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Deep Dive – Harbourmaster

Recommendation

That the Board:

- i. Receives this report

Executive Summary

This report provides a summary of AT's Harbourmaster's operations from a financial perspective.

The Harbourmaster's operational expenditure of \$1.6 million per annum is partially offset by a revenue of \$1.1 million. There are opportunities to increase revenue. There is also a requirement for more staff to man a patrol vessel full time and to cope with increasingly busy coastal waters.

Strategic Context

The Harbourmaster has statutory responsibility for Maritime Safety on all navigable water within the Auckland region extending up to the territorial 12 mile limit.

The primary aim is to ensure that the region's waterways are safe and efficiently managed for the benefit of all.

Background

The Harbourmaster has three main areas of business:

- 1) Maritime safety
- 2) Mooring management
- 3) Marine oil spill response

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Auckland has by far the busiest waterways in the country. Last year there were 1,558 visits by large ships to Ports of Auckland including 90 cruise ships. It is estimated that there are approximately 150,000 recreational vessels in the region as well as small commercial vessels such as ferries, fishing vessels, tugs and charter boats numbering in the hundreds. With the increasing population, the number of recreational vessels is growing proportionally.

The diverse nature of Auckland's population poses challenges in regards to harbour user's knowledge of maritime rules and safety requirements. Visiting ships, especially cruise vessels, are getting larger. Later this year the ***Ovation of the Seas*** will be the largest vessel ever to visit Auckland. She is 348m long with a gross tonnage of 168,000 and carries 4,200 passengers and 1,500 crew. She is too large to dock at the passenger berths and accordingly will stay in the middle of the harbour between Stanley Point and Princes Wharf using her thrusters to maintain position and tender passengers ashore. Prior to vessels of this size entering the port, the Harbourmaster and the Pilots must attend simulator sessions to ascertain that the vessel can safely enter our port.

Staff are on-call for after-hours emergencies, including oil spills, but operations are not 24/7.

Asset Inventory

The Harbourmaster manages a portfolio of marine related assets. The asset inventory includes:

- 4 Patrol vessels
- 2 Barges
- 2 Small work boats
- 121 Navigation aids
- 146 Reserved area marks
- 7 Oil spill response trailers
- 7 Boat trailers
- 260 Navigational safety signs
- 1 Tractor
- 306 Pile moorings
- 25 Emergency swing moorings

These assets are valued at \$1.3 million. Maintenance and operation of these assets cost \$946,000 per annum.

Ports of Auckland currently owns and maintains 178 aids to navigation in the Waitemata within the old Harbour Board limits. One hundred of these are not used by vessels using Ports of Auckland berths. These should rightly have passed to ownership of the Harbourmaster's Office upon the dissolution of the Harbour Board in 1989. Ports of Auckland are keen to hand over these assets which form no part of their core business. It is anticipated that this will require an additional Opex of \$80,000 and Capex of \$80,000 both of which are already budgeted for next year. A full audit on the condition of these assets needs to be undertaken as a first step. One additional FTE will be needed to manage the navigational aids.

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Once Onehunga closes to large vessels at the end of the year, the ownership of the 40 navigation aids in the Wairopa Channel comes into question. The Harbourmaster may have to pick up the ownership of these and the likely cost will be approximately \$30,000 per annum.

Revenue

Revenue is predominantly generated from the issuing of mooring licences. There are currently 2,950 licenced swing moorings in 78 mooring management areas. The owner of each mooring pays AT a licence fee of \$194 per annum. AT manages 306 pile moorings on behalf of AC. These are located at Sandspit, Te Atatu and Panmure. The annual fee to lease a pile is \$710. A few areas are deemed mud mooring zones, as the mooring tackle dries out at each low water and is able to be inspected by the owner. The annual fee is \$57. To transfer ownership of a swing mooring, the fee is \$49. The total revenue generated from moorings is approximately \$800,000.

The Harbourmaster has an agreement with Spark NZ to conduct patrols of the cable protection zone in the Hauraki Gulf. This is to ensure that there are no vessels anchored or fishing in the zone. Spark NZ pay an hourly fee for this service which amounts to approximately \$40,000 per annum.

Personal watercraft are required to be registered. The registration fee is a one off payment of \$45. Last year 455 craft were registered generating a revenue of \$20,000.

Ports of Auckland Ltd (POAL) pay AT an annual fee \$131,000 for the provision of Harbourmaster services, of which \$51,000 is currently returned to POAL for the maintenance of the navigation aids not used by large vessels. The annual fee will require renegotiation if additional navigational aids are transferred to AT.

