

Media Release

8 March 2017

Berth-holders forming Working Group to analyse options

There is a considerable amount of misinformation currently circulating about potential changes to the berthing assets presently accommodating commercial fishing parties, charter operators and recreational users at Bluff. These berths are provided via two main structures (refer explanatory infrastructure map attached):

1. Finger pier (71 berths)
2. Inside face of west end of Town Wharf (9 berths)

No changes have been effected at this time other than to limit access to the Town Wharf berths to pedestrian use by existing berth-holders. This action has been necessary because of Health and Safety requirements.

South Port owns the berth structures and has maintained them over an extended period of time but they have now reached the end of their useful lives. Significant capital sums (in addition to ongoing R&M) will be required to extend the useful lives of these structures and meet Health & Safety obligations. For the west end of the Town Wharf (which historically was used for bulk cargo transfers) this upgrade spend is estimated to be tens of millions of dollars.

South Port is an NZX listed company and has a broad shareholder base in addition to major shareholder Environment Southland (66%). Notwithstanding this ownership mix, South Port operates under the Port Companies Act 1988 which prescribes “the principal objective of every port company shall be to operate as a successful business”.

The current berth re-evaluation process was triggered by a 5 yearly inspection of the Town Wharf by external engineers under an ongoing Asset Maintenance Plan (AMP). The AMP has operated for 11 years and is an overall maintenance road-map covering all South Port’s major structures.

It is important to remember that the west end of the Town Wharf is an asset that was constructed in the 1870’s so it is close to 150 years old. The entire Town Wharf served as the main cargo transfer structure before the Island Harbour was constructed in the 1950’s. We now have alternative berth locations on the Island Harbour where cargo transfer activity occurs.

Over the past 7 years approximately \$600,000 of R&M has been spent on the west end of the Town Wharf while \$500,000 revenue has been collected from that same area during that period (including [cargo transfer] revenue from Bitumen imports). **There are no cargo or other viable business opportunities for the west end of the Town Wharf at this time.**

Due to the west end of Town Wharf being at the end of its useful life, it is intended that the Bitumen import line be relocated to the east end of the Town Wharf (a berth that will continue to service petroleum imports for both Southland and Central Otago).

Where the revenue is far less than the expenditure there is only one viable option available to a commercial business. Further significant capital inputs to upgrade the west end of the Town Wharf will only aggravate the situation.

In addition, South Port has Health & Safety obligations relating to these types of assets so restricting access and mothballing the berth is the only sensible action.

This strategy ensures that our H&S obligations are met, plus provides for the area to be reactivated for cargo purposes should a **sizeable** new cargo stream develop in the future. It would require substantial cargo activity to support the level of capital needed to re-establish the west end of the Town Wharf to an operational standard.

The issues facing the Company in relation to both the Town Wharf and the finger pier berths were outlined to the Bluff Community Board at a meeting held in November 2016. At the conclusion of this meeting the Board Chair, Ray Fife, stated that he understood the rationale why South Port would be forced to close the Town Wharf. He also acknowledged the logic of prioritising the providing of available berths to fishing and charter operators ahead of recreational users.

As previously outlined, the forced mothballing of the west end of the Town Wharf has triggered a review of total berths available and the need for large capital inputs into the finger pier berthing structure to extend its useful life. Close to \$800,000 has been spent on the maintenance of the finger pier asset over the past 7 years.

The Company started its consultation process with berth-holders (the parties with whom South Port has a commercial relationship) at a meeting on Monday, 27 February. The berth-holders put forward that a working group be formed to meet with South Port and assess all practical solutions. This was agreed upon and South Port is currently awaiting advice on the make-up of this group. Once this is known an initial meeting will be held to assess the range of options available to potentially accommodate the berthing requirements of all parties.

At a future point in time when the Berth-Holder Working Group and South Port have narrowed down the practical berthing options, further information will be conveyed to the community. In the meantime nothing has changed apart from access to the Town Wharf being restricted due to South Port needing to comply with its Health & Safety obligations (note pedestrian access is still being maintained for existing Town Wharf berth-holders).

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Infrastructure Map

