



# Southland Cruise Ship Visits at a Glance

Cruise ships have been visiting the Southland coast for several years, mostly into the Fiords and latterly including Paterson Inlet at Stewart Island. The number of visits and the size of the vessels have both increased. The carrying capacity of those vessels has meant that the number of cruise passengers visiting Southland's coast has increased from around 6,300 in 2001/2002 to approximately 110,000 passengers in 2011/2012, (excluding the ships' crews).

Fiordland as a cruise destination within New Zealand, has been promoted and marketed internationally by Cruise New Zealand and Tourism New Zealand as a must-visit component of the total New Zealand cruise experience since the late 1990s. The table shows the pattern of visits to Southland based on the visit schedules for those years.

market for international visitors to New Zealand, behind Australia, United Kingdom and United States of America. Early port bookings indicate that growth will continue into 2012/13 season.

Since the late 1990 Environment Southland has formed a very close working relationship with Cruise New Zealand. Cruise New Zealand is the country's representative of the wider

cruise industry and has significant contacts world-wide that assist the Council in developing and maintaining the necessary relationships with the cruise company owners.

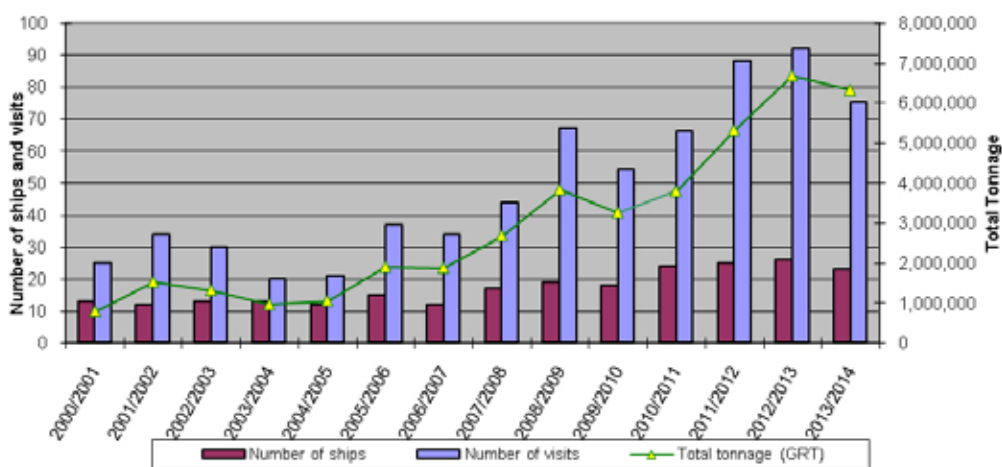
## The Regional Coastal Plan and the Deed of Agreement

The Deed of Agreement for cruise ships wishing to enter the Fiords was introduced through the Regional Coastal Plan in 2001. Section 13 of the Coastal Plan deals with cruise ships operating in the internal waters of the Southland region, and cruise ships either require a resource consent or they have to sign into

the Deed of Agreement. The signatories to the Deed are Environment Southland and individual international cruise companies.

The Deed of Agreement is a quasi-resource consent and places environmental obligations on the companies operating ships entering and transiting the Fiords. The requirements set out in the Deed are similar to the conditions of any resource consent. The Deed also assists in managing the potentially significant risks associated with large ship movements and transits through the enclosed waters of the Fiords. Significant response funds would be required should there be a ship incident within the isolated parts of the Fiords.

Pattern of Cruise Ship Visits to Fiordland



In terms of the New Zealand context, a report prepared for the Ministry of Economic Development, Tourism New Zealand, and Cruise New Zealand in September 2010 said:

*The industry has grown reasonably steadily in New Zealand over the past decade and a half. In the 1996/97 season 27 cruises brought 19,400 passengers to New Zealand. The industry has grown on average by 14% per annum since then. This trend is likely to continue, with passenger numbers increasing by 26% in 2010/2011 and 45% in 2011/12. In the 2011/2012 season the cruise industry will become the third largest*



### The Environment Southland Marine Fee

In the Deed, there is an economic instrument called the Environment Southland Marine Fee which is calculated based on the gross registered tonnage of each ship. It is named that way to reinforce to the maritime industry that it is a port due, but in resource management terms, the payment is a financial contribution as set out in Policy 13.5 and Section 17 of the Regional Coastal Plan. It is a charge that would normally be levied on any other resource consent in these circumstances under Section 108, Resource Management Act 1991.

Up until 2001, all the Council's expenditure within the coastal marine area over 3,100kms of coastline, was funded by the ratepayers across the region. Those projects included all the work undertaken in coastal policy, coastal science, aquaculture management, harbour management, and coastal compliance. The Council was looking for a way to reduce or offset that burden on the general ratepayers by directly obtaining some user pays revenues from the users of the coastal marine area including the cruise ship industry. That industry was the one that the Council thought created the greatest environmental risk to the fiords and to the way the Council managed the area.

