

# Auckland Transport Wharf Network

Auckland Transport (AT) manages over 20 wharves in the Auckland region.

Operators are charged wharf access charges to cover the cost of wharf operations. Some other external revenue is also received such as commercial rental.

## Operator Wharf Access Charges

AT grants operators the right to access and utilise wharves, and the water space, for marshalling, loading and unloading vehicles, passengers and cargo.

In return, AT charges operators and users a mix of wharf access charges covering:

- Passenger boarding and alighting charges
- Vehicular boarding and alighting charges
- Vessel touchdown fees
- Vessel layover charges
- Freight loading and unloading levies

The type and value of these charges vary depending on the wharf and the access agreement it is covered by.

Currently the wharf operator access charges are recovered by way of a number of legacy agreements and by some new contracts negotiated by AT with operators.

- Devonport is covered by a licence agreement inherited from North Shore City Council which expires in March 2032
- The Hauraki Gulf Islands (HGI) wharf network, (Matiatia, Kennedy Point, Tryphena, Whangaparapara, Orapiu, Rakino and Okupu), is governed by an evergreen agreement inherited from Auckland City Council
- The Half Moon Bay vehicular ferry wharf is covered by a licence agreement expiring in March 2021 inherited from ARTNL
- Downtown Ferry Terminal, Stanley Bay, Beachhaven, Hobsonville, Birkenhead, Northcote, Gulf Harbour, Half Moon Bay passenger, West Harbour and Pine Harbour are all covered under new Access Agreements negotiated by AT with the operators
- AT pay Pine Harbour and West Harbour a fee to access the marina and the berths to operate a passenger ferry service from these marinas
- AT have a leased berth at Gulf Harbour that expires in 2035 to operate a passenger ferry service from this marina
- Sandspit, Schoolhouse Bay and Southcove are primarily recreational wharves and not covered by an access agreement
- AT has a leased berth at Bayswater until 2028, which comes with a licence to operate a commercial ferry service

## Other Income

Other external revenue is also earned at a few of the larger wharves. These include:

- Rental income from commercial tenants
- Miscellaneous income from advertising
- Charges for casual vessel berthage (i.e. non-scheduled Ferry services)

## Operating Expenditure

AT incurs the costs of operating and maintaining the wharves covering:

- Maintenance and cleaning (including repairs)
- Security (including CCTV)
- Electricity
- Professional services (external providers)
- Professional costs (in-house)
- Overheads (including rates, water, leases, miscellaneous communications and administration costs)
- Depreciation

Anything not covered by levies is paid for by ratepayers.

The agreements provide the option to review access fees. The agreements also have a five year glide path to cover the pro-rata by operator cost of operations and maintenance.

In the event that expenditure is lower than the value of levies received through the access charges, then, dependant on the agreement, either a refund is made to the operators or the levy rate is reviewed for future years.

In the case of the agreements covering Devonport, Hauraki Gulf Islands (HGI) wharf network, and Half Moon Bay vehicular ferry wharf the rates in the agreements have not been increased for several years to keep costs to a minimum for operators.

With the HGI agreement, levies are collected across the group to cover the maintenance operations of all HGI wharves as a total group. This is a principal embedded into the agreement, which acknowledges that there is some cross-subsidy for those wharves which are lightly used, e.g. Great Barrier Island and Orapui (Waiheke). Revenue collected and expenditure made is collated on a wharf by wharf basis, but reported rolled up against the agreement as a whole, in accordance with the terms of the HGI agreement.

If the existing evergreen agreement was to be cancelled and a new agreement treated each wharf in its own right, there would be a small per passenger reduction in the levy paid for the major HGI wharves and a need for Council to either directly fund these wharves or consider their future viability.

## Renewals and Capital Expenditure

AT also incurs significant renewals and new capital expenditure across the wharf network. This varies significantly year on year and wharf by wharf depending on its condition and other operating requirements. In the long run, the depreciation cost should cover this work however, there is some deferred maintenance. There is also a need to increase investment over time for heavily used wharves like Downtown, Matiatia and Devonport.

