

**QLDC Council
18 April 2019****Report for Agenda Item: 11****Department: Finance & Regulatory****Shotover Jet Licence and Concession Agreement Renewal****Purpose**

The purpose of this report is to consider the renewal of the Shotover Jet Licence and Concession Agreement.

Recommendation

That Council:

1. **Note** the contents of this report;
2. **Grant** the Shotover Jet Licence and Concession application for renewal for the maximum period being 1 April 2019 to 31 March 2024 (i.e. a further five years).

Prepared by:



Anthony Hall
Manager: Regulatory

3/04/2019

Reviewed and Authorised by:



Stewart Burns
GM Finance Legal &
Regulatory

4/04/2019

Background

- 1 Queenstown Lakes District Council has granted Shotover Jet Limited a concession to operate jet boating tours on the Shotover River.
- 2 The renewal provisions are such that if Shotover Jet wishes to renew the Agreement, then that is automatic subject to the conditions around its performance of the concession conditions. Council monitors Shotover Jet Limited's performance through the Harbour Master, who conducts enquiries of the company both in regard to the Agreement and in his role as a Maritime New Zealand Safety Auditor.

Comment

- 3 Shotover Jet is applying to renew the Licence and Concession Agreement for the next 5 year period commencing 1 April 2019 up to and including 31 March 2024. The Council is required to renew it provided clauses 3.3(a) and 3.3(b) of the concession have been met.

“3.3 (a) SJQ has complied with all material terms and provisions of this Concession and

3.3 (b) The Council is satisfied as a result of such an audit and detailed reviews as may be reasonably carried out by the Council in terms of this concession that SJQ has operated in the Business pursuant to and in accordance with a Code of Practice and Safe Operational Plan in accordance with Part 80 and approved by the Authorised Person as required by Part 80.”

These conditions have been met and this is outlined in the Harbour Master’s report, *attachment (A) - Shotover Jet Concession Rollover, Current Status Report.*

Options

- 4 Option 1 Do nothing

Advantages:

- 5 Nil

Disadvantages:

- 6 Concession will lapse, with negative financial and implications for Shotover Jet and Council and may lead to legal action.

- 7 Option 2 Renew Concession

Advantages:

- 8 Consistent with agreement

Disadvantages:

- 9 Nil

- 10 This report recommends **Option Two** for addressing the matter because [condition clauses 3.3(a) and 3.3(b) of the concession have been met]

Significance and Engagement

- 11 This matter is of low significance, as determined by reference to the Council’s Significance and Engagement Policy because Council is required to renew the agreement provided clauses 3.3(a) and 3.3(b) of the concession have been met].

Risk

- 12 This matter relates to the Regulatory/Legal/Compliance risk category. It is associated with RISK00031 'Ineffective Management and Governance over Legislative Compliance' within the QLDC Risk Register Given that the performance of Shotover Jet Limited meets the criteria for renewal specified in the concession, a decision to decline the application for renewal would be considered an inconsistent decision under section 80 of the Local Government Act 2002. It is very likely that a decision not to renew the Agreement would result in legal action.

Financial Implications

- 13 The granting of concession provides revenue to the Council and therefore avoids costs being incurred by ratepayers. The Long Term Plan has anticipated that the concession will be renewed.

Council Policies, Strategies and Bylaws

- 14 The following Council policies, strategies and bylaws were considered:

- No relevant policies or plans.

- 15 This matter is included in the 10-Year Plan/Annual Plan

- Regulatory/Waterways-Control/Concession fees.

Local Government Act 2002 Purpose Provisions

- 16 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

Queenstown Lakes District Council has authority to administer and regulate this concession under the Lakes District Waterways Authority (Shotover River) Empowering Act 1985.

The granting of the concession will support the continuation of a major destination attraction. Shotover Jet is Queenstown's world famous jet boat ride, taking over 3 million people since 1970. It is a leading national tourism attraction.

- Can be implemented through current funding under the 10-Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

Consultation: Community Views and Preferences

17 The persons who are affected by or interested in this matter. [Not applicable – renewal of a commercial agreement]

Legal Considerations and Statutory Responsibilities

18 Queenstown Lakes District Council has authority to administer and regulate this concession under the Lakes District Waterways Authority (Shotover River) Empowering Act 1985.

19 The Council is required to renew the agreement under the Concession Agreement provided clauses 3.3(a) and 3.3(b) of the concession have been met.

Attachments

- A Shotover Jet Concession Rollover, Current Status Report
- B Application for Renewal

Shotover Jet Concession Rollover - Current Status

3rd April 2019

Report by Harbourmaster Marty Black

This report is for the purpose of advising Council on its decision to renew the concession agreement granted by Council to Shotover Jet Limited for their operations on the Shotover River from Tucker Beach to the Oxenbridge Tunnel. It should be noted that this section of the Shotover River has unique legislation on it, being the "Shotover Empowering Act 1985" which means Council has total control on this section of the river in the interests of public safety.

