

**ENVIRONMENT COURT OF NEW ZEALAND
CHRISTCHURCH REGISTRY**

**I TE KŌTI TAIAO O AOTEAROA
ŌTAUTAHI ROHE**

IN THE MATTER of the Resource Management Act 1991 (RMA)

And of appeals under Clause 14, Schedule 1 of the Act

Between **MARINE FARMING ASSOCIATION INC AND
AQUACULTURE NEW ZEALAND LTD** (and all other
appellants concerned with Topic 10.16 – Coastal
Occupancy Charges)

Appellants

And **MARLBOROUGH DISTRICT COUNCIL**

Respondent

**Statement of Evidence of Ian Ross Harrison on behalf of Kenepuru and Central Sounds
Residents Association Inc, Clova Bays Residents Association Inc, and Guardians of the
Sounds Inc.**

Dated 20 November 2023

Counsel: JC Ironside
6 Moore Road
Wakefield
Nelson 7095
(03) 541 9227
Email: julian@jcironside.nz

Introduction and scope of evidence

1. My full name is Ian Ross Harrison.
2. I have an Honours Degree in Economics from Victoria University of Wellington and a Masters degree in International Public Policy from Johns Hopkins University.
3. My work career was largely as an economist with the Reserve Bank of New Zealand. During that time, I worked on a number of economic issues and in the latter part developed methodologies for applying cost benefit analyses to complex financial system issues.
4. During my time at the Reserve Bank I also had working engagements with the World Bank, the International Monetary Fund and the Bank for International Settlements.
5. In 2012 I established a consultancy, Tailrisk Economics, and have consulted to several New Zealand financial institutions on aspects of risk measurement and management.
6. Through Tailrisk Economics I have published multiple papers on public policy issues including: climate change adaptation and mitigation; Wellington City Council policies; covid policy; road safety; financial stability policy.
7. I recently completed cost benefit reviews including the Lets Get Wellington Moving cost benefit assessment of the Wellington Golden Mile project and the Wellington City Council speed reduction proposals.
8. In preparing this evidence I have read the statements of the following witnesses:
 - Mr John Patterson
 - Mr Kenneth Gimblett
 - Mr Pere Hawes.
 - Dr. Timothy Hazledine
8. I have also read Boffa Miskell and Executive Finesse reports and related documents.
9. My evidence relates to economic aspects of methodologies for allocating coastal occupation charges (**COC**) to coastal occupants.

Code of Conduct

10. I have read the Code of Conduct for expert witnesses in the Environment Court Practice Note 2023. I agree to comply with this Code. The evidence in my statement is within my area of expertise, except where I state that I am relying on the evidence of another person. I have not omitted to consider material facts known to me that might alter or detract from the opinions I express.

Review of the Boffa Miskell (BM) and Executive Finesse (EF) reports

11. In this review I have focused on the rationale for the disparity in the per square metre occupancy charge between marine farms and other occupants. The charge for marine farms is less than one percent of the charge for most other occupants.

12. My conclusion is that there was no coherent rationale for the disparity in the per square metre occupancy charge between marine farms and other occupants' charges. Rather the disparity is explained by a largely intuitive decision to set the shares of marine farms and other occupants at approximately 50 percent and 25 percent respectively of the \$1 million in proposed expenditures. There is no substantive analysis to justify this position.

13. I note that Dr. Hazledine in his statement of evidence also struggled to find a transparent and coherent framework in the BM and EF reports.

14. I have examined the following documents:

- The Boffa Miskell (1998) report.
- The Executive Finesse (2013) report.
- Relevant sections of the section 42A report dated 2 November 2018 on submissions and further submissions concerning Topic 11 of the proposed Marlborough Environment Plan.

- The Executive Finesse (2018) Marlborough Environment Plan: Supplementary Paper (appendix 5 of the above section 42A Report- last 2 pages).

15. I also comment on the explanation of the Marlborough District Council's (**Council**) methodology set out in Mr. Gimblett's statement of evidence.

