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Subantarctic Islands tourist fees review

Final Report

3 June 2025
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Preface

This report has been prepared for the Department of Conservation by Sec 9(2)(a)
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Executive summary

Introduction

The Department of Conservation ('the Department') is responsible for managing and granting access to New Zealand's Subantarctic Islands, including for commercial tourist operators.

We were commissioned to review two of the fees that the Department charges to commercial tourist operators and recreational visitors who visit the Subantarctic Islands.

The key questions we address in this report are:

1. Should the Concession Guiding Permit 'Activity Fee' (Concession Activity Fee) remain at \$30 + GST per unique passenger landed?
2. Should the Reserve Entry Permit 'Visitor Impact Management (VIM) Fee' remain at \$405 + GST per unique passenger landed?

The level of fees was identified as a priority issue for further work following a targeted consultation by the Department on the allocation of Subantarctic Islands entry permits to tourist operators. Both of the fees we are reviewing have been at the same level for 10 years or more.

In undertaking this review, our aim is to ensure these fees:

- enable the Department to recover their actual and reasonable costs over time for the activities they undertake in New Zealand's Subantarctic Islands
- enable the Crown to receive an appropriate return for the use of public conservation land, and
- allow for appropriate investment in infrastructure.

Our recommended Concession Activity Fee

The starting point for our review of the Concession Activity Fee is that it is to be set at "market value".

Section 17Y of the Conservation Act 1987 enables the Minister to charge a fee based on market value for the use of public conservation land. The term market value is not defined, but the purpose of this provision is for the Crown to receive a financial return from the granting of an opportunity to an individual, or organisation, to conduct a trade, business, or occupation on public conservation land.

As part of our review, we looked at seven potential approaches to establishing market value. In the case of the Subantarctic Island concessions, there is no "market" to observe what a tourist operator might be willing to pay for the right to operate their business over public conservation land, so all of our options looked to construct an acceptable proxy for market value.

Our recommended Concession Activity Fee is a per person fee based on a percentage of gross revenue approach. We think this approach offers several benefits, relative to the other approaches we looked at. Namely, it is a sound method for establishing market value, it is practical to obtain data and calculate the new fee, and it has manageable administrative complexity for the Department.



To calculate the fee, we used a purpose built financial model developed specifically for the Department of Conservation.

Based on our financial modelling, the current Concession Activity Fee of \$30 + GST per unique visitor is less than 1% of the average gross revenue earned by tourist operators per person. Consequently, we consider that the current Concession Activity Fee does not reflect the market value of the concession for the Subantarctic Islands and the Department should increase the fee.

Overall, **we recommend a Concession Activity Fee of \$171 per unique visitor.**

This per person fee is based on **4% of gross revenue** in our financial model and reflects the following four factors:

- a starting point of 7.5% (\$320), which is the standard approach for large guiding operators
- an increase of 1.5 percentage points for the exclusive nature of the concession opportunity in the Subantarctic Islands, bringing the fee up to 9% (\$384)
- a reduction of 2.5 percentage points for investment into the business by tourist operators, bringing the fee down to 6.5% (\$277), and
- a reduction of 2.5 percentage points for the contribution made by tourist operators to preservation of the Subantarctic Islands, bringing the final fee down to 4% of gross revenue (\$171)

Our recommended Visitor Impact Management Fee

Unlike the Concession Activity fee, the VIM Fee is predominantly a 'cost recovery' fee.