AT's assets are regularly assessed for their condition by external engineering consultants. These reports support the weekly and monthly inspections undertaken by AT staff, contractors or maintainers. These in turn, feed into an overall Asset Condition Assessment and the production of a Forward Works Plan for renewal activity. This provides a three to five year detailed projection of renewal activity required, plus a planned expenditure profile over the next 10 to 15 years.

Due to the age profile of some of the older assets, there is currently a high level of renewals on ferry assets. This is due to assessed condition ratings and increased use in recent years as ferry service frequency and patronage have increased.

Other factors considered in the forward works planning of renewal works include:

- The packaging of renewal items to minimise overall cost, e.g. the cost of transport materials, personnel and equipment to Great Barrier Island allows opportunity for renewal items to be deferred or accelerated into a single year's programme to minimise cost and maximise output
- The timing of renewal items to minimise operational maintenance expenditure
- The renewal of individual components as a single renewal item to minimise overall expenditure over several years
- Completion of renewal or minor capital items to achieve customer experience outcomes

Whilst overall expenditure is reviewed and smoothed over multiple years, on an individual wharf basis this can result in an uneven spend year to year.

Attachment 1 contains details of renewal and capital spend by wharf over the last couple of years.

## **Wharf Reporting**

For the wharves covered by the new access agreements negotiated by AT with the operators, AT is required to prepare a quarterly summary of revenue and cost for each wharf. Attachment 2 summarises the 2015/16 year (the first year under the new agreements) and also the first nine months of 2016/17.

The Half Moon Bay vehicular agreement requires an annual return of revenue and cost incurred. Attachment 3 is an extract from the return and summarises the last two years.

The wharves covered by HGI wharf agreement are operated together as a network. The agreement requires a report summarising revenue and cost for the HGI wharf network which is provided to the Local Board every six months. Attachment 4 is an extract from the return and summarises the last two years.

The remaining wharves have no specific reporting requirements. We have detailed the revenue and cost in a similar format to the new AT access agreement requirements and shown these in Attachment 5. This information is commercially sensitive as the breakdown could allow competitors to the incumbent ferry services to estimate patronage and should not be issued publicly.

## **Conclusion**

Currently the wharf operators access charges do not recover the full cost of operating or maintaining the wharves. They should, except where the agreement requires otherwise.

The expenditure incurred on the wharves is often highly variable from year to year.

The wharves operated under the new access agreements have agreed increases in the access charges on a year on year basis with the aim to ensure the revenue meets the costs of operating these wharves over a five year period.

For the wharves operated under legacy contracts AT will need to ensure it moves to a full cost recovery over time as the agreements expire.

## Capital and Renewal Expenditure by Wharf

Capital and renewal expenditure fluctuates each year. The majority of the work is planned in the forward works programme which is compiled each year. The balance is spent on additional jobs that arise during the year.

	Capex & Renewal 2015 \$	Capex & Renewal 2016 \$	Capex & Renewal 11 months to May 2017 \$
Stanley Bay	7,201	-	5,652
Beach Haven / Hobsonville	21,143	10,648	14,300
Downtown Ferry Terminal	1,509,145	260,092	488,396
Birkenhead / Northcote	32,786	11,450	14,687
Gulf Harbour	10,437	8,026	-
HMB Passenger	60,356	-	122,390
West Harbour	-	-	-
Pine Harbour	-	-	-
Bayswater	108	-	-
Devonport	169,230	330,397	220,435
HGI	524,107	462,407	521,603
HMB Vehicular	155,164	1,143,347	305,069
Sandspit	6,672	-	63,274
Schoolhouse Bay	3,545	-	214,868
Southcove	7,736	-	108,274
<b>Total Wharves</b>	<b>2,507,631</b>	<b>2,226,367</b>	<b>2,078,947</b>

## Auckland Transport Common Access Agreements

The following wharves collect access revenue based on the common access terms recently negotiated and implemented by AT:

- Downtown Ferry Terminal
- Half Moon Bay Passenger
- Birkenhead / Northcote
- Hobsonville / Beach Haven
- Stanley Bay
- Gulf Harbour
- West Harbour
- Pine Harbour

Under the common access terms, AT is required to prepare a quarterly cost report and submit it to the operators. Reporting at this level started in the 2015/16 year. Details of the 2015/16 year results and the third quarter 2016/17 year to date results are detailed below.