Mooring revenue is falling slightly every year due to an aging fleet. More people prefer trailered water craft or use private marinas for larger craft, resulting in less use of moorings. There has been a slight increase in the number of Personal Water Craft registered in recent times. Total revenue is reasonably static. Debt levels are also static at \$60,000 to \$80,000.

If customers fail to pay their annual license fees, the debt is passed to Baycorp for collection. The Harbourmaster has powers under the Navigation Safety Bylaw to remove vessels and moorings, if the terms of the mooring license are not met.

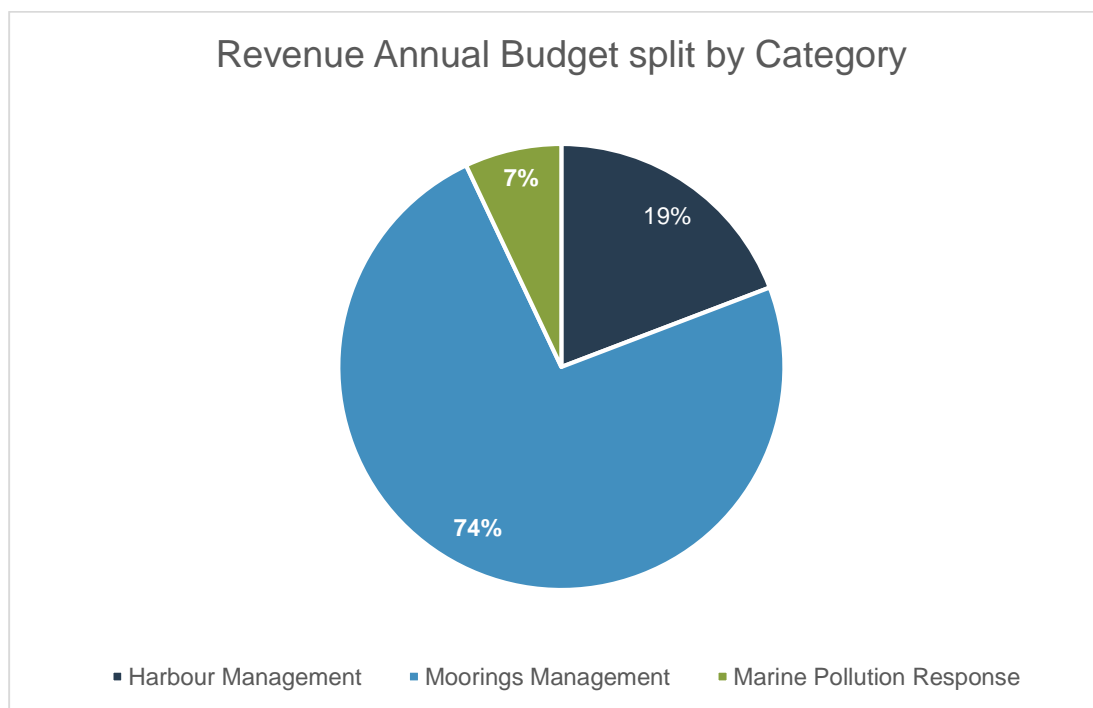
Business Technology (BT) are presently assisting the Harbourmaster to develop an online registration system for Personal Water Craft. This will greatly improve the customer experience and reduce the administrative burden.

A similar project is also underway in regards to managing moorings.

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Revenue – For the Period Ending 31 March 2016

FINANCIAL YEAR 2015/16				
Revenue (\$)	YTD Actual	YTD Plan	YTD Variance	Year Plan
Harbour Management	(174,040)	(187,848)	(13,808)	(209,767)
Moorings Management	(797,093)	(802,902)	(5,809)	(805,902)
Marine Pollution Response	(88,611)	(57,761)	30,850	(76,733)
Total	(1,059,744)	(1,048,511)	11,233	(1,092,403)



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Future Revenue Opportunities

The Harbourmaster's Office holds a resource consent to place advertising on the harbour yacht racing buoys. This revenue stream is not being pursued at present due to our lack of expertise in that field however the Harbourmaster is investigating how to overcome this issue.

Since the start of this year the Harbourmaster can issue infringement fines for breaches of the Navigation Safety Bylaw. These fines are either \$200 or \$300 depending on the breach. The more time that patrols spend on the water, the greater the potential for apprehending people breaching the bylaws, thereby increasing the revenue while improving water safety.

Once the Unitary Plan takes effect, moorings currently outside mooring areas will need to be moved into a mooring area or obtain a resource consent. This will enable the Harbourmaster to licence up to 700 additional moorings for moorings currently outside areas or in parts of the region where licencing has historically been problematic such as Great Barrier Island. This has the potential to increase revenue by approximately \$130,000. This change has been through public consultation and is unlikely to cause adverse public reaction.