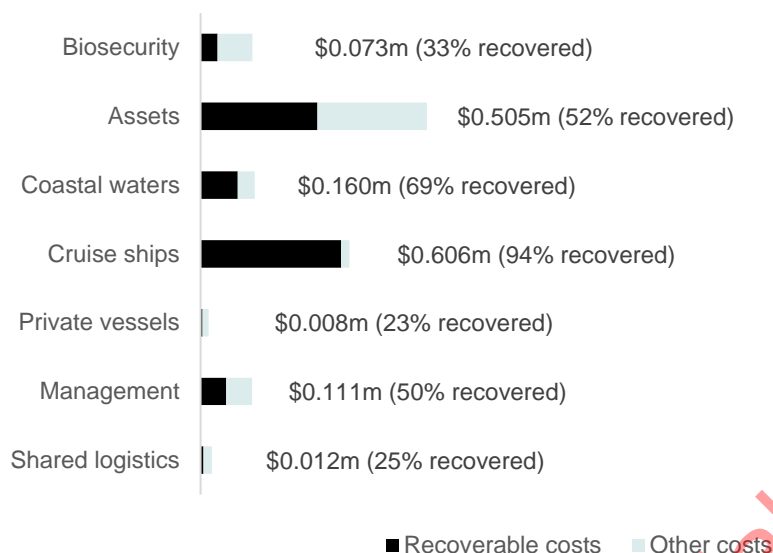
The purpose of this fee is to enable the Department to recover reasonable costs relating to the impact and management of tourist visitors to the Subantarctic Islands. Sections 60D and 60B of the Conservation Act are the main empowering provisions for the VIM Fee which gives the Department the ability to recover the direct and indirect costs of dealing with the granting of a permit and to charge for fees and other charges associated with the granting of permits under the Reserves Act 1977.

To assess which of the Department's costs could be recovered through the VIM fee, we used a first-principles approach to look at who should be funding the Department's activities in the Subantarctic Islands. This approach is consistent with the Treasury guidance for cost recovery, and the Office of the Auditor General's guidance for setting fees and charges in the public sector. It also takes account of the Department's legal mandate for recovery of costs.

The Department's total annual average costs for their activities in the Subantarctic Islands are \$6.4m (based on data for the period 2023/24 to 2024/2025 and estimates for 2025/26). Overall, we have assessed \$1.5m as recoverable through the VIM Fee (see **Figure 1** below). This includes both direct and indirect costs.



Figure 1: Costs that can be recovered through the VIM Fee



In our view, the current VIM Fee of \$405 + GST is significantly under recovering the current cost of the Department's visitor impact and management activities in the Subantarctic Islands. Of the costs we assessed as recoverable through this fee, the current VIM Fee of \$405 is only recovering 40% of recoverable costs.

We recommend that the VIM Fee be set at \$1,017 + GST per unique visitor. This would cover all of the costs we have assessed as recoverable at this point in time (noting that there may be some additional costs in future for new capital investment once the visitor management plan is finalised and that future operating costs could also change over time).

We also recommend that the Department continue to charge the VIM Fee per unique passenger.

Next steps

Our recommended fees represent a significant increase for tourist operators, so it will be crucial to discuss the new fees further with them.

It is best practice to be transparent about the range of the Department's activities in the Subantarctic Islands and to make cost information accessible to fee payers. As part of discussing fee changes with fee payers, we recommend providing information about cost drivers and the main components that determine the charges so that fee payers (and other interested stakeholders) understand the basis for the fees and any increases.

The Department may like to consider allowing a transition period to move to the recommended fees. This is for the Department to decide.



Introduction

What we've been asked to do

This report reviews and recommends an appropriate dollar value and charging approach for the VIM Fee and the Concession Activity Fee for the Subantarctic Islands.

The Department of Conservation ('the Department') is responsible for managing and granting access to New Zealand's Subantarctic Islands, including for commercial cruise ship operators who wish to take tourists.

Following a targeted consultation in June last year, the Department is implementing changes to the way that entry permits are allocated to tourist operators. As part of this work, the Department signalled it would review the level of the VIM Fee and the Concession Activity Fee for the Subantarctic Islands. The Department also noted that it would review whether the VIM fee should be once per unique passenger landed or whether an alternative approach would be preferable.

Key questions

The key questions we address in this report are

1. Should the Concession Activity Fee continue to be charged at \$30 + GST per unique passenger landed in a given season?
2. Should the VIM Fee remain at \$405 + GST per unique passenger landed in a given season?

The outcomes we want to achieve

The purpose of our review is to identify a sound method for estimating the VIM Fee and Concession Activity Fee, and to advise the Department on whether the current fee amounts remain appropriate.