The agreement in place increases the access charges on a year on year basis to ensure the revenue meets the costs over five years. Once the fifth year is complete in 2019/2020 the charges will be reviewed.

### Full year report to 30 June 2016

#### Ferry Operator Profit and Loss Report

##### Total Recoverable Wharves

For the twelve months ending 30 June 2016

	Operating Income	Operating Expenditure	P/(L) from operations	Depreciation	Admin costs	Direct Personnel costs	Overhead Costs	Surplus / Shortfall
Stanley Bay	38,904	42,799	(3,895)	64,327	1,028	4,462	3,942	(77,653)
Beach Haven / Hobsonville	52,653	137,511	(84,858)	123,741	324	1,404	9,204	(219,531)
DTFT	2,767,231	1,426,547	1,340,684	1,498,862	78,381	340,014	117,033	(693,606)
Birkenhead / Northcote	101,015	315,727	(214,712)	244,756	3,128	13,570	20,201	(496,369)
Gulf Harbour	66,239	87,979	(21,740)	24,687	1,748	7,581	4,270	(60,025)
HMB Passenger	137,028	207,677	(70,649)	12,550	5,207	22,588	8,681	(119,675)
West Harbour	55,049	146,133	(91,084)	0	1,396	6,054	5,375	(103,909)
Pine Harbour	70,519	88,141	(17,622)	0	1,946	8,440	3,448	(31,456)
<b>Total Recoverable Wharves</b>	<b>3,288,638</b>	<b>2,452,515</b>	<b>836,123</b>	<b>1,968,923</b>	<b>93,157</b>	<b>404,112</b>	<b>172,155</b>	<b>(1,802,224)</b>

## March 2017 compared to March 2016

### Ferry Operator Profit and Loss Report

#### Total Recoverable Wharves

For the nine months ending 30 March 2017

	Operating Income	Operating Expenditure	P/(L) from operations	Depreciation	Admin costs	Direct Personnel costs	Overhead Costs	Surplus / Shortfall
Stanley Bay	47,627	79,259	(31,632)	48,259	1,282	1,973	4,577	(87,723)
Beach Haven / Hobsonville	52,804	81,787	(28,983)	81,866	657	1,011	5,786	(118,303)
DTFT	2,329,405	1,079,723	1,249,682	1,120,271	89,739	138,080	84,973	(183,382)
Birkenhead / Northcote	108,574	230,210	(121,636)	160,503	3,807	5,858	14,013	(305,817)
Gulf Harbour	58,158	22,716	35,442	18,562	2,561	3,941	1,672	8,706
HMB Passenger	114,283	141,519	(27,236)	6,005	6,489	9,984	5,740	(55,454)
West Harbour	54,963	125,309	(70,346)	0	2,191	3,372	4,581	(80,490)
Pine Harbour	51,567	69,471	(17,904)	0	2,676	4,117	2,669	(27,367)
<b>Total Recoverable Wharves</b>	<b>2,817,381</b>	<b>1,829,994</b>	<b>987,387</b>	<b>1,435,466</b>	<b>109,402</b>	<b>168,336</b>	<b>124,012</b>	<b>(849,829)</b>