Expenditure

The Harbourmaster is responsible for maintenance of 121 buoys and beacons, 25 emergency moorings, 260 Navigational safety signs, 146 reserved area marks.

The largest component of the Opex expenditure is for Harbour Management. This includes a wide variety of areas including fleet maintenance, derelict disposal, wreck removal and navigation aid maintenance. The Easter storm saw nine boats slip their moorings. This number is typical for such storms and heavily increases the workload.

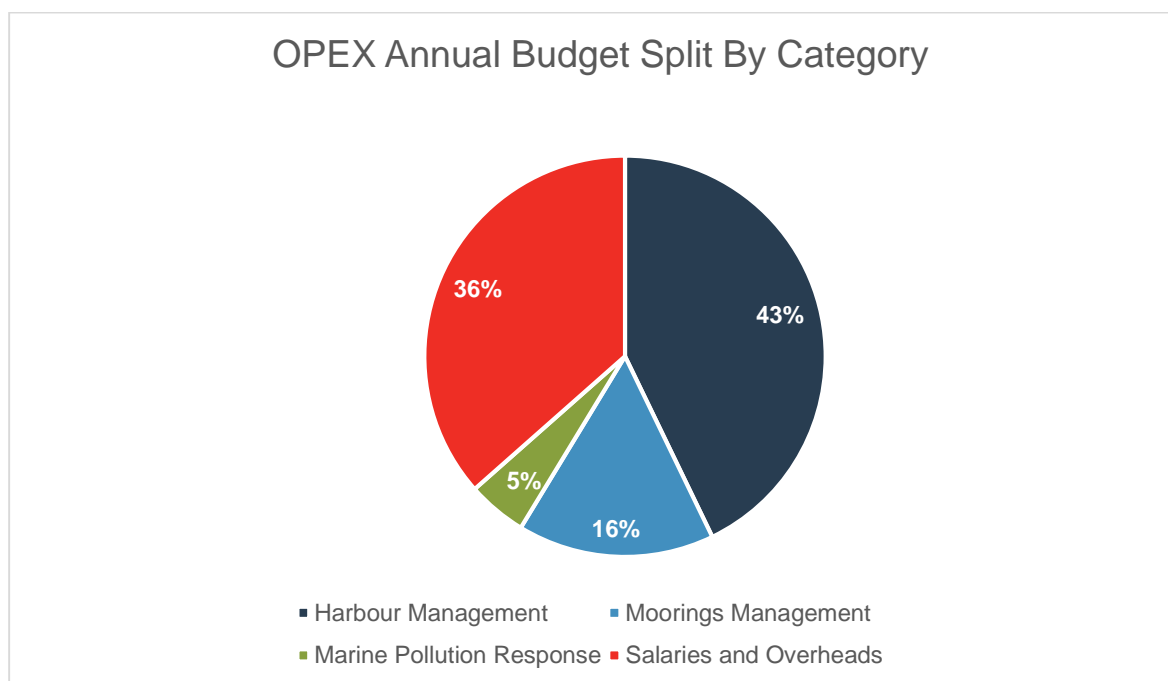
Public expectation of the Harbourmaster is growing. That, together with a growing population, will require a daily on-water presence, especially over the summer months. The public expect that there is a Harbourmaster boat patrolling at all times, ready to attend any incident or report of unsafe behaviour. Increasing recreational use of the MANUKAU Harbour also demands an increased presence there by a Harbourmaster vessel.

Non-financial measures include inspection of 33% of Tier One sites annually and the auditing of all pilots annually. Tier One sites are ship to shore fuelling stations. Further measures are currently being developed including a focus on value for money and measures for management of vessels in the harbour.

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Opex Expenditure – For the Period Ending 31 March 2016

FINANCIAL YEAR 2015/16				
Opex Expenditure (\$)	YTD Actual	YTD Plan	YTD Variance	Year Plan
Harbour Management	417,409	484,162	66,753	690,065
Moorings Management	147,300	185,372	38,073	255,509
Marine Pollution Response	62,939	54,909	(8,029)	77,185
Net Salaries & Overheads	439,633	444,738	5,105	588,271
Total	1,067,281	1,169,182	101,901	1,611,031



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Renewals

The Harbourmaster fleet is in very good condition. Once the extent of the navigation aid takeover is known, there may be an opportunity to consolidate the fleet and replace up to three of the existing fleet with one multi-function vessel enabling the Harbourmaster to better maintain the assets.