In undertaking this work, our aim is that the fees should:

- **Enable the Department to recover its costs related to the Subantarctic Islands.** The fees should enable the Department to recover actual and reasonable costs over time for the activities they undertake in New Zealand's Subantarctic Islands.
- **Ensure that the Crown receives an appropriate return for the use of public conservation land.** The Subantarctics are of high conservation value, and tourist operators are able to offer a unique and rare experience to visitors. The fees should reflect the nature of the rights granted to tourist operators to operate a commercial business on public conservation land.
- **Provide for appropriate investment into infrastructure.** As well as operating costs, the fees should enable the Department to undertake infrastructure investment that helps manage the impact of visitors on sensitive ecosystems and ensures that tourism remains sustainable.



Our approach

Our analysis uses the latest information provided to us by the Department.

In building our recommendations for revised fees, we undertook our analysis in two main parts.

First, we did an analysis of the market value (including considering a range of approaches for determining the market value) for an updated Concession Activity Fee. To calculate the fee, we used a purpose built financial model developed for the Department.

Second, we assessed the recoverable costs for an updated VIM Fee, based on the Treasury guidance for cost recovery, and the Office of the Auditor General's guidance for setting fees and charges in the public sector. As the Subantarctic Islands workforce is distributed across the Department and is not a particular group in the Department's financial management information system, cost information is based on staff time and other operating costs for a suite of relevant activities and has been provided by several different teams.¹ The cost information has not been independently verified.

Not in scope

The following matters are outside the scope of our review:

- Tourist operators also pay a Concession Processing Fee (one-off per 10 years), a Concession Management Fee (annual), and an Entry Permit Processing Fee (annual). These fees are fixed amounts and not charged per person like the Concession Activity Fee and VIM fee. We were not asked to review these other fees.
- The Department has already communicated some related fee design and invoicing changes to stakeholders, including partial refunds for unused permits. We have not looked at fee design or invoicing as part of this review, including how the VIM Fee is currently administered with wash up payments for unused and surrendered entry permits.
- We have not reviewed how fee increases could impact visitor demand for voyages run by tourism operators to the Subantarctic Islands.
- It was outside of our scope to undertake engagement with stakeholders or with Ngāi Tahu as part of our review.
- In undertaking this work, we have investigated the legal mandate for charging fees in the Subantarctic Islands and made efforts to ensure our recommendations are legally sound. We are, however, not able to provide legal advice.

¹ Cost information has been provided by teams across the Regional Operations; Organisation Support; Policy and Regulatory Services; and Biodiversity, Heritage and Visitor groups.



Background

The Subantarctic Ngā Moutere o Murihiku Ki Tonga comprises five island groups and their associated coastal marine environment. Due to the unique ecosystems, all the Subantarctic Islands are National Nature Reserves. They have unique biodiversity values and, as such, have been granted UNESCO World Heritage Status.

Visiting the Subantarctic Islands

Tourism to these islands is primarily conducted through expedition cruises. The Subantarctic visiting season is relatively short, running from late November through to early March, with tourists able to land on three of the islands: Campbell Island, Enderby Island, and Auckland Island.

The number of visitors to these islands is limited, with guidelines on the maximum number per day and per year set out in the 2016 Conservation Management Strategy for Southland Murihiku ('the CMS') (see **Appendix 1**). Across all sites, there are currently around 1,500 unique visitors each year.

The time that visitors spend on the Subantarctic Islands ranges from an hour to a full day, depending on the site being visited. Some areas are also visited on zodiac boats, without landing on the islands.

Tourist operators

In order to guide tourists on the Subantarctic Islands, tourist operators require a guiding concession under the Conservation Act 1987.²

For the Subantarctic Islands, there are six tourist operators with active guiding permit concessions to operate guided tourist visits. These were granted in 2021 and expire in late 2031. The ship capacities for the tourist operators are small and expedition sized, ranging from 120 to 200 passengers. The current tourist operators, ship sizes, and anticipated number of voyages at the time of writing are set out in Table 1 below.