The Marine Fee first came due in the 2001/2002 cruise season and it generated about \$260,000 (from 23 visits) for that season. Since that time, total income from that source up to and including the 2011/2012 season, has generated in the order of \$10m. Last cruise season generated \$1.67m (from 87 visits) and the 2012/2013 season is estimated to generate \$1.9m. Realising that figure heavily depends on weather conditions and mechanical breakdowns which can cause cancellation of visits and thus a reduced revenue.

We need to keep in mind that this user pay arrangement could change rapidly in response to changes to the business and operating environments that the cruise ship industry operates within. It is an extremely cost sensitive industry and companies could easily reduce or cut the fiord visits from their schedules. If that case, the Council would again have to source future revenue for coastal management from the general ratepayers through a significant rise in the general rate.

The Agreement requires Environment Southland to account for the receipts and fund use as a reserve fund rather than income and expenditure. That means we maintain and disclose the reserve balance in our financial reports. In view of the risk of the potential loss of visits, it is considered prudent to maintain a reserve balance of at least one year's forecast expenditure. That would allow time to see whether the loss of visits was temporary or permanent, would mean our expenditure could continue and would provide adequate lead time to propose and establish a replacement rating regime.

The Council is now at the point where all of its expenditure on coastal management is paid for from the Marine Fee. There is no ratepayer contribution currently required, so the Marine Fee is substituting for or offsetting those rate requirements. For example, in the 2011/2012 year, the coastal management expenditure for that year was \$1.45m. If that level of expenditure was to be taken from the general rate, it would have increased the general rate by about 26%.



Just one of the cruise ships that visits Fiordland each year.

### Where the Money Goes

The expenditure funded from the Marine Fee are on those parts of the Council's business and legal responsibilities within the coastal marine area and coastal environment that would normally be paid for by rates. This is guided by the provisions of Sections 13 and 17 of the Regional Coastal Plan. By way of examples, these can include functions, activities or projects such as:

- Harbourmaster functions, including navigation safety, harbour safety management systems; cruise ship liaison, scheduling, and daily management; Fiordland Pilot training and certification (carrying a certified Pilot on board ships in Fiordland is mandatory); management of anchorages and moorings; Deed of Agreement management; risk assessments of ships wishing to enter the Deed;
- Coastal hazard management, which includes risk management to land and property from land slip, sea level rise, storm surge, and tsunami. This includes contributions into the Lifelines project for coastal hazards relating to infrastructure;
- Coastal policy and planning function which includes managing the Regional Coastal Plan, plan changes to that Plan, aquaculture reforms and management, surface water activity management, working with other coastal management agencies such as the Fiordland Marine Guardians and the Department of Conservation on joint projects;
- Coastal Heritage support which includes contributions to the Bluff Maritime Museum, and partnering with Historic Places Trust, Department of Conservation, Iwi, and the Southland District Council to investigate and preserve important archaeological sites around the Southland coast;
- Coastal science programmes, including coastal water quality science reporting and monitoring, bathing beach standards monitoring and reporting, State of the Environment reporting on the Coastal Environment, and estuary science, monitoring and reporting;
- Marine Biosecurity programme, including Undaria management and eradication in Fiordland and responding to other threat vectors around the coast;
- Supporting coastal emergency groups such as marine radio, marine weather station installations, aids to navigation, and coastguard units;
- Providing public access to the coast through such projects as the Invercargill to Bluff walkway/cycleway, where the Council contributes along with the Invercargill City Council;

- Coastal compliance where the costs of one coastal compliance officer are covered from the Marine Fee;
- Supporting iwi coastal projects such as the toheroa surveys and research on Oreti Beach, and investigating the impacts of the motor cycle racing on the beach;
- Contributions in substitution of rates monies into projects like the Regional Policy Statement development. As the coastal component cost of that document makes up a quarter of that project, that quarter cost is covered from the Marine Fee rather than from rates;
- Contributing co-funding into joint projects such as the Southland coastal environment landscape study with the Southland District Council;
- Contributing to Stewart Island amenities;
- Contributing to and supporting shore line clean-up programmes.

### Support for Other Projects

The Marine Fee financial contribution is not a contestable fund. However, under a specific operational policy, the Council has established a discretion to consider requests for grants or contributions from any annual surplus funds to projects that the Council considers match the Council's financial contribution policies in Sections 13 and 17 of the Regional Coastal Plan.

These requests are considered after the Council's own coastal management funding requirements have been taken into account, and provided there are surplus funds available once the final income figures are known at the conclusion of the season in which the request is made. The Council does not consider such funding requests appropriate where the project proposed is the core business of another agency which should be funding the project from its own funding sources.

### More Information Sources

For further information on the cruise ships around Southland and the Deed of Agreement: [www.es.govt.nz/living-in-southland/along-the-coast/maritime/cruise-ships](http://www.es.govt.nz/living-in-southland/along-the-coast/maritime/cruise-ships)

For the schedule and names of cruise ships visiting New Zealand: [www.cruisewzealand.org.nz](http://www.cruisewzealand.org.nz)

For information on the cruise industry's economic impact on New Zealand: [http://img.scoop.co.nz/media/pdfs/1009/CNZ\\_Economic\\_Impact\\_Report\\_2009101112.pdf](http://img.scoop.co.nz/media/pdfs/1009/CNZ_Economic_Impact_Report_2009101112.pdf)