

18. Fees and Charges - Akaroa Cruise Vessels

Reference: 19/802969

Presenter(s): Kay Holder, Manager Regional Parks; Michael Down, Finance Business Partner

Confidentiality

Section under the Act:	The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
Sub-clause and Reason:	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p>
Plain English Reason:	Whilst staff have discussed the proposed change with the Agent representing the vast majority of affected cruise ship lines, discussions are yet to be had with a small number of operators. Deferring the release of the report will ensure the change can be formally communicated, ahead of potential disclosure via the media.
Report can be released:	<p>15 August 2019</p> <p>Once formal communication has been sent to all affected parties advising them of the decision</p>

1. Purpose of Report

- 1.1 The purpose of this report is to seek approval from the Council for the revised fees and charges for passenger cruise vessel visits to Akaroa wharf in Financial Year 2019/20.

2. Staff Recommendations

That the Council:

1. Adopts the amended schedule of fees and charges for passenger cruise vessel visits to Akaroa wharf for the 2019/20 Financial Year as set out in Attachment A of this report (which includes an additional component for an amenity services charge).
2. Prepare a media release to residents of Banks Peninsula so they are aware of the increase in fees.

3. Context/Background

Issue or Opportunity

- 3.1 A large number of cruise ship passengers are tendered to the Akaroa wharf throughout the summer season. Summer 19/20 is projected to see a continued high number of ship visits, with 91 bookings at present. Whilst this results in significant economic benefits to the businesses of Akaroa, it does lead to increased pressure on the amenities and infrastructure within the town.
- 3.2 As a result of this, elected members and residents have requested that Council look at options for increasing the fees and charges levied on cruise ship lines to use the port's facilities. Staff have previously consulted with the Cruise Ship Agent (ISS McKay, who act on behalf of approximately 95% of cruise vessels that visit Akaroa) about making such a revision, but were advised that any increase to fees was likely to result in significant push-back from cruise line operators on the basis that they had already started planning routes and selling cruise packages. Additionally, when the current fees and charges were benchmarked against similar ports in New Zealand it was clear that Akaroa's charges were comparable, if not higher than average.
- 3.3 However, one option that ISS McKay did mention could be pursued was for the cruise line operators to agree to a contribution for the additional costs incurred by Council in providing necessary amenities, infrastructure and services for passengers. Discussions regarding this have been ongoing in recent months.
- 3.4 In early July, ISS McKay confirmed that the cruise line operators would be amenable to making a contribution towards the additional costs of providing adequate toilet facilities in the region (including the cost of temporary toilets where necessary and additional cleaning). A figure of \$90,000 was agreed as an 'amenity contribution', based on the additional costs that were incurred during the summer 18/19 season.
- 3.5 ISS McKay requested that this \$90,000 was levied to cruise line operators via revised the fees and charges for summer 19/20 (through an average increase of approximately 9%). Consequently, staff request the following revisions are made to fees and charges to allow these additional funds to be recovered:

<u>Passenger Cruise Vessels</u>			
Minimum charge per vessel for each visit to Akaroa Harbour			
Passenger capacity	Summer 19/20 Previously proposed charges	Summer 19/20 Amenity contribution	Summer 19/20 Revised charges (inc GST)
4501-5000	26,316	2,362	\$ 28,678
4001-4500	23,684	2,126	\$ 25,810
3501-4000	21,053	1,890	\$ 22,943
3001-3500	18,421	1,653	\$ 20,074
2501-3000	15,790	1,417	\$ 17,207
2001-2500	13,160	1,181	\$ 14,341
1501-2000	11,830	1,062	\$ 12,892
751-1500	10,400	933	\$ 11,333
351-750	5,200	467	\$ 5,667
151-350	2,430	218	\$ 2,648
51-150	1,040	93	\$ 1,133
0-50	350	31	\$ 381

- 3.6 At present the cost of additional toilet facilities / cleans has been absorbed by the Parks Unit's wider budget. It is proposed that the budget that is effectively released by the 'amenity contribution' is used to perform additional maintenance on the Akaroa wharf and local amenities. The Parks Unit will work closely with the Akaroa community (through the Community Board) to prioritise the appropriate use of these funds.