Document reviews

The Boffa Miskell (1998) Report

16. The Boffa Miskell report was used to decide whether COC should be applied to particular classes of occupiers
17. The premise underlying the COC was that exclusive occupation of the coastal marine area is a privilege not a right. If the public are excluded by a private occupancy, they should be compensated for that exclusion and loss of opportunity.
18. The decision metric is what is termed the net private benefit. This is the private benefit plus the public costs, and less the public benefits. If this is positive, a charge should be imposed. If zero or negative, there is no charge.
19. There is a lengthy discussion relating to the calculation of this metric, which is summarized in a semi quantitative form in figure one. This is difficult to interpret because it is not explained what the numbers mean. It is presumed that it is not an absolute number, rather it is an index number that allows comparisons between occupation classes. But we do not know whether the number refers to individual occupations or whole groups of occupations. This uncertainty suggests that the numbers were not seriously used to calculate the fees, as later suggested.

20. The only directly relevant result is that public jetties and boat ramps should be exempt. This was a rather complicated process to generate this result which might have been reached by a simpler, more intuitive process.
21. However, there is an implication that the scores could be used to allocate the overall charge between occupation categories. The higher the score the higher the share.
22. The net scores of the marine farm industry are: 4/5 for mussels and 8 for salmon, compared to 6 for moorings and 3 for private jetties. The private benefits from the occupancies are 5 and 4 for mooring and jetties and 4 and 5 for mussel and salmon farms. Executive Finesse claims to have used these numbers when generating their recommended shares. As I show below, they did not actually do this, at least not in any systematic manner. However, because the Boffa Miskell scores have been used to give the impression that the charge shares are backed by a robust analytical framework, it is important to have an understanding of how they were generated. There are three main issues with the approach.

1. Administration costs

23. No regard has been given to administration costs. Given the large number of moorings and jetties, it is possible that these costs could offset much of the revenue benefits for the council. There are three sources of these costs:
- The cost of developing and managing the charging systems
 - The cost of forcing compliance.
 - The cost of managing an appeals process.
24. There are far fewer marine farms, and, we understand, many are jointly owned and managed. The Marine Farming Association reports having 130 members in the upper South Island and not all will be in the Sounds, though not all marine farmers may be members.
25. However, I understand that charges of \$50 are already imposed on structures and \$81 on moorings. If this system is already functional then the marginal cost of imposing and additional coastal occupancy charge may be minimal.

2. Definition of private benefits

26. The private benefits from marine farming are limited to the value of being able to moor on the structure and to access it. No account is made of the economic benefits from the marine farming activity. This obviously grossly understates the private benefits and has no economic rationale. It is almost equivalent to valuing a farm as the value of its gate, which allows access, to the exclusion of the economic value of its pastures.

3. Definition of public benefit losses

27. In the Boffa Miskell model the only relevant negative externality is the exclusion of other parties who otherwise would have been able to occupy the same space. If this is the case the exclusion costs would be the economic value of the space occupied by the marine farm. No attempt was made to calculate this opportunity cost to other potential occupiers.

Figure one: Boffa Miskell Net private benefit calculations (page 31).

Occupation (type)	Private Benefit (a)	Public Benefit Gained (b)	Public Benefit Lost (c)	Net Private Benefit (a-(b-c))
Mooring	5	2	3	6
Marina	5	4	4	5
Jetty/wharf (private)	4	4	3	3
Jetty/wharf (public)	1	5	2	-2
Boat shed	5	1	5	9
Boat ramp (private)	5	1	3	7
Boat ramp (public)	1	5	2	-2
Marine farm (surface/sub-surface)	4	3	4	5
Marine farm (sub-surface only)	4	3	3	4
Marine farm (salmon)	5	2	5	8
Utility	1	1	2	2
Domestic services	5	1	2	6

Score: 5 = high
 4 = moderate/high
 3 = moderate
 2 = low/moderate
 1 = low

The Executive Finesse Report (2013)

29. The analysis in the Executive Finesse Report is purportedly based, at least in part, on the analysis in the Boffa Miskell report because it was 'well documented and based on sound rationale' and provides 'a fair representation of the benefits.'¹

30. It is stated that:

The benefit allocation has been assessed giving consideration to:

- *The private and public benefits assessed by Boffa Miskell Limited.*
- *Taking account the number of separate occupations within each category and the size of the occupations.*
- *The resulting occupancy charges derived.²*

31. I am not sure what the latter point meant. It is a circular argument to base charges on the charges.

32. It was claimed:

The questions of efficiency, equity (fairness), transparency and certainty were considered in the determination of the proposed charges.