² These are granted under Part 3B of the Conservation Act 1987



Table 1: Current tourist operators and indicative voyages

Company	Full capacity per voyage	23/24 voyages	24/25 voyages	25/26 voyages
Heritage Expeditions Limited	140	6	6	6
Lindblad Expeditions LLC	110-150	4	2	0
OP Marine Limited (Coral Expeditions)	120	2	0	0
Compagnie du Ponant Pty Ltd	200	4	4	3
TUI Cruises	199	1	1	0
Aurora Expeditions	130	0	0	4

Notes

- 1 Two of the scheduled voyages for 23/24 entered the Subantarctic coastal waters but were unable to land passengers ashore
- 2 The voyages for 25/26 are indicative only

What cruise ship tourists pay to go to the Subantarctic Islands

Landings on the Subantarctic Islands make up only part of the voyage itineraries set by tourist operators, and trips can be anywhere from 12 to 34 days depending on the route taken. Tickets are also sold for a variety of different cabin types, and discounts are often used to reduce vacancy rates on voyages and cover more fixed operating costs.

The table below shows the current range of prices for the lowest and highest priced tickets. This includes an average price, which is weighted by the number of voyages advertised for the 2025/26 financial year. Depending on the type of cabin and voyage itinerary, prices range from \$7,508 to \$156,241.

Table 2: Range of per person ticket prices for Subantarctic voyages in NZD

Ticket types	Minimum	Weighted average	Maximum
Least expensive cabin (with discount)	\$7,508	\$17,878	\$64,501
Least expensive cabin (without discount)	\$8,275	\$35,647	\$75,884
Most expensive cabin (with discount)	\$18,060	\$51,178	\$132,805
Most expensive cabin (without discount)	\$20,000	\$78,849	\$156,241

Source: Ticket prices listed on operators' websites, accessed 7 March 2025.



Ngāi Tahu are the tangata whenua

Ngāi Tahu are the tangata whenua with rangatiratanga over the Subantarctic Islands, and the islands are of cultural and spiritual significance to them. This includes Tītī, Toroa, Hoiho, Pokotiwaha/Snares crested penguin, Tutukiwi/Snares Island snipe, Kekeno/New Zealand fur seal, Ihupuku/Southern elephant seal, and Rāpoka/New Zealand sea lion.

Ngāi Tahu associations with the Subantarctic Islands include landscape features, indigenous vegetation, habitats of fauna, and cultural and spiritual values. Tangata whenua utilised the islands for food and other natural resources prior to the arrival of Europeans.

An effective Treaty partnership between the Department and Ngāi Tahu is an important part of the context for the Subantarctic Islands.

The relationship between the Department and Ngāi Tahu is underpinned by the Treaty of Waitangi. Section 4 of the Conservation Act 1987 ('the Act') requires the Minister of Conservation and the Department to give effect to the principles of the Treaty of Waitangi in the interpretation and administration of the Act (including all enactments listed in Schedule 1 of the Act). The Department also has specific responsibilities under the Ngāi Tahu Claims Settlement Act 1998, the Ngāi Tahu Treaty Deed of Settlement, relevant Treaty settlement legislation and the Southland Murihiku Conservation Management Strategy 2016 (the CMS).

Ngāi Tahu and stakeholder views on fees

Following targeted consultation in June 2024, the Department is making changes to the way that entry permits will be allocated for the Subantarctic Islands. The consultation document from June 2024 noted that the Department would conduct a fee review as and when resources allowed.

As part of the targeted consultation, some submitters commented on the proposed fee review including:

- **Southland Conservation Board** expressed strong support for a review of fee levels. They considered that an increase to at least \$1,000 + GST per visitor would not be unreasonable, and that regular annual increases should be built into any new fee structure. They also noted that significant changes to fees are required given that they have remained static for a considerable period, and given the importance of adequately funding the management, conservation and research needs of the Subantarctic Islands.
- **Te Rūnanga o Ngāi Tahu (TRONT)** urged the Department to prioritise the fee review and emphasised their expectations that the Department is transparent and engages with TRONT on how revenue is spent. They also expressed a view that funding should be ringfenced to ensure any revenue raised through permits to access the islands is invested in protecting and enhancing them.



- **TUI Cruises** thought that the current fees were "on the high side". However, they recognised that the money is used for the maintenance of the islands, which they support.
- **Murihiku Regeneration** noted that there is limited transparency around the current funding model, and how it has been utilised in the past, or is planned to be utilised in the future.

Submitters also commented on the timing and complexities involved in invoicing and processing of partial refunds during the season. However, these issues are out of scope of this review.



