

Regulatory Impact Statement

Queenstown Lakes District Waterways and Ramp Fees

Bylaw 2014

Background

Under the Maritime Transport Act 1994, and acting under delegation from the Otago Regional Council, the Queenstown Lakes District Council is the administrative authority for water bodies located within the Queenstown Lakes District. The Council's role includes managing and maintaining the Council owned boating facilities¹ within this district. Funding for administration and maintenance of those assets is provided through fees paid by users of the facilities, and through fees by concession holders.

The Council collects charges and fees set by regulation for the use of mooring, ramp and jetty facilities. Fees are prescribed under the Queenstown Lakes District Council Navigation Safety Bylaw 2009, and are in essence a voluntary fee system.

Problem definition

The current fees structure does not reflect the change in the apportionment of costs between public and private use stated in the Queenstown Lakes District Council 10-Year Plan – 2012/2022 (the '10 Year Plan').

The 10-Year Plan – 2012/2022 states that the economic benefit of providing waterways facilities is a mixed public and private benefit.

Current Council policy² states it is appropriate to target recovery of the investment and costs in facilities from user fees, with 40% of user fees to be met through charges for the use of facilities and 60% to be met by revenue collected from concession holders³. That plan also states that it is appropriate to fund regulatory activities with commercial and non-commercial user fees meeting 35% of expenditure and 65% of expenditure to be met by concession revenue.

Applying the cost sharing ratio set by the 10 Year Plan, the expenditure should be allocated to public users and commercial users (i.e those users who are not concession holders) as follows:

¹ The Council currently owns 9 boat ramps, 1 marina, 2 emergency moorings and 10 jetties throughout the district. This does not include facilities that are attached to Council land but owned by other organisations (ie yacht clubs) nor does it include facilities leased out such as the Queenstown Main Pier.

² See pages 54 & 55, volume 3, Queenstown Lakes District Council 10-Year Plan – 2012/2022

³ At page 54, Volume 3, The Queenstown Lakes District Council 10-Year Plan – 2012/2022

Table x: Allocation of expenditure according to 10 Year Plan

	Regulatory Activities	\$	Facilities Activities	\$	Total
Public and Commercial Users	35%	145,950	40%	76,800	222,750
Concession Users	65%	271,050	60%	115,200	386,250
Totals	100%	417,000	100%	192,000	609,000

These figures do include indirect costs (for example depreciation) attributable to Council assets. However there is no provision for replacement of an asset or unbudgeted repairs which may become necessary should a storm occur. Such events would either be met by insurance funds, closing the asset, or by managing the decline of the asset.

Projected total user charges revenue (excluding GST) for 2013/14 was \$75,913, with 41% coming from jetty licenses, 18% from ramp fees and 41% coming from moorings. The expectation set by the 10 Year Plan is that public and commercial users should contribute \$222,750 to expenditure. There is a deficit of \$146,837 in user fees collected from public and commercial users.

This report considers the issues of fee payments from public users only. The contribution of commercial operators to costs is to be the subject of a future Council report once a review of the commercial arrangements in place has been undertaken.

The current public user fee system is on a partial cost recovery basis, and is in essence a voluntary fee payment system. The current fee structure for water bodies within the Queenstown Lakes District is inconsistent with the 10 Year Plan. Fees should also be set at a rate to recover the full cost of a good and service including depreciation (assessed on the value of the asset) together with other indirect costs. Currently, the price of the fees has not been set to meet the true costs of the boating facilities and regulatory activities.

The shortfall in revenue means the public users have not been contributing to the level that is expected in community outcomes. Additionally, a significant proportion of users originate from outside the district, and therefore are not contributing to the costs of facilities indirectly through rates.

Additionally, because the current fee levels are among the lowest in the country, they do not contribute at a sufficient level to meet the maintenance and replacement costs of the asset. Waterways stakeholders and boat users have expressed concerns that the condition of navigational facilities (particularly signage and navigation beacons) is deteriorating.

Low fees also encourage inefficient use of resources such as moorings. Storage of a boat on a mooring is cheaper than dry storage. The Harbourmaster has very limited powers to remove unused boats as long as mooring holders continue to pay annual mooring fees.