Consideration of efficiency of proposed charges measured against the cost of administration and collection has lead to a charging regime which is likely to be easy to implement.

It is recognised that the cost of collection of charges for moorings will likely lead to a higher cost of administration due to the number of moorings and the administration of maintaining databases for the changes in ownership. However it is expected that the implementation of a charge will contribute to Council's records being improved as owners engage with Council to ensure changes in ownership are recorded correctly. Overtime the administration of the

¹ Executive Finesse 2013 Coastal Occupancy Charges p.11, paragraph 16

² Ibid p.19, paragraph 48

charging regime is likely to become less burdensome.

Equity considerations in relation to allocation of costs and proposed charges derived were assessed to ensure that consideration of the proposed charge was weighed up against the value of the occupancy.³

33. However, an examination of the output of the modelling in tables two and three demonstrates that the Boffa Miskell modelling had no obvious consistent connection with the recommended charges. Moorings and most jetties incur the same \$55 charge despite having net private benefits of 6 and 3 respectively. Further there is uncertainty about the unit of measure used for the mooring. This is described as the 'swing radius m². But the total mooring area of occupation was 79,269m², which suggests that the area actually occupied by the boat was used, rather than the area encompassed by the swing radius.

Table two: Executive Finesse Charge calculation by occupant type

Occupation (type)	Total Annual Expenditure	25% Rate payer contribution	Moorings	Jetty / wharf (private)	Marine Farms	Boatshed
Number			2831	705	591	343
Unit Measure			swing radius m ²	m ²	ha's	m ²
Area of occupation average			79,268	36,070	4,295	12,454
			28	51	5.26	36
Net benefit Allocation			6	3	5 (mussel) to 8 (fin fish)	9
Benefit Allocation	100%	25.00%	12.00%	5.00%	48.00%	8.00%
Expenditure Allocation	\$1,040,000	\$260,000	\$124,800	\$52,000	\$499,200	\$83,200

Source: Executive Finesse report (page 20).

³ Ibid p.22, 23, paragraph 59 - 62

Table three : Proposed occupancy charges

Proposed Charges	GST Excl. Per Annum	
Moorings	\$55	
Jetties Stepped Charge (plus other occupancies if required)		
Up to 56 m ²	\$55	
56 - 84	\$100	
>84	\$200	
Boatshed and Buildings		
Up to 84m ²	\$250	
> 84m ²	\$400	
Marine Farms		
	<u>Mussel</u> (<u>& other</u>)	<u>Fin Fish</u> (<u>x1.6</u>)
up to 4ha	\$600	\$960
4.1ha to 8 ha	\$900	\$1,440
8.1ha to 16ha	\$1,200	\$1,920
16.1ha to 29ha	\$1,200 plus \$100 per ha above 16ha	\$1,920 plus \$160 per ha above 16ha
> 29.1 ha (note at present fin fish farming does not exceed 16ha.)	\$2,500	\$4,000

Source Executive Finesse (page 21)

34. I note that the authors recognised that administration costs were an issue. But they made no effort to quantify them on the grounds that it would become less burdensome over time.

Gimblett/Donaldson S.42A Report on submissions and further submissions, Topic 11, November 2018

35. This report was co-authored by Kenneth Gimblett and Debbie Donaldson. Mr Gimblett addressed the submission points that relate to the proposed coastal occupancy charging regime. Ms. Donaldson addressed the submission points that related more generally to the allocation of space within the coastal marine area.

36. I note that Mr. Gimblett was a principal author of the 1999 Boffa Miskell report.
37. It is also noteworthy that Ms. Donaldson does not appear to fully support the Boffa Miskell methodology in her remarks. Rather she introduces a new methodology based on the benefits occupants will purportedly receive from the coastal sustainability expenditures.
38. The following are my comments on relevant sections of the report.

