina creates a pleasant waterside environment enjoyed by the public at large. While the primary benefit of the marina is for its users, there are broader, identifiable public benefits which should be recognised in the cost recovery regime. The presence of the marina provides an economic benefit to local residents and businesses as well as contributing to the environment in which the wider public can enjoy the natural asset of the Lake.

The Department has assessed the public benefit as representing 25 per cent of the cost of the marina redevelopment on a general basis, considering the facilities that are open to the public and the broader public benefits obtained because of the marina facility.

Although full cost recovery is being proposed, the Department is not proposing to recover the payment made by the Crown to the Trust board for rental of the land for the boating facilities. This payment is addressed through a separate appropriation and is not charged to the memorandum account. The payment has therefore not been recovered from user fees and we do not consider it appropriate to do so; the payment is a feature of the Crown's obligations in relation to Lake Taupō.

The Department considers that the proposed user charges meet its objectives for the boating facilities. They will provide the level of funding necessary to enable safe access to the facilities at a fee level which is fair and equitable given the standard of the facilities.

## The level of the proposed fee and its cost components (cost recovery model)

Current and proposed fees for the boating facilities are included as **Annex 1**.

The Department is recommending a 22 percent fee increase to current fees with the following exceptions:

- increasing marina temporary berth permit fees by 100 per cent to address a pricing anomaly; and
- introducing a new option for a 24-hour marina berthing permit priced at \$40.00 (GST Inclusive) per day.

The proposed fees in both cases are competitive with other marinas throughout the country.

The anomaly regarding temporary berth permits was raised in consultation. Submitters raised a concern that the fee for a temporary berth permit is less proportionally than the fee many annual berth permit holders pay and so they are disadvantaged by paying annually. The current fee for a temporary berth permit is \$100 a week and \$200 a month (which equates to \$2400 a year). Most annual berth holders pay more than \$2400 a year. Temporary berth permits should be more expensive proportionally than annual berth permits. If they are cheaper it creates an incentive for boat owners to use temporary berths rather than committing to an annual berth.

Following the further fees review in 2022 an assessment will be made on whether an additional increase is required and if so, its magnitude. The review will take account of the performance of the memorandum account over the next three years and any change in the level of use of the facilities. The current exclusion of Tokaanu and Nukuhau marinas from the



fees review because of their condition should also be resolved by the time of the next fees review. However, based on current forecasts balancing the memorandum account over ten years will require an additional fee increase of 22 per cent in 2022.

The Department is proposing to recover 75 per cent (\$0.131 million p.a.) of the depreciation of Motuoapa marina through user fees. This is a minor departure from The Treasury guidelines which expect full recovery of depreciation in most cases. The design of the marina environment provides a facility for boat users and creates a pleasant waterside environment for public recreation. The Department considers that a general apportionment of the components that make up Motuoapa marina of 25 per cent to a public benefit is appropriate to reflect the mixed private-public benefit. Because the Marina provides a public good, we consider it justified to partially reduce the recovery of depreciation. The remaining 25 per cent (\$0.044 million p.a.) can be funded through the Department's *Crown-owned Assets at Lake Taupō – Maintenance Costs* Non-Departmental appropriation. The appropriation has sufficient funding to absorb this cost, which means no additional Crown funding would be required.

Tables 1 and 2 show forecasted revenue and expenditure over the next three financial years, with, and without the proposed fee increase.

**Table 1: Forecasted revenue and expenditure for the next three financial years without a fee adjustment**

	<b>Base<sup>2</sup></b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
<b>Income</b>	<b>\$1,139,645</b>	<b>\$1,242,858</b>	<b>\$1,242,858</b>	<b>\$1,242,858</b>
<b>Expenditure</b>	<b>(\$1,359,723)</b>	<b>(\$1,496,678)</b>	<b>(\$1,519,426)</b>	<b>(\$1,531,994)</b>
<b>Annual surplus (deficit)</b>	<b>(\$220,077)</b>	<b>(\$253,819)</b>	<b>(\$276,568)</b>	<b>(\$289,135)</b>
<b>Memorandum account balance</b>		<b>(\$358,677)</b>	<b>(\$635,244)</b>	<b>(\$924,380)</b>