There is no funding for upgrades of the existing facilities over the 2012-2021 10 Year Plan period. Keeping fees at current levels or minimal increases will not provide enough revenue to meet the purpose of the 10 Year Plan or to adequately maintain and upgrade navigational facilities.

Objectives

The Council's objective is to set new fees for public users on a full cost-recovery basis to:

- allocate the burden of expenditure in accordance with the 10 Year Plan; and

- provide adequate revenue to maintain or upgrade facilities where necessary for to assist the Council in meeting its obligations under the Health and Safety in Employment Act 1992; and
- provide a fee regime that meets market needs and feedback from stakeholders and facility users.

Regulatory impact analysis

Regulatory options

- Two regulatory options were considered:
 - option one: universal increase in fees across the boating facilities; and
 - option two: targeted increase in fees across the boating facilities.

Status quo

The status quo provides that fees remain at current levels and is not considered an option because it does not work towards achieving the outcomes of the 10 Year Plan and potential economic benefits to the local community would not be realised, for example, moorings would continue to be used for storage of abandoned boats. Feedback from concession holders and commercial users was that an increase in fees for public users was supported by those groups.

Option one: Universal increase in fees across the boating facilities

This option sets fees at full cost recovery including the shortfall with the deficit met by applying a universal increase of \$48,950 in fees across each category of facility i.e. moorings, ramps jetties.

This option aligns with the 10 Year Plan objective that private benefit costs are not to be funded from tax revenue (i.e. rates). Implementation of this option would accurately align the provision of private benefit to users, with those users paying the direct costs of those facilities and services.

Table 1: Estimate of Universal Public User Fee Increase (prices exclude gst)

UNIVERSAL				
	Jetty, Foreshore and Public Structures	Ramp	Moorings	Total
10 Year Plan Target	\$79,946	62,859	79,946	222,750
Budgeted Revenue	\$31,000	13,913	31,000	75,913
Shortfall	\$48,946	48,946	48,946	146,837
Current Estimated User Numbers	100	4000	284	
Estimated New Users	0	0	0	
Current Fee	\$57.50- \$724.50	\$4	\$125.35	
Proposed Increased Fee	\$335.50 – \$x⁴	\$18	\$323.00	

Note: figures in bold are GST inclusive

Examples of pricing for this option (assuming similar usage) are:

- daily ramp permits would increase from \$4 to \$18 from 1 October 2014; and
- an annual mooring permit would increase from \$125.35 to \$323.00 from 1 October 2014; and
- the lowest fee for a jetty/foreshore/public permit would increase from \$50 to \$290 from 1 October 2014.

Users of the facilities would be required to pay more in fees to meet the costs of operating the facilities, but would benefit from having facilities that are maintained to a standard that can be upgraded. The benefits of this proposal are that:

- the burden of subsidising public users of the facilities with low fees will be lessened;
- the additional fee amounts collected would reduce cost pressures and contribute towards keeping facilities operating to a standard that is safe for users and works towards meeting community outcomes;
- there is an improvement in revenue recovery from public users to better achieve the targets under the 10 Year Plan.

However, this option is a blunt instrument. It would result in some fees doubling, while in the case of jetty licenses, the lowest fee in the range will increase by more than 400%. A universal fee increase also creates inconsistencies with the fee levels of boating facilities across the country, and particularly the Otago region. This means that there is a greater likelihood of users resisting or evading payment, as fees levels will increase, but the amenity standard of facilities will not change noticeably.

Option two: Targeted increase in fees across the boating facilities

This option sets fees at full cost recovery, but as well as a fee increase it is intended to increase the number of users paying fees. Like option two, it aligns with the 10 Year Plan objectives that all private good costs are recovered from third-party revenue and the Council's pricing framework for fees of full cost recovery. It also achieves the same benefits to the Council as option one.

⁴ The top of the fee range will be specified in the annual plan process for the 2015/2016 financial year.