Jetties

It is acknowledged that the general legal principles in relation to jetties occupying the CMCA is that they are available to the public for use, principles which are reflected in the conditions that council imposes on consents for such structures. However the level of public benefit lost and gained in relation to jetties will vary across the Marlborough District. For that reason it is not considered that a blanket 'exemption' can be made from the proposed charging regime in respect of private jetties.⁴

39. It is not necessary to consider the individual degree of usage to make a decision on whether to exempt or not.

Calculation of the private benefit

It is considered that section 64A constrains the assessment of the private benefit only to that which accrues from the occupation, as opposed to the wider benefits that may accrue from any activity that occupation may enable or support. Any relationship to land-based activity will be relevantly considered in the assessment of the application for a coastal permit and the associated assessment of effects on the environment⁵

40. This is just a recitation of the assertion that the private benefit should be restricted to benefits that accrue to 'occupation'. This would be reasonable if it just excluded the onshore processing of mussels and salmon. But as implemented it also excludes the economic benefit from the production on the platforms. These are obviously not

⁴ Gimblett COC S.42A p.45, paragraph 217

⁵ Ibid p45, paragraph 218

land-based activities.

Exclusion of small occupancies

Some submitters seek that the policy is amended to exclude coastal permits for occupation of areas less than 500m². These submitters consider that this will make administering the proposed charging regime much more efficient with around 700 coastal permits to administer (instead of 4700), while excluding less than 1% of the total occupied area.

It is acknowledged that there is some appeal from an administrative perspective to exempting smaller structures from the proposed charging regime as proposed by the submitters. However 500m² is not an insignificant area and given the particular variability and complexity of scenarios that relate to structures occupying the CMCA in Marlborough, adopting such an approach would not be appropriate.⁶

41. There is no variability in the assumed area for moorings. It is a standard 28 sq. metres for all occupancies. This 28 sq. metres is about 0.03 of a percent of the average area of a marine farm occupancy (71,000 sq. metres.) In my view the 28 sq. metres is an insignificant number.

42. Jetty charges vary by area but the average jetty occupancy is about 50 sq. metres, which is also insignificant. The issue could have been resolved by simply excluding jetties and moorings from the regime.

Method of determining charges

Some submitters have queried the appropriateness of basing the charges on a m² rate vs a ha rate; including noting that private jetties are proposed to be charged \$1 or so per m² per annum, while mussel farms are to be charged approximately 1 cent per m².

Executive Finesse has provided a supplementary explanatory paper addressing some of the points raised in submissions outlined above. A copy of this supplementary paper is included as Appendix 5.⁷

⁶ Ibid p 50,51, paragraph 247,248

⁷ Ibid p.57, paragraph 276, 278

43. This response implied that the issue is addressed in the supplementary paper from Executive Finesse.

44. This is not correct. The supplementary paper provided no information relating to, or justifying the difference in the charges per sq. metre.

While it may appear that marine farms will be charged significantly less on a per m² basis than other types of coastal occupations, the total charges that will be levied on marine farms will be significantly higher than those that will be levied on other occupations, as illustrated above.⁸

45. The aggregate amount paid by each class of occupant is not a relevant consideration for determining the charge per area occupied.

A new conceptual basis for allocating COC charges

46. The s.42A report then introduces a different conceptual basis for the allocation of the cost of the sustainable management expenditure.

The allocation of the 75% share between the groups of coastal occupiers is informed in part by the extent to which those occupiers benefit from the sustainable management of the CMA generally, and specifically from the different ways in which this is undertaken by the council.⁹

47. This expenditure benefit approach is conceptually different from the occupancy benefits that purportedly underpin the Boffa Miskell model. It is different from a cost driven approach that allocates occupancy fees to the parties responsible for the need for coastal environment expenditure.

48. In an economically efficient pricing system the cost driven approach is preferred. The party that drives the need for the coastal environment expenditure should clearly pay for it.

49. On this basis the expenditures could be entirely allocated to the marine farms. No argument has been advanced by either Boffa Miskell or Executive Finesse that moorings and jetties are drivers of coastal environment expenditure.

⁸ Ibid p.59, paragraph 283

⁹ Ibid p.61, paragraph 298

50. The s.42A report response is:

It is acknowledged that allocating the charges could be based on the level to which the different groups of occupiers generate effects on the CMA, but such an approach assumes that sustainable management is only concerned with addressing environmental effects.