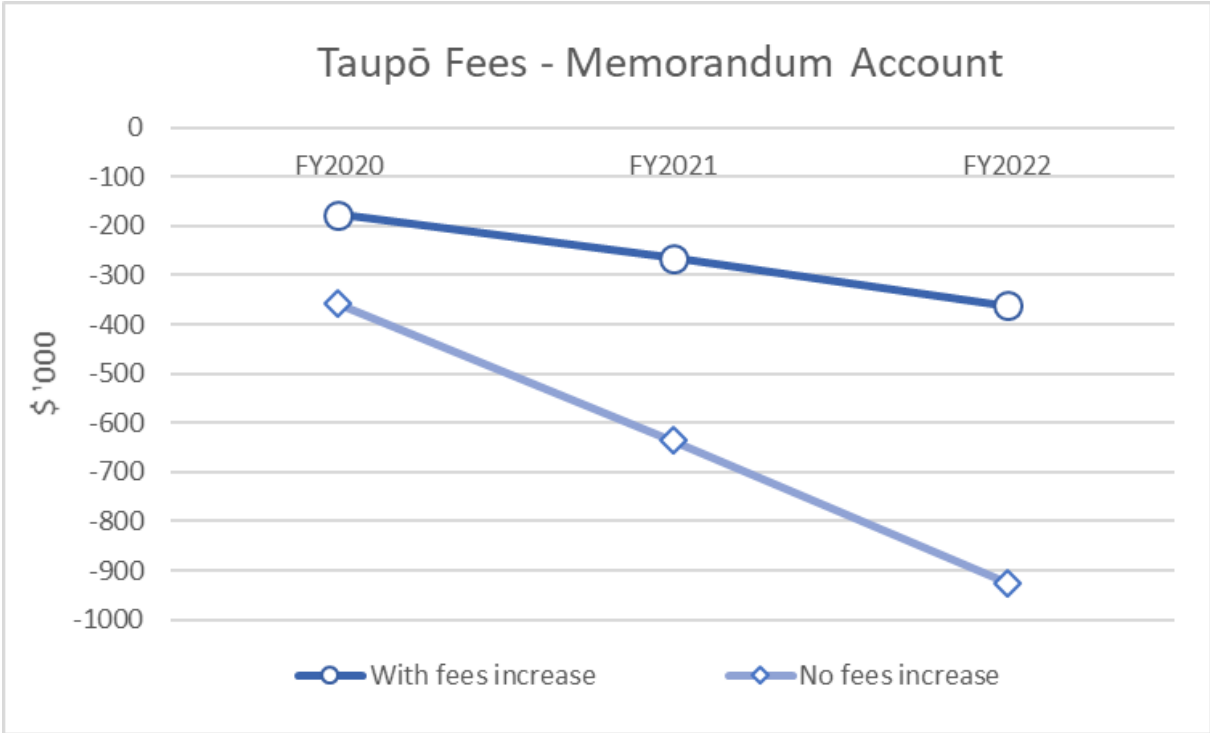
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<sup>2</sup>Base figures are calculated using a combination of a 4-year average and 2017/18 actuals depending on expense type

**Table 2: Forecasted revenue and expenditure for the next three financial years with the Department’s proposed fee adjustment**

	Base	FY2020	FY2021	FY2022
<b>Income</b>	<b>\$1,139,645</b>	<b>\$1,424,381</b>	<b>\$1,431,605</b>	<b>\$1,435,682</b>
<b>Expenditure</b>	<b>\$1,359,723</b>	<b>\$1,496,678</b>	<b>\$1,519,426</b>	<b>\$1,531,994</b>
<b>Annual surplus (deficit)</b>	<b>(\$220,077)</b>	<b>(\$72,297)</b>	<b>(\$87,821)</b>	<b>(\$96,312)</b>
<b>Memorandum account balance</b>		<b>(\$177,154)</b>	<b>(\$264,975)</b>	<b>(\$361,286)</b>

Figure 1 shows the memorandum account balance over the next three financial years with, and without, the proposed fee increases.



The costs to the Crown of administering the boating facilities include direct costs such as personnel costs (staff salaries and on-costs, such as training, and superannuation), operating costs including telecommunications and computer costs, and indirect costs such as accommodation costs for the Lake Taupō Harbourmaster team. The cost of undertaking general maintenance of the boating facilities, including materials and consultants time, makes up a significant proportion of the costs.

The main drivers of the fee increase are depreciation on Motuoapa marina and general inflation.

Should expenses increase by more than inflation, demand drop, or large expenditure arise that has not been allowed for, the Department's assumptions for balancing the memorandum account over ten years will not hold. These factors will determine the fee increase that is necessary in three years' time. Conversely, if occupancy at Motuoapa marina increases over the period less of a fee increase will be required.

Our forecast for balancing the memorandum account over the ten-year period requires fees for Nukuhau and Tokaanu marinas to rise to the same rate as Taupō and Motuoapa marinas within two to three years. Should the Department be unable to secure funding for the dredging and remedial work needed, other options to balance the memorandum account will need to be looked at. This justifies the decision to review the fees again in 2022, rather than setting a further increase now, because the future condition of, and fees for, Nukuhau and Tokaanu marinas will influence the future fees of other boating facilities.