Table 2: Estimate of Targeted Public User Fee Increase (prices exclude gst)

TARGETED				
	Jetty, Foreshore and Public Structures	Ramp	Moorings	Total
10 Year Plan Target	\$149,750	\$26,000	\$47,000	222,750
Budgeted Revenue	\$31,000	\$13,913	\$31,000	75,913
Shortfall	\$118,750	\$12,087	\$16,000	146,837
Current Estimated User Numbers	100	4000	284	
Estimated New Users	0	2000	0	
Current Fee	\$57.50- \$724.50	\$4	\$125	
Proposed Increased Fee	\$191 - \$x⁵	\$5	\$190	

Note: figures in bold are GST inclusive.

Option 2 provides for smaller fee increases on ramps, moorings and jetties than in option 1. There is an approximate 60% increase on existing fee levels - the exception being jetty/foreshore/public structures licenses. This option looks to raise additional revenue from commercial users and by better enforcement of user fees.

Examples of pricing for this option (assuming that enforcement activity increased the total number of users paying ramp fees to 6,000 users per year) are:

- daily ramp permits would increase from \$4.00 to \$5.00 from 1 October 2014 (assuming that enforcement activity doubled the number of users paying).
- annual ramp permits would increase from \$30.00 to \$60; and
- an annual mooring permit would increase from \$125 to \$190 from 1 October 2014.
- The lowest fee for a jetty/foreshore permit would increase from \$57.50 to \$191.00.

The additional benefit is that this pricing is more consistent with the fees charged for waterways outside of the Otago region. The higher increase on jetty/foreshore/public structure licenses is consistent with the higher maintenance costs incurred by those structures.

Fees for commercial users of these structures will be set in the annual plan process.

Analysis of regulatory options

Precise information as to the actual user numbers of the above facilities is not available. Although the information presented above represents a best estimate of likely user revenue the figures above should nevertheless be treated with caution.

The above figures are conservative estimates. They do not include revenue which may be earned from the issue of infringement notices and annual passes. The uptake of annual passes has been low, and it has therefore not been included in the above analysis. Annual passes do represent an additional revenue stream, and the uptake of annual passes is expected to increase as enforcement activity forces a change in behavior.

It is further acknowledged that the above analysis cannot predict with certainty the actual fees which will be collected. Budgeted amounts to be collected may not be achieved in the first year

⁵ The top of the fee range will be specified in the annual plan process for the 2015/2016 financial year.

because the new fee regime will not be in place for the entirety of the financial year. However, the fees do provide a foundation for meeting community expectations set out in the 10 Year Plan, and represent an improved contribution from this user group over previous years. Should fee revenues not achieve expectations, the Council has the option to reassess, and adjust the schedules in the bylaw as required.

The 10 Year Plan sets separate funding targets for waterways regulation/enforcement (reported in the 10 Year Plan as waterways control) and for waterways facilities. For the purpose of this report, the funding targets for waterways regulation and enforcement have been aggregated with the target for facilities. When considered as an aggregated figure, the funding target is met by the proposals outlined above.

Table one below summarises the analysis of options.

Table one: analysis of options

Regulatory Options	Objectives			
	Contributes to meeting requirements of funding policy in 10 Year Plan	Meets the obligations under the Health and Safety in Employment Act 1992	Reduces the burden on the ratepayer subsidising fees for the use of the facilities	Is consistent with the fees charged in other parts of New Zealand
Option one: Universal increase in fees across the boating facilities	✓	✓	✓	X
Option two: Targeted increase in fees across the boating facilities	✓	✓	✓	✓

Consultation

The Council consulted on the topic on in March 2014 inviting comments by email on the subject of navigation safety and fees by an email survey of approximately 40 mooring owners, boating clubs and concession holders. 5 responses were received on the topic of fees, with only one response in support of an increase in public user fees. The response rate was not high, suggesting either that there were few strong opinions or that respondents did not have sufficient time to respond. A list of the Queenstown Lakes District stakeholders consulted is attached as Annex two.

As noted above, wider feedback from stakeholders, and concession holders suggested general support for an increase in facility fees. This attitude was not shared by the few moorings owners who responded and expressed a strong preference for no increase in fees at this time.

The Council also reviewed the fee regimes of 7 councils. The results of this review showed fees under option two would still be consistent with what councils outside the Otago region are charging for berths, moorings and ramps. A sample of comparative fees charged by councils is attached as Annex one.