In my view, sustainable management encapsulates much more than that, and it is therefore more appropriate that the basis of the allocation of charges between occupiers is tailored to the benefits that those occupiers gain.¹⁰

51. In my view the right way to think about this issue is that the Council's 25 percent expenditure share accounts for these more diffuse and unidentified sustainable management initiatives. The other 75 percent is for addressing the need for coastal expenditure.

Marlborough Environment Plan: Executive Fitness Supplementary Paper

52. The supplementary paper purported to address questions raised about the disparity in per square metre charging rates between marine farms and other occupants. The paper did not engage with the issue. It just repeated the description of the arithmetic process set out in the 2013 paper and the factors taken into account.

53. It stated:

The allocation of expenditure is a subjective exercise taking account of:

Private and public benefits assessed by Boffa Miskell Limited.

Number and size of occupations within group.

Cause of expenditure and benefits derived.¹¹

¹⁰ *ibid* p.61, paragraph 291

¹¹ Executive Finesse Supplementary Report 2018 p.1

54. The description of the actual process was more informative in the sense that it made it more obvious that there was no underlying analytical framework that could be clearly articulated.

The actual allocation is an informed assessment by the writer of the report reflecting the input from Council management and staff.¹²

55. In other words, Executive Finesse and the Council generated the charges based on their idea of what was reasonable and 'fair'. It seems that the decision was that the Council should pay 25 percent, marine farms 50 percent and others 25 percent.

Statement of evidence of Mr. Gimblett

56. Mr. Gimblett says that the Boffa Miskell valuations based on lost public amenity were difficult and speculative. Accordingly, he says the approach adopted by Executive Finesse did not seek to develop or use this valuation system. Instead, he says the approach was to allocate costs between the beneficiaries of the Council's expenditure on sustainable management. By beneficiaries he means the parties driving the need for the Council's sustainable management expenditure. However, there is no evidence in their report that Executive Finesse turned their minds to the allocation of charges to the *beneficiaries* of the coastal environment expenditure (adopting the Gimblett terminology).

57. As noted above it is difficult to see how jetties, which already attract an annual administration fee, and moorings, which already attract an annual administration fee plus a monitoring fee, and buildings will generate future environmental expenditure. If a number has to be put on it perhaps 5 or 10 percent would suffice, but not the 25 percent Mr. Gimblett claims. On the other hand, it is easier to make the argument for a higher marine farm industry share. The very extent of the marine farm coverage and

¹² Ibid p.2

the emerging challenges of climate change will probably generate a higher share of the research and monitoring needs.

58. Mr. Gimblett also criticises the alternative Appendix 28 proposed by the Associations and that it fails to:

a) Recognise the variability in exclusiveness of different occupation types (practically and legally), and therefore isn't sensitive or responsive to the comparative analysis of private and public benefits. This is important for fairness.

59. This assumes that the BM analysis accurately recognizes the exclusiveness of various occupancy types. But it is not clear that it does. Importantly, even if an adjustment were made (say a doubling for a higher degree of exclusivity) it would not make much difference to the charging outcomes because the areas exclusively occupied by boats is so small in relation to the area occupied by marine farms.

b) Distinguish between forms of the same generic occupation type that materially affects the exclusivity of occupation (e.g., forms of marine farming such as surface and sub-surface activity).

60. The Councils proposals do not distinguish between surface and sub-surface activity.

c) Translate the Association's stated endorsement of assessing charges based on Council's proposed expenditure into specifying (numerically) what charges will apply, either in the regional plan or elsewhere.

61. It is my understanding that the Associations' proposal is concerned with clarifying that regard must be had to the relative area of occupation; and that the area of occupation must be calculated on an equal basis for all occupation types, as set out in Appendix 28. This is intended to provide a basis for the calculation of charges able to be levied once the proposed annual coastal environment expenditure has been set.

Statement of Evidence of Dr. Timothy John Hazledine

62. The substance of Dr. Hazledine's arguments are as follows.

63. He does not support the approach taken by the Council based on the Executive Finesse document. In particular, he notes that there was insufficient information to explain how Executive Finesse generated their proposed charges. He opines:

It may be that Council has the legal right to set COCs however it wishes, but it is surely to be preferred that the reasoning and procedures be transparent, for this case in itself, and for any precedents that the Environment Court may be setting with its decision in the case. (30)

64. He then proposes an alternative methodology based, he says, on local authority rating systems. He notes that ratings systems often have a fixed component and a component based on the capital value of the property.