The Department does not consider that cutting expenditure or decreasing the service level provided are viable options. Decreased expenditure would not allow the Department to maintain the Crown's assets to an appropriate standard as identified in its Asset Management Plan. Users of the boating facilities have indicated through the fees review consultation and customer satisfaction surveys that they want an increase in service rather than a decrease.

## Impact analysis

The fee increase will initially affect 233 berths across the two Crown marinas (Taupō and Motuoapa). Once fee increases are implemented for Nukuhau and Tokaanu marinas an additional 53 berths will be affected.

Of the 233 berths, 201 are occupied, 31 berths are vacant and 1 is currently unusable. Twenty-eight berths are occupied by commercial operators and the remainder by private interests. 184 annual mooring permit holders will face higher fees. To give an idea of the number of individuals that will be affected by the rise in ramp permit fees 9,165 ramp permits were sold in the 2017/18 financial year. On average approximately 140 temporary berth permits have been sold per annum over the past four years.

Berth holders will face an increase of between \$330 and \$880<sup>3</sup> per annum depending on the length of the berth. Mooring permit holders will face an increase of \$42 per annum, or \$11 per month if using one of the Department's moorings on a temporary basis. Ramp users will face an increase of \$1 for a 24-hour permit, \$8 for two weeks, or \$20 for an annual permit. Those using a temporary berth will pay an extra \$100 a week or \$200 a month.

The Department made comparisons with other marinas around the country to test that the proposed fee levels were competitive. We received some feedback from submitters that the comparative marinas have better facilities than the Crown marinas. It is difficult to make a direct comparison between service levels and facilities, and we note that the location of a marina is one of the factors that will influence the demand. For example, while Motuoapa has vacant berths, there is a waiting list for Taupō marina. Those on the waiting list for Taupō marina have declined the opportunity to take a berth at Motuoapa, principally due to the more

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<sup>3</sup> All quoted increases are inclusive of GST.

desirable location at Taupō. We consider our revised proposal is appropriate given the standard of the boating facilities, and the level of service provided by the Department.

We do not expect the proposed fee increases to have a major impact on demand. Submitters stated that the level of fees proposed on consultation were so high that they would consider ceasing to use the facilities, but some submitters indicated that they would accept a lower fee increase. Ultimately, demand for the facilities depends on a range of factors which includes, but is not limited to, the cost and service levels. However, there is a risk that demand for the facilities will drop because of the fee increases or due to weather affecting use of the boat ramps. There is also a risk of unexpected large expenditure arising, such as resulting from an emergency or weather event, which the Department cannot fund through user fees.

Should these risks eventuate before the next fees review, the consequences will be addressed through that fees review.

## Consultation

The Department consulted over 11 weeks, from 7 December 2018 to 22 February 2019, targeting users of the boating facilities. Sixty-three written submissions were received. During the consultation period, the Department held two hui in the Taupō area which were attended by approximately 100 people.

In the consultation document, the Department proposed a fee increase of 30 per cent in 2019, and an additional 30 per cent increase in 2022.

71.5 per cent of written submitters opposed the proposed fee increase, 11.1 per cent supported the Department's proposal, and 17.4 per cent did not directly state their view. Many submitters, both in written and verbal submissions argued that the proposed fee increase was excessive. However, some submitters indicated they would accept a smaller fee increase if there are some operational improvements to the boating facilities.

Most of the Motuoapa berth holders present at the Motuoapa engagement hui stated that they would consider vacating their berths if the fee increase goes ahead. Approximately 70 people attended the hui. Motuoapa is the largest marina and is currently at 78 per cent occupancy with 124 berths occupied on permanent basis.

### Themes raised

Key themes emerged through consultation including:

- enforcement of ramp permits is perceived as inadequate;
- the Crown's contribution of \$0.450 million per annum to support navigational safety on the Lake should be increased;
- the depreciation of Motuoapa marina should be excluded from user fees; and
- the rate of inflation applied to the Department's forecasted maintenance costs is too high; and
- there are operational issues with the facilities.

The pricing anomaly regarding temporary berths was also raised on multiple occasions by stakeholders at the engagement hui and in submissions.

Strong feedback was also received that dredging the lakebed was a navigational safety issue and not an operating expense that should be recovered from users of the boating facilities.

### **Department's response**

The Department has responded to these concerns in a summary of submissions report which is being made public.