The views of stakeholders, submitters and users have been considered and the Council anticipates that in general public users will resist the fee increases, as there will be no tangible improvement in facilities. In conjunction with the Council committing to invest the fees back into the facilities over the Long Term Plan cycle, fee increases may be accepted over time.

The Council acknowledges that despite overall support, some users of the facilities will

inevitably not support the fee increases. The Council considers that once users see boating facilities have not deteriorated significantly over the next three years they are more likely to accept paying more in fees.

Conclusions and recommendations

- Option two is the recommended option, which provides that fees should be increased to align the fee recovery from non-concession users, while having different increases across different facilities. The intention to recover the costs from users will:
 - reduce cost pressures by allocating costs in accordance with Council's 10 Year Plan funding policy. Increasing the amount of revenue collected from public users will contribute to meeting the 10 Year Plan funding policy and will also contribute towards maintaining the existing level of service;
 - provide additional ongoing funding towards the cost of maintaining the facilities;
 - accurately align the provision of direct costs to users; and
 - respond to the feedback from stakeholders, submitters and facility users
 - be consistent with the fee regimes of Councils outside of the Otago region.

Based on option two, a detailed breakdown of the proposed new fees is attached as Annex three.

Implementation

If Council agrees to the proposed fee increases Queenstown Lakes District fees regulations/bylaws will be adopted, with the intention of having the new fees in effect on 1 October 2014. The new fees must be set by regulation (order in council) early in the 2014/15 financial year, and in advance of the peak summer period when many users will be renewing their annual permits for the use of the Council-owned boating facilities. The Ministry of Transport has yet to commit to a work programme to promulgate the order in council, but is aware of the milestones and timeframes the Council is working towards.

If adopted in its current form, the proposed bylaw would mean that different fees would apply to commercial users (who do not hold concessions) who wish to use waterways facilities. These fees would be set through the annual plan process for the 2015/2016 financial year.

Council will also look to increase its monitoring and enforcement of non-payment of fees. Options for cost effective enforcement and fee recovery are currently being explored. It is anticipated that some additional enforcement activity can be met from existing budgets, but there is the prospect that additional enforcement activity will result in increased costs. Some additional capital expenditure may be required should Council proceed with a ticketing machine and/or a CCTV system to detect non-payment of fees. Increased revenue (by way of infringement fines) would also be collected and would offset this expenditure either in full or part.

A reprint of Council's navigation and boating brochure will be necessary.

As part of the communication plan for the fee increases, the Council will announce the final recommendations of the increases in early <date>. The Council will provide information to boat users and stakeholders directly and via the Council's website, local media. Further publicity will be done prior to Labour weekend and the Christmas/New Year holidays.

Risk and Mitigation

- The risks associated with the recommended option and suggested mitigation are highlighted in Table two below.

Table two: Risks and suggested mitigation

Risk	Mitigation
Decision to increase fees causes public concern and media enquiries	It is considered that the proposal to increase fees will attract minimal media coverage. Some media reported on the proposal to increase fees in December 2011. Comments from berth holders stated the fee increases were justified and expected. The Council will have a communication plan in place and has received no requests from media on the proposed fee increases.
Fee increases will reduce the use of the boating facilities	<p>It is considered that the impact will be minimal for moorings, which have the highest increases. The costs of dry storage of a boat, or relocating the boat to an alternative water body are greater than the increase in mooring fees. Market research also indicates the new fees are comparable with other facilities across the country.</p> <p>It is considered that there will be no significant impact on the usage for ramps and moorings. New ramps and moorings fees have strong support from stakeholders who are concession holders.</p>

- We consider the risks associated with the recommended option to be low because the proposal to increase the fees was well supported from commercial operators, and some resistance to fee increases is to be expected. The proposed new fees will still be lower or match fees charged by councils elsewhere beyond the Otago region. Facility users were first consulted in <date> and they acknowledge that fee increases are long overdue, even those users that are opposed.

Compliance costs

- There are some additional compliance costs associated with implementing a new set of fees for the use of the boating facilities. There will be changes to the way in which fees will be collected from users, so that evasion of fees is minimized. The programme for collecting fees is under development. Options under consideration are the introduction of a pay and display ticket dispenser or a CCTV camera system to increase the number of users paying ramp fees.
- Preliminary capital cost estimates are being prepared. Therefore, it is not possible to report whether there is an impact on capital budgets to increase compliance with fee payment from users of the facilities. It is expected that the estimates and enforcement programme will be finalised prior to the completion of public consultation.

