

STAFF REPORT

TO: Chairman & Members, Council Enterprise Subcommittee

FROM: David Ward

DATE: 14 July 2005

SUBJECT: Port Tarakohe – Current Issues and Financial Projections

1 Aquaculture Levy

At its meeting of 9 December 2004, this Subcommittee resolved to impose a levy of \$1 per backbone metre on mussel lines within Golden Bay. The purpose of this levy was two-fold, firstly to address the issue of aquaculture industry members using but not currently paying for port services and secondly, to effect a funding formula for the proposed enhancement of the existing wooden wharf.

Subsequent to that meeting there have been several discussions both formal and informal, with members of the aquaculture industry. The response from industry members has been interesting – total support for the proposal has been received from Golden Bay domiciled industry members, however the response has been mixed from the industry executive, albeit the executive do agree that it is inequitable to continue paying nothing.

In March 2005, invoices to the value of \$43,476 for backbone levies were issued to industry members. To date the majority of these remain unpaid as aquaculture industry politics are being sorted out. Council staff, together with the Port Users Group (incorporating Golden Bay aquaculture industry members are clearly of the view that invoices issued are to be collected, or at the very least, a charge be made for equivalent wharfage and storage. The Port Users Group support the view that wharfage and storage charges are less desirable – they will be based on daily declarations from facility users and administratively will take more time and effectively cost more to be levied.

Recommendation

That staff be instructed to proceed with the collection of levies from the aquaculture industry, thereby ensuring their equitable contribution for services used at Port Tarakohe.

2 Facility Leases

There are currently three separate leases operating at Port Taranaki. These are:

- Pohara Beach Boat Club for a defined area on the reserve
- Talley Fisheries Ltd for a defined area at the end of the main wharf
- Nelson Petroleum Distributors for a fuel tank and bowser

Each of these leases have been in place for a number of years and are currently subject to review.

Staff have had a recent approach from Talley Fisheries Ltd who wish to add a further structure adjacent to the area that they are leasing to complement the service that they provide to port users.

Staff and elected representatives have held recent discussions with the Pohara Beach Boat Club to ensure some of their facilities will be available for use by the public. There is an acknowledged cost in providing this service which will be accounted for when the lease is reviewed.

Whilst there is some ongoing debate as to the most suitable site for the fuel bowser currently situated adjacent to the wooden wharf, it is nonetheless acknowledged that the volumes being pumped through this bowser are sustainable and any relocation is not considered to be a significant engineering or financial exercise. Nelson Petroleum Distributors are the sole fuel dispenser at the port.

The Manager – Property has been requested to assist with the review of each of the existing leases and to negotiate suitable terms.

3 Harbour Manager's Contract

The contract with Mr Kilgour expired at 30 June 2005. This contract was initially written for a three year period with specific emphasis in that document being placed on:

- Council's onsite overseer for port development work
- Review and reallocation of port berthage facilities
- To "tidy up" general aspects of the port operation

There has been significant cost attached to the first two aspects of this contract and some ongoing issues that have involved the port over the past two years.

The Chief Executive and Corporate Services Manager are currently reviewing and rewording the Harbour Manager's contract, acknowledging that there will be limits set on chargeable hours and delegated authority will be restricted in areas of significant berthing decisions, significant expenditure and public comment.

It is proposed that the Port Users Group be retained, albeit that their designated responsibilities be restricted to port operational matters.

4 Financial Matters

Attached to this report is a summary of operating income and expenditure over the past three years, and projected into the future.

When Council resolved to proceed with development at Port Tarakohe, identified funding sources included increasing levels from the aquaculture industry and enhanced levels of wharfage resulting from vessels servicing the proposed processing plant adjacent to the port.

Subsequent to the decision to proceed with development of the port, a moratorium was placed on the aquaculture industry and whilst there is no doubt that the industry will, in the future, expand significantly and thereby return increasing levels of income to the port operation, there is unfortunately going to be delay of several years before those revenue sources are realised.

When the Council owned land adjacent to Port Tarakohe was sold, one of the criteria was that the future use of that land be a complement to port activities. Subcommittee members will be well aware of the delay in establishing the proposed processing plant and the contributing factors to that. Not only has income from the servicing of this plant not materialised, but very poor scallop seasons over the past two years have seen revenue levels from casual berthage and wharfage associated with that industry almost evaporate. Again, revenue sources from these two activities will be reinstated in the future, but there will be some acknowledged delay in reaching the anticipated levels.

Revenue levels from berthage activities in the year ended 2005 are at a reduced level as during the course of this year we exercised the right to purchase existing marinas from perceived owners of these facilities. This was more prevalent in the former boat club marina and some casual berths. Berthage fees for 2005/2006 will be increased to reflect full charges.

On the expenditure side of the activity, general port operations continue to operate to budget. There has however, been larger than anticipated expense in a couple of areas that we need to address. Firstly, Harbour Manager remuneration levels have been considerably higher as a result of a number of abnormal activities. Money spent on professional services and general governance has been at an unacceptably high level due to the need to continually respond to repeated communications relating to port operations. The wharf maintenance expenditure has been at a higher level than anticipated. This is possibly due to a softened stance towards the perpetrators of some aspects of damage to the wharf.

Council is currently spending a significant sum of money annually to provide port-a-loos adjacent to the boat ramp. One of the outcomes to negotiations with the Pohara Beach Boat Club will be that a diminished cost will be absorbed within the lease arrangement with that Club and the port-a-loo facility will be removed.

As a result of the issues that I have identified above, we will need to focus on increasing revenue sources to the port – specifically reviewing casual berthage rate and an overhaul during our annual review of wharfage charges. We see these as temporary measures until revenue sources from aquaculture and wharf usage reach anticipated levels during the next two to three years.

Various requests have been received to provide more expansive financial reports on a monthly basis with particular emphasis on identifying sources of income from berthage, wharfage (under several categories), lease and other income sources. On the expenditure side, more expansive reporting has been requested for operational expenses and for one-off expenses that require separate identification.

Our general ledger has been reconfigured to allow this style of reporting to be undertaken on a regular basis, effective from 1 July 2005.

The attached financial report projects a reasonable surplus for the 2006 financial year. This will defray some of those expenses that have been absorbed during the past couple of years, particularly in relation to port development issues and our identified lack of income from projected sources, albeit without placing any significant burden on permanent port users. Financial results from the past couple of years have been absorbed by prior years activity surpluses. Every attempt has been made to remove expenses of a capital nature that were associated with the port development.

Recommendation

That staff be requested to review casual berthage rates and wharfage rates to enable overall revenue sources to meet anticipated port operating expenditure costs.

David Ward
Corporate Services Manager