65. He then poses the following question

What would coastal occupancy charges [COCs] look like if they were assessed solely on the private benefits of coastal assets, these being putatively assessed on the same principles that rates are set on non-coastal properties in Marlborough? (69)

66. He goes through an exercise where he plugs some numbers into a spread sheet to generate a total payment of \$500,000 for marine farms and \$250,000 for moorings and structures and demonstrates that he can achieve a 2:1 ratio with a combination of a fixed charge and a charge based on the value of the assets.

67. He concludes:

The bottom line of the exercise is this: those of us who would really like to see the current rating system for landed properties carried across to coastal properties (at least for the very limited purpose of collecting COCs), and who are comfortable with the 2:1 allocation of charges between marine farms and other coastal occupants proposed by EF and accepted by MDC, can be reassured that the desired outcome could

indeed be delivered by a simple but quite plausible system based on private benefits (ownership). (82)

Table one Hazledine table

TABLE: Calculating required coastal occupation charges to pay for environmental management								
	number	average area, ha	unit value	fixed charge	total charge	assessed charge	ratio	charge per unit
marine farms	591	5.26	1000000	100	500000	0.00014183	1.23	846
structures	1114		75000	100	123250			111
moorings	2831		15000	100	283100			100
	number	average area, ha	value	fixed charge	total charge	assessed charge	ratio	
marine farms	591	5.26	1000000	50	500000	0.000151335	2.38	846
structures	1114		75000	50	68344			61
moorings	2831		15000	50	141550			50
	number	average area, ha	value	fixed charge	total charge	assessed charge	ratio	
marine farms	591	5.26	1000000	60	500000	0.000149434	2.01	846
structures	1114		75000	60	79325			71
moorings	2831		15000	60	169860			60
	number	average area, ha	value	fixed charge	total charge	assessed charge	ratio	
marine farms	591	5.26	1000000	60	500000	0.000149434	1.97	846
structures	1114		100000	60	83487			75
moorings	2831		15000	60	169860			60

68. There are a number of obvious problems with Dr. Hazledine’s exercise. First, as noted above, many coastal occupiers are not happy with an arbitrary 2:1 ratio. As I explained above, there was no analytical or evidential basis for this division in the Executive Finesse exercise. Similarly, there is no justification for this ratio when used in this exercise. It is seen by many as just a device to shift costs that properly sit with marine farms to moorings and structures. I suggested above a fairer ratio based on

who are the likely *beneficiaries* of the coastal environment expenditure might be 1:10 or 1:20.

69. Second and critically the exercise hardly uses the economic value of the moorings and structures at all. The mooring charge is 100 percent based on an arbitrary fixed charge of \$60. For structures the fixed charge share is 79 percent. The proposed charging structure for moorings and structures do not resemble the structure of the Council rating system at all, which has an average fixed charge component of about 35 percent.

70. Third, Dr Hazledine's valuations are arguable. His estimates are as follows:

- For marine farms, he cites a figure of \$1million/ha. This looks to be a mistake. It appears to be the valuation of each marine farm rather than a per hectare valuation. This is apparent in his calculation table.
- For boat sheds, and jetties he uses a figure of \$75,000 as an average private value based on a suggestion of a single resident and the \$95,000 cost of new jetty and boathouse constructions. The \$75,000 figure allows for depreciation. As most jetties and boat houses are now quite old, I suggest a capital value figure of \$50,000 (which probably still overstates the depreciated value) would be more appropriate.
- For moorings his estimate of \$15,000 is based on a 'googling' of \$12,000-\$15,000 for swing moorings and more for fixed moorings for an average of \$15,000. The problem here is that there will be a wide range of values, depending on the location of the mooring and supply and demand in that location. I suggest that the more valuable moorings are more likely to be marketed and hence be picked up in a googling exercise. For this exercise we suggest a figure of \$10,000 to account for this kind of bias.

71. In table 2 below I rerun the Hazledine exercise based on the economic values of the assets. On my valuations marine farms would pay 87 percent of the total occupiers share. Structures and moorings share is 13 percent and they would pay \$84,000. On

Dr. Hazledine's valuations the marine farms share is about 83 percent of the occupiers share. Structures and moorings share would be 17 percent and they would pay around \$130,000.