Strategic Alignment

- 3.7 This report supports the [Council's Long Term Plan \(2018 - 2028\)](#):

3.7.1 Activity: Parks & Foreshore

- Level of Service: 6.0.1 Parks are provided managed and maintained in a clean, tidy, safe, functional and equitable manner (Maintenance). - Maintenance plan Key performance indicators >= 90% achieved.

- 3.8 This report supports the strategic themes of 'Strong Communities' and 'Prosperous economy' set out in the Council's Community Outcomes.

Assessment of Significance and Engagement

- 3.9 The decision in this report is of low significance in relation to the Christchurch City Council's Significance and Engagement Policy. However, it is acknowledged that this matter has increased significance to the residents of Banks Peninsula.
- 3.10 The level of significance was determined in light of the limited number of people affected and the level of impact on those affected.
- 3.11 As the staff recommendation has been driven by consultation and feedback received as part of the Annual Plan process, as well as discussions with the cruise ship agent, staff believe sufficient engagement has taken place on this decision.

4. Options Analysis

Options Considered

- 4.1 The following reasonably practicable options were considered and are assessed in this report:

- **Option 1 – Revise the fees and charges for passenger vessel visits to Akaroa Harbour for the 2019/20 Financial Year.**
- **Option 2 – Do not revise the fees and charges for passenger vessel visits to Akaroa Harbour for the 2019/20 Financial Year.**

- 4.2 **Preferred Option: Revise the fees and charges for passenger vessel visits to Akaroa Harbour for the 2019/20 Financial Year.**

- 4.2.1 **Option Description:** Recovering an additional \$90,000 as an 'amenity cleaning contribution' through increasing the fees and charges for passenger vessel visits to Akaroa Harbour for the 2019/20 Financial Year.

4.2.2 **Option Advantages**

- Ensures the level of fees and charges is more aligned with the demands put on the amenities and infrastructure of Akaroa due to increased cruise ship demand.

- Provides additional revenue that allows further maintenance work to be completed by the Parks Unit within the Akaroa region to support increased usage.
- Aligned with the feedback received from the local community.
- Builds goodwill between the cruise line operators and local residents, as demonstrates the cruise line operators' commitment to respond to the concerns of the local community.

4.2.3 Option Disadvantages

- Requires an adjustment to fees and charges outside of the Annual Plan cycle.
- Potential to cause frustration with cruise ship lines due to the relatively short time until the summer season. However, this has been mitigated through discussions with ISS McKay to ensure the proposed change would be acceptable to the vast majority of cruise ship lines.

4.3 Option 2 – Do not revise the fees and charges for passenger vessel visits to Akaroa Harbour for the 2019/20 Financial Year.

4.3.1 **Option Description:** Leave fees and charges for passenger vessel visits to Akaroa Harbour for 2019/20 unchanged.

4.3.2 Option Advantages

- No revision required to the fees and charges published in the 2019/20 Annual Plan.
- No potential risk to relationships with cruise ship lines through making an increase relatively close to the summer season.

4.3.3 Option Disadvantages

- Fees and charges remain at same levels, limiting ability to meet additional demands put on the amenities and infrastructure of Akaroa due to increased vessel visits.
- No additional revenue to allow further maintenance work to be completed by the Parks Unit within the Akaroa region to support increased usage.
- Is contrary to the feedback received from the local community.

5. Community Views and Preferences

- 5.1 The local community has made it clear in conversations with elected members and Annual Plan submissions that they believe the level of fees and charges for cruise ship visits to Akaroa should be revisited.
- 5.2 As noted above, ISS McKay (as agent acting on behalf of approximately 95% of cruise vessels that visit Akaroa) has been consulted on the proposed increase.
- 5.3 The proposed increase will help address these concerns, as well as strengthen the relationship between the cruise ship lines and residents.
- 5.4 The Parks Unit will work closely with the Akaroa community (through the Community Board) to prioritise the additional maintenance work made possible from the proposed increase.