Monitoring, evaluation and review

- The Council will continue to review fees on a regular basis to ensure the level of revenue continues to meet the funding policy of the 10 Year Plan. The Council will also seek opportunities to encourage the uptake of annual passes (where available) and to ensure that the fee system operates more fairly by deterring “free riders” and imposing penalties where appropriate.

Annex One - Market analysis

The following tables provide a sample of fees for ramps and annual berthing permits charged by councils in comparison to the Lake Taupō proposed new fees.

Current daily and annual ramp permit charges (inclusive of GST)

Council	Daily ramp permit	Annual ramp permit
Lake Taupō	\$5.00 (new fee)	\$90.00 (new fee)
Waitaki District Council	\$5.00	\$80.00
Thames-Coromandel District Council	\$6.00 - \$10.00	\$65.00 - \$80.00
Hutt City Council	\$8.00	\$125.00
Nelson City Council	\$5.00	\$90.00
Queenstown Lakes District Council	\$4.00	\$30.00
Queenstown Lakes District Council (Option 1)	\$18.00	\$60
Queenstown Lakes District Council (Option 2)	\$5	\$60

This analysis does not include a comparison for moorings and jetties, as there was a variety of charging methods that meant a meaningful comparison was not possible.

Annex two - User Analysis

List of commercial stakeholders consulted on the proposal to increase fees:

Queenstown Rafting,
Queenstown Fly Fishing,
Queenstown Wharves LP
Dart River Jet Callan Grimmer
Southern Discoveries,
Pacific Jemm,
Earnslaw,
Queenstown Water Taxis
Thunder Jet
Stu Dever Fishing
Million Dollar Cruisers
Clear Water Fishing,
Hydro Attack,
Queenstown Kayaks,
Queenstown Sea Kayaks,
Ripple Earth Kayaks,
Sportsfishing Queenstown,
Queenstown Fishing Safaris,
Unreel fishing, Mick Johnson
Family Adventures rafting,
Skippers Canyon Jet
Shotover Jet,
K/Jet
Queenstown Para Flights,
Lakeland Adventures,
Wanaka River Journeys
Wanaka Kayaks
Wanaka Parasailing
Lake Wanaka Yacht Charters
Adventure Wanaka
Eco Wanaka
Alpine Fishing Guides
Pioneer Rafting
Hawea Fishing
Southern Alps Air
Wilkin River Jets

Annex three Proposed fees for the use of Council-owned boating facilities in the Queenstown Lakes District Area

The following table sets out the proposed increase in fees compared to the current fees charged for the Council-owned boating facilities in the Queenstown Lakes District. The fees are GST-inclusive.

Type of permit	Period for which issued	Non-commercial craft Fee per craft (\$)	Fee per Commercial Craft (\$)
Ramp Permit for any Ramp in District	up to 24 hours	5.00	5.00
	1 July – 30 June	60.00	60.00
Foreshore Permits	Period for which issued	Non-commercial rate Fee per structure (\$)	Commercial Rate Fee per structure (\$)
Application Fee		125	200
Foreshore Structure Permits	1 July – 30 June		
Up to 15m ²		115	As specified in annual plan
15m ² up to 28m ²		230	As specified in annual plan
28m ² up to 56m ²		460	As specified in annual plan
57m ² up to 84m ²		750	As specified in annual plan
84m ² and over		920	As specified in annual plan
Public Structure	Period for which issued	Non-commercial rate Fee per structure (\$)	Commercial Rate Fee per structure (\$)
Application Fee		n/a	200
Public Structure Permit	1 July – 30 June, or such other expiry date as specified in the permit	n/a	As specified in annual plan
Mooring Fee	Period for which issued	Non-commercial craft Fee per structure (\$)	Commercial Craft Fee per structure (\$)
Mooring Permit	1 July – 30 June	190.00	As specified in annual plan
Application for mooring permit		120.00	As specified in annual plan
Application to transfer mooring permit		120.00	As specified in annual plan
Annual inspection of mooring		120.00	200.00