In summary:

- Spot checks for ramp permits have indicated a 95 per cent compliance rate however the Department acknowledges the limited resources of the Harbourmaster staff to monitor enforcement at all the boat ramps.
- The Department will continue to reprioritise funding within the Vote Internal Affairs baseline to meet the cost of the Harbourmaster's statutory functions, as it may be required.
- As indicated, the Department proposes to only recover 75 per cent of the depreciation of Motuoapa marina through user fees.
- We adjusted the inflation we used to forecast repairs and maintenance expenditure from 5 per cent (on the assumption that assets require greater repairs and maintenance as they age) to 3 per cent. This reduction acknowledges that Motuoapa, the largest marina, is a new facility and to apply ageing factors to it at this point in its lifecycle is unnecessary.
- We intend to initiate more regular communication with users of the boating facilities on what the Department is doing to remedy operational issues as they arise.

## **Conclusions and recommendations**

The Department has revised its proposal to a fee increase of 22 per cent in 2019 across all the boating facilities excluding marina temporary berth permit fees which we recommend increase by 100 per cent to address a pricing anomaly. We recommend a new option for a 24-hour marina berthing permit priced at \$40.00 (GST inclusive) per day is introduced.

We consider the proposed fees are fair and equitable and strike the appropriate balance between the need to recover costs and set fees at a level that is sustainable over the long term.

We recommend Nukuhau and Tokaanu marinas are initially exempt from the fee increase until Nukuhau marina has been dredged and Tokaanu marina has been brought to an appropriate standard to justify increased fees. Our analysis assumes this will happen within the next two to three years.

The Department considers the status quo is untenable as it would be inappropriate for the Department to subsidise users of the boating facilities or seek additional funding through the budget process to balance its memorandum account.

## **Implementation plan**

The Department recommends that its proposed fee increases are implemented in September 2019. This will allow time to promulgate the Order in Council to increase the fees, and to communicate the changes to service users.

The Department will communicate the new fees directly to facility users by email. The Department will also publish the new fees on its website and update signage and brochures at the facilities. The Department will update the fees at the point of sale, such as invoicing for annual berth and mooring permits, online and through third-party providers for ramp permits.

## Monitoring and evaluation

The Department regularly monitors actual revenue and expenditure in the memorandum account against its budget. If a large variance is discovered, it is investigated, and action is taken if necessary.

The Department reports annually on the performance of the memorandum account at which time the effect of the fee increases will be evaluated.

The Asset Management Plan sets out the Department’s approach to monitoring the performance and condition of the assets, to ensure that the level of service is maintained efficiently.

This will feed in to the next fee review in 2022.

## Review

The Department plans to review fees for the boating facilities again in 2022.

This will start with an evaluation of the effect of the fee increases and how the memorandum account balance and demand for the facilities is tracking.

Should another fee increase be necessary we will follow the same process as used in this review. A proposal will be developed and consulted on with users of the boating facilities and other key stakeholders. Comparative analysis with other marinas will also be undertaken.

## Version control

Other version	Date	Link

## Annex 1: Current, consulted on and recommended fees

	Current fee	2019 Fees (Consulted on)	2019 Fees (Recommended)	Total fee increase (Recommended)
<b>All fees GST Inclusive</b>				
<i>Ramp permit</i>				
Up to 24 hours	\$5	\$6	\$6	\$1 (22%)
2 weeks	\$35	\$45	\$43	\$8 (22%)
1 year	\$90	\$117	\$110	\$20 (22%)
<i>Mooring permit</i>				
1 month	\$50	\$84	\$61	\$11 (22%)
1 year	\$190	\$246	\$232	\$42 (22%)
<i>Annual berth permit: Taupō, Nukuhau, and Tokaanu marinas (Nukuhau and Tokaanu once dredging and remedial work are completed)</i>				
Parallel and more than 12.5m in length	\$4,000	\$5,182	\$4,880	\$880 (22%)
Parallel and 12.5m in length	\$3,500	\$4,534	\$4,270	\$770 (22%)
Parallel and less than 12.5m in length (per metre)	\$280	\$363	\$342	\$62 (22%)
3m or more in width (jetty included)	\$2,700	\$3,498	\$3,294	\$594 (22%)
3m or more in width (jetty not included)	\$2,300	\$2,980	\$2,806	\$506 (22%)
less than 3m in width (jetty included)	\$1,800	\$2,332	\$2,196	\$396 (22%)
less than 3m in width (jetty not included)	\$1,500	\$1,943	\$1,830	\$330 (22%)
<i>Annual berth permit: Motuoapa marina</i>				
Parallel and more than 12.5m in length	\$4,000	\$5,182	\$4,880	\$880 (22%)
Per lineal metre of berth	\$280	\$363	\$342	\$62 (22%)
<i>Temporary berth permit</i>				
24 hours	(new product)		\$40	N/A (new service)
1 week	\$100		\$200	\$100 (100%)
1 month	\$200		\$400	\$200 (100%)