6. Legal Implications

- 6.1 Staff sought advice from the Legal Services Unit on the proposed increase. The Legal Services Unit advised that such a charge could be imposed by the Council relying on its powers in section 12 of the Local Government Act 2002, and that this component could therefore be resolved by the Council outside of the Annual Plan process. The component reflects the additional amenity costs which have been incurred by the Parks Unit during the cruise ship season.

Attachments

No.	Title	Page
A	Akaroa cruise passenger vessels fees and charges 2019/20 - Schedule A	

Confirmation of Statutory Compliance

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
- (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.

(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories

Authors	Michael Down - Finance Business Partner Kay Holder - Manager Regional Parks
Approved By	Brent Smith - Acting General Manager Citizens & Community Andrew Rutledge - Head of Parks

Proposed Schedule of fees and Charges for Passenger Cruise Vessels visits to Akaroa Harbour - 2019/20 Financial Year	
<i>Minimum charge per vessel for each visit to Akaroa Harbour</i>	Inc. GST
0-50 (passenger capacity)	\$ 381
51-150 (passenger capacity)	\$ 1,133
151-350 (passenger capacity)	\$ 2,648
351-750 (passenger capacity)	\$ 5,667
751-1500 (passenger capacity)	\$ 11,333
1501-2000 (passenger capacity)	\$ 12,892
2001-2500 (passenger capacity)	\$ 14,341
2501-3000 (passenger capacity)	\$ 17,207
3001-3500 (passenger capacity)	\$ 20,074
3501-4000 (passenger capacity)	\$ 22,943
4001-4500 (passenger capacity)	\$ 25,810
4501-5000 (passenger capacity)	\$ 28,678

Council reserves the right to negotiate a higher rate depending on the size of the passenger cruise vessel or the number of annual visits or length of stay.

Charges include additional amenity contribution to reflect increased services provided to meet additional usage of amenities during vessel visits.



19. On-lending Process

Reference: 19/816087

Presenter(s): Andrew Jefferies, Manager Funds and Financial Policy
Diane Brandish, Head of Financial Management

Confidentiality

Section under the Act:	The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
Sub-clause and Reason:	s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.
Plain English Reason:	CCHL has yet to confirm whether there are any proposed borrowing/on-lending arrangements coming up in this financial year.
Report can be released:	At such time as the Chief Executive is satisfied there are no longer grounds for withholding the information.

Public Excluded Item 19

1. Purpose of Report

- 1.1 To enable the Council to approve further borrowing and on-lending to Christchurch City Holdings Ltd (CCHL) in the current financial year.

2. Executive Summary

- 2.1 Since 2010 the Council has been borrowing funds to on-lend to CCHL, with these arrangements being put in place from time to time throughout each financial year. In more recent years, this borrowing has been through the Local Government Funding Agency (LGFA).
- 2.2 Each Annual Plan and Long Term Plan adopted by the Council has included the then current balance of all borrowing and on-lending to Council-Controlled Trading Organisations (CCTO), including CCHL, at the beginning of the financial year to which the Annual Plan or Long Term Plan relates. This is a global sum, and not broken down into specific arrangements with individual CCTOs.
- 2.3 Also, this approach has not included all arrangements that are proposed to be entered into during that year. These are captured at the beginning of the next financial year.
- 2.4 Staff believe this process can be improved and have recommended amendments to achieve that.