As Maritime New Zealand's ('MNZ') only Part 82 auditor I can confirm that Shotover Jet underwent their annual audit on 25 September 2018. At the time Maritime New Zealand were conducting a peer review on me as an auditor and senior MNZ officer Pete Dryden was present throughout the whole audit which took around two days to complete in full.

It should be noted that this audit reconfirmed my opinion that Shotover Jet Ltd are indeed industry leaders and carry on average 150,000 passengers a year.

Since my report on the last concession rollover which was dated 19 February 2014 the Company has made further improvements in all aspects of its operation and is to be commended.

Operation Procedures/Systems

- **Comprehensive** drug testing of all staff (including casuals) now takes place on a random basis every 14 days by the NZDDA drug agency.
- **Employment.** Shotover Jet now employs 14 drivers and are currently recruiting a further two. All drivers must undergo 120 hours of training which exceeds the MNZ Part 82 Rule requirement by more than 70 hours. They also undergo three monthly reviews along with mystery shoppers. A new Go Pro system has been installed on 4 boats, with cameras on the balance of the fleet hopefully within the month. This system records everything from the time ignition keys are turned on and can be used for checking on drivers' actions and training.
- **Boat Mechanical systems in place.** The Company uses an Orion components checking system in conjunction with a special aircraft system monitor called Flight Cert which effectively monitors all critical parts the same as in the aircraft industry. Recently the new senior management role of Quality Assurance Manager has been created, the purpose of which is to further check boats remain in fully serviceable condition and are safe to operate. Currently the Company is running 7 twin powered Jetboats with Mercruiser engines. These motors have been averaging 2500 hours before replacement and one twin powered Jetboat with new Marine power engines. A further new Jetboat is currently in the final stages of being fitted out, T12 this boat will be trailing new generation Volvo V 8 motors which are lighter and supposedly more fuel efficient.
- **Health and Safety.** A monthly Health & Safety conference call is held involving key personnel from operations to senior management within the Ngāi Tahu Tourism Group. Its purpose is to report on issues or incidents that may have occurred during the month to ensure best practice is followed to prevent any possible reoccurrences. A Root Cause Analysis system which has

been used for a number of years has proved to be well worthwhile in the follow-up of incidents etc.

- **On River Systems.** During busy periods the Company operates four boats in tandem ensuring that if any Jetboat has issues, help is always at hand. At Tucker Beach the alarm infrared camera recording system is working well which activates in all boats and at base if any Jetboat or person travels into the Concession area at Tucker Beach without the necessary permit.
- **Communications.** During busy periods Shotover Jet can carry up to 1300 passengers in a day hence it is vital that a robust communication system is in place. A key role is that of the Beach Controller who clears all boats up through the first gorge, boats cannot move into the gorge until they have been cleared by the Controller.
- **Private Boat Access or Kayak Access.** All persons wishing to access the concession area must first have a safety briefing and then obtain a permit for every time they wish to access the concession area, this can be emailed to a smart phone but each person must hold a permit. It should be noted that this system has been in place since 2008 following a spate of near misses with private craft. It is now well proven and gives guaranteed safe access to all users, yet does not compromise Shotover Jet's operations.

Additional Comments

Shotover Jet Queenstown is without a doubt an industry leader and an icon in the New Zealand Tourism Industry, with many visitors coming to Queenstown viewing it as a must do experience.

In my opinion the Company and their team should be congratulated on the high level of customer satisfaction which I have observed during my regular visits to the company's base at Arthurs Point.

Conclusion

Again as Harbourmaster I am satisfied that in the last 5 year period of operations under the Concession Agreement, Shotover Jet Limited has operated in accordance with:

A Terms of the Concession document, in some areas exceeding these terms.

B Safe Operational Plan.

C Applicable Code of Practice.

D Maritime Time Rule Part 82, in a number of areas exceeded the requirements of the Rule especially with the quality control systems the Company has implemented.

Marty Black

Harbourmaster

3rd April 2019



28 March 2019

Mike Theelan
Chief Executive Officer
Queenstown Lakes District Council
Private Bag 50072
QUEENSTOWN

Tēnā koe Mike,

RE: Shotover Jet Licence/Concession Renewal

As per the terms and conditions of the above mentioned document (section 3.2 and 3.3), Shotover Jet wish to formally give notice to the Queenstown Lakes District Council it wishes to renew the existing Licence/Concession for the next 5 year period. Commencing 1 April 2019 up to 31 March 2024.

Shotover Jet also intends to apply for renewal of this Licence/Concession for each of the remaining five year period up to 31 March 2029.

We look forward to your positive response following any due diligence you may feel necessary as outlined in section 3.3 (a) and (b).

Ngā mihi,

A handwritten signature in black ink, appearing to be 'Jolanda Cave', written over a horizontal line.

Jolanda Cave

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