### Ferry Operator Profit and Loss Report

#### Total Recoverable Wharves

For the nine months ending 31 March 2016

	Operating Income	Operating Expenditure	P/(L) from operations	Depreciation	Admin costs	Direct Personnel costs	Overhead Costs	Surplus / Shortfall
Stanley Bay	28,450	30,793	(2,343)	48,245	817	3,396	2,914	(57,715)
Beach Haven / Hobsonville	32,953	111,804	(78,851)	96,452	257	1,068	7,335	(183,964)
DTFT	1,637,528	1,050,838	586,690	1,060,303	62,252	258,822	85,128	(879,814)
Birkenhead / Northcote	6,639	228,535	(221,896)	191,255	2,485	10,330	15,141	(441,107)
Gulf Harbour	39,762	85,551	(45,789)	18,515	1,388	5,771	3,893	(75,356)
HMB Passenger	85,799	151,896	(66,097)	10,548	4,136	17,194	6,432	(104,407)
West Harbour	1,345	121,868	(120,523)	0	1,108	4,608	4,465	(130,705)
Pine Harbour	1,644	67,391	(65,747)	0	1,545	6,424	2,638	(76,354)
<b>Total Recoverable Wharves</b>	<b>1,834,120</b>	<b>1,848,677</b>	<b>(14,557)</b>	<b>1,425,318</b>	<b>73,988</b>	<b>307,614</b>	<b>127,946</b>	<b>(1,949,422)</b>

## Half Moon Bay Vehicular Agreement

The Half Moon Bay Vehicular wharf recovers its costs under the Half Moon Bay licence agreement. AT collects rental income, touchdown charges and access fees to the extent that the wharfs costs are recovered.

The Half Moon Bay licence agreement is a profit sharing agreement, on an annual basis any income that is received that is greater than costs (opex and renewal) will be returned to operators on a pro rata basis.

An extract from the Half Moon Bay – Vehicular report is detailed below.

<b>Half Moon Bay Wharf - Vehicular</b>		
	<b>2015</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
<b>Revenue</b>	<b>350</b>	<b>362</b>
<b>Expenditure</b>		
Repairs, Maintenance and direct personnel	343	119
Depreciation	50	46
Other operating costs	92	59
Overheads	15	15
<b>Total Expenditure</b>	<b>500</b>	<b>239</b>
<b>Surplus/(Deficit)</b>	<b>(150)</b>	<b>123</b>

## Summary of Wharf Revenue and Costs for HGI Wharf Network

The following wharves are charged access fees under the Hauraki Gulf Islands(HGI) wharf user fee charging system:

- New Matiatia
- Old Matiatia
- Kennedy Point
- Orapiu
- Rakino
- Tryphena
- Whangaparapara
- Okupu

This wharf system is self-funding, the prescribed fees are to be charged in respect of services provided, and the fees are to recover no more than the reasonable costs incurred.

The HGI wharf network has always been operated as a network and reported as such in accordance with the agreement rather than at individual wharf level. The agreement was designed, we understand, to ensure that income from across the wharf network could be used to maintain and operate all wharves resulting in an inevitable sharing of costs and income across the network. The income is also not published by individual wharf as this may result in the ability for rival ferry service operators to assess the patronage of existing operators, which is considered commercial information by existing ferry operators. However, in more recent years AT has maintained a summary of revenues and costs by wharf for management and operational purposes.

The HGI wharf user charges were published in 2001 and have not been increased since to keep costs for users to a minimum.

<b>Hauraki Gulf Islands Wharf Network</b>		
	AT	AT
	2015	2016
	\$000	\$000
<b>Revenue</b>	<b>1352</b>	<b>1554</b>
<b>Expenditure</b>		
Maintenance and direct personnel	682	436
Depreciation	549	518
Other operating costs	441	391
<b>Total Operating Expenses</b>	<b>1672</b>	<b>1345</b>
<b>Net Operating Surplus/(Deficit)</b>	<b>(320)</b>	<b>209</b>
<b>Total Capex/Renewals</b>	<b>522</b>	<b>463</b>
<b>Surplus / (deficit)</b>	<b>(842)</b>	<b>(254)</b>