Overview of the Department's functions, costs, fees and revenue

The Department's activities and functions in the Subantarctic Islands

The Department provided us with detailed information on the activities that it undertakes in the Subantarctic Islands. Below we discuss the four main functions, and the supporting activities.

The Department's four main functions in the Subantarctic Islands

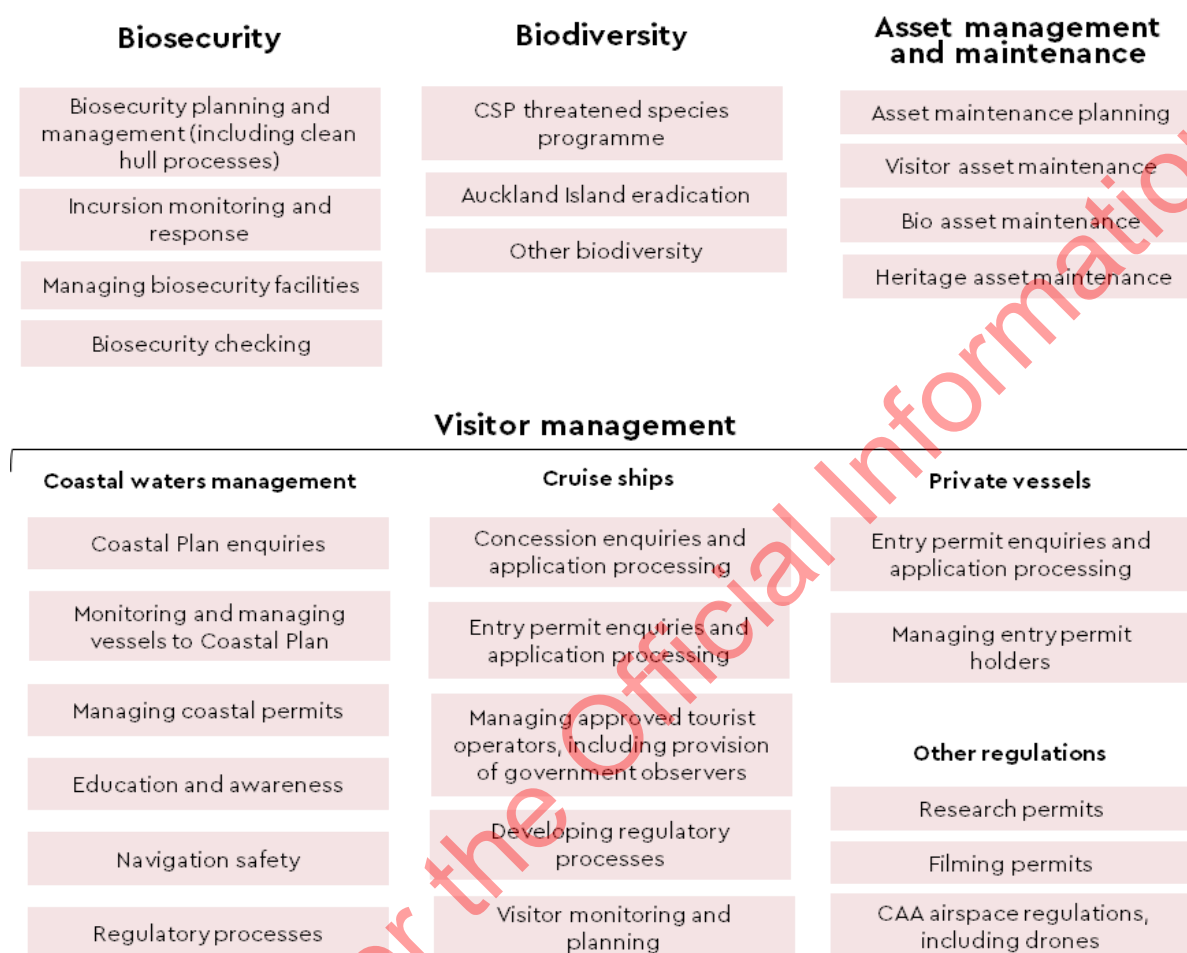
The four main functions that the Department undertakes can be described as:

- **Biosecurity.** To protect the unique flora, fauna and ecosystems of the terrestrial and coastal marine