3. Staff Recommendations

That the Council:

1. Agrees to provide debt funding to Christchurch City Holdings Ltd (CCHL) from time to time during the 2019-20 financial year, and to borrow from the Local Government Funding Agency (LGFA) for that purpose (back-to-back funding), provided that:
 - a. CCHL remains within its existing borrowing covenants.
 - b. the borrowing and on-lending is in accordance with the Council's Liability Management Policy.
 - c. staff report all such arrangements in the quarterly corporate finance report to the Finance and Performance Committee of the Whole.
2. Amends the Chief Executive's delegated authority at p.20 of the Council's Delegations register as follows (proposed amendments in bold):

Manage Council Borrowing

To provide for and manage the Council's borrowing facilities, debt, and risk hedging according to the Council's **Liability Management Policy**, the Annual Plan, **and any borrowing/on-lending (back-to-back) arrangements proposed by Christchurch City Holdings Ltd**. This includes without limitation issuing bonds, drawing debt under existing facilities, renegotiation and extension of existing facilities, negotiation and establishment of new facilities, hedging interest rates, entry into ISDA agreements to govern derivative hedges, and the approval of counterparties).

4. Context/Background

- 4.1 Since 2010, the Council has borrowed funds to on-lend to CCHL with these arrangements being put in place from time to time throughout each financial year. Initially, and then on a regular basis over a number of years, much of the money was used to fund CCHL's support for one of its subsidiaries, Enable Services Ltd, effectively underwriting Enable's share of the cost of installing ultra-fast broadband in the city.
- 4.2 All Council borrowing is recorded in its Annual Plans and Long Term Plans. Before each plan is adopted, the Council gives senior financial staff the authority to borrow, in accordance with the Council's Liability Management Policy, sufficient funds to enable the Council to meet its funding requirements as set out in the plan for the next financial year.
- 4.3 Each plan includes the Council's opening debt balance which at 1 July 2019 was \$1.9 billion. Of this, \$614 million comprised money borrowed for on-lending to CCTOs in accordance, as required, with the Liability Management Policy. The opening balance was approved by the Council when it adopted the 2019-20 Annual Plan.
- 4.4 The effect of this process is that money borrowed from LGFA and on-lent to CCHL from time to time throughout a year is not captured in an Annual Plan or Long Term Plan until such time as it is included in the opening balance for the next financial year. It is, however, identified in the quarterly corporate finance report to the Finance and Performance Committee of the Whole, at which time elected members have the opportunity to comment on the information provided to them.
- 4.5 Staff recognise that the process could be improved and have recommended that the Council resolves to provide debt funding to CCHL, from time to time throughout the 2019-20 financial year. Staff will ensure that appropriate provision for this borrowing is made in future Annual

Plans and Long Term Plans. CCHL will be asked to provide an indication of any proposed borrowing and on-lending at the beginning of each year.

- 4.6 The Liability Management Policy focuses on Council borrowing arrangements, including those for the purpose of providing funding to CCTOs. All debt is managed within the limits set out in the policy and is repaid as it falls due, or is rolled over or re-negotiated subject to appropriate approval and debt limits. Before entering into arrangements involving CCTOs, including CCHL, the Council must also be satisfied they will remain within their own existing bank covenants.
- 4.7 Staff understand that LGFA is developing arrangements that could allow CCHL to borrow directly from LGFA rather than through the Council, perhaps as soon as this current financial year. Once Council and CCHL staff are advised of the terms and conditions of this proposal, they will consider whether or not they are acceptable and report to the Council for a decision.

Legal Implications

- 4.8 Advice from the Legal Services Unit is that the risk of any of the arrangements approved to date being challenged on the grounds that the decision-making process adopted by the Council was in some way flawed is very low. The Council's contractual obligations arising from it being a party to the arrangements are unlikely to be affected by what has amounted to a delay in approving those arrangements until the end of the financial year in which they were made.

The borrowing and on-lending arrangements do not breach the requirements of the LGA in relation to CCOs and CCTOs.

Attachments

There are no attachments for this report.

Confirmation of Statutory Compliance

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

- (a) This report contains:
- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
 - (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.
- (b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories

Authors	Andrew Jefferies - Manager Funds & Financial Policy Ian Thomson - Special Counsel Governance Jill Dijkstra - Legal Secretary
Approved By	Carol Bellette - General Manager Finance and Commercial (CFO)