72. The reason why Dr Hazledine generates higher payments is that he is required to impose a fixed charge to reach a fixed target payment of \$250,000. However, this means that his charging regime effectively becomes a poll tax for most occupiers.

Table two: Rerun of Charges based on capital values

	Number	Unit value \$'000	Total value \$'000	Share of capital value %	Charge per unit \$	Total charge \$'000
Marine farms	591	1000	591,000	87.5	1111	657
Structures	1114	50	55700	8.3	55	62
Moorings	2831	10	28310	4.2	11	31
Total	4536					750

The Proposal of the Associations

73. The Associations' proposal that marine and coastal users should pay on the basis of the same per sq. metre rate is dismissed by Dr Hazledine on the grounds that a common pricing regime would be only be necessary where there is competition for a fixed supply of the resource for allocative efficiency reasons. Allocative efficiency is not really at issue here, the numbers involved are too small. But equity is an issue. Applying the same rate to all of the parties is the obvious default and applying a lower rate to marine farms requires a special argument. Dr. Hazledine does not make one.

Administration costs

74. Dr. Hazledine makes the point that the imposition of an occupancy charge will entail two types of cost. There are the direct costs to the agency “*in the form of calculating the fees, figuring out where to send the bills, monitoring payment, chasing after late-payers, and in some cases having to write-off defaulters.*”(146) and (147) – usually ‘below-the-line’: *time spent logging on to Council and bank websites to make the rates payment; time walking around the corner to the Post Shop and queuing to pay the rego.* He quotes Adam Smith again:

Every tax ought to be so contrived as both to take out and keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the state [...]

[B]y subjecting the people to the odious examination of the tax-gatherers, it may expose them to much unnecessary trouble, vexation, and oppression, and though vexation is not, strictly speaking, expence, it is certainly equivalent to the expence at which every man would be willing to redeem himself from it. (Smith, op. cit., pp453-4)

75. Dr. Hazledine concludes by hoping that the imposition by Council of COCs would not inflict too much *vexation* on the coastal occupiers. But he does not draw the more obvious conclusion that the best solution is not to charge moorings and structures because imposing such a charge on those coastal occupiers is likely to involve *much unnecessary trouble*.

Conclusions

76. There are four pricing formulas canvassed in the evidence.

1. The MDC formal proposed based on the Executive Finesse paper. This is mainly driven by the assumption that moorings and structures should pay 25 percent of the total revenue of \$1 million (2013 dollars). The 25 percent is not supported by any analysis. The total charge is about \$250,000 because that is the target.

2. The proposal set out by Dr. Hazeldine. It similarly assumes that moorings and structures should pay 25 percent without any supporting justification. It purports to apply the MDC rating regime to the COC, but it does not. The charges for moorings are entirely set by a fixed charge, and for structures substantially so. The value of the assets do not play a significant role. The charge for moorings is \$60 and for structures \$76. The total charge is about \$250,000 because that is the target.
3. A regime based on a common charge per sq. metre of occupancy as set out in the Associations' Appendix 28. On this basis structures would pay about 7 percent of the \$750,000 or about \$50,000. This is paid by the moorings, structures pay almost nothing because of their very small area.
4. A regime actually based on estimated average capital values as set out in table 2 discussed above. On this basis the charge for moorings is \$11 and for structures \$55. The charges total about \$130,000.

77. Of the four options, I am inclined to favour option 3. Option 3 has the benefit of certainty and objectivity. Option 4 has a theoretical appeal but in practice it is difficult to establish 'market values', even as broad averages, and any estimate can be disputed. A 'compromise' solution might be an average of three and four. The average share for moorings and structures would be about 10 percent generating \$75,000 in revenue. This would be allocated evenly to all moorings and structures with an average fee of about \$20 (in 2013 dollars). The share for marine farms would be 90% of the overall share to be met by coastal occupations and would be calculated on area occupied basis.

78. I do not support options 1 or 2. They are both just devices to impose an arbitrary pre-ordained share on structures and moorings.



Ian Ross Harrison
20 November 2023