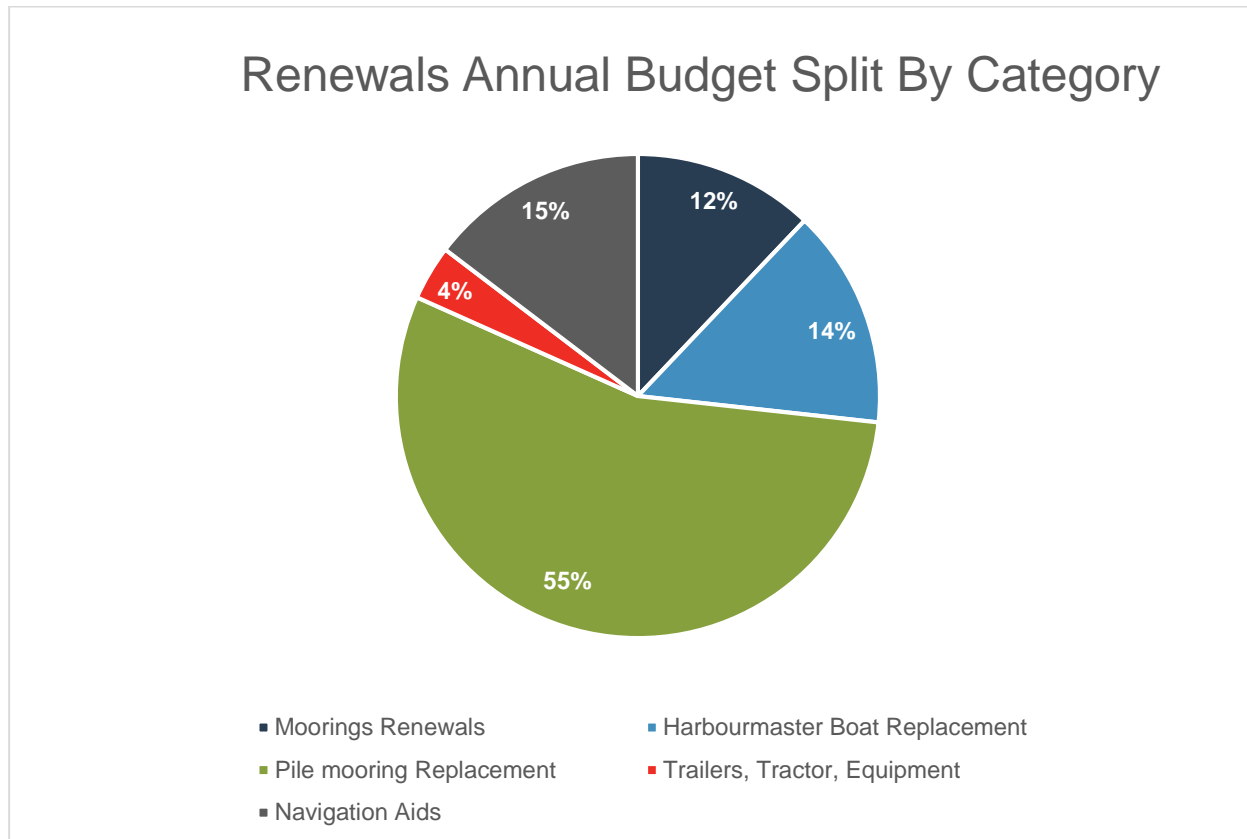
The Renewals program covers boat, tractor and trailer replacements and well as pile mooring and navigation aid replacements.

Renewals Expenditure – For the Period Ending 31 March 2016

FINANCIAL YEAR 2015/16				
RENEWALS Expenditure (\$)	YTD Actual	YTD Plan	YTD Variance	Year Plan
Moorings Renewals	-	-	-	33,000
Harbourmaster Boat Replacement	2,000	2,000	-	40,000
Motor Replacement	(106)	(106)	-	(106)
Pile mooring Replacement	-	-	-	150,000
Trailers, Tractor, Equipment	2,291	5,522	3,231	9,999
Navigation Aids	6,250	10,000	3,750	40,000
Total	10,435	17,416	6,981	272,893

No mooring renewals have occurred this year while the maintenance contract is re-tendered.

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Next steps

- The Harbourmaster is to submit a business case for employment of a full time Skipper and deckhand in order to have a patrol boat available daily throughout the year
- The Harbourmaster will liaise closely with Ports of Auckland concerning the transfer of the navigation aids not used by commercial shipping with a view of taking over mid-way through the next financial year
- Additional KPIs are being developed

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Document ownership

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Glossary

Acronym	Description
POAL	Ports of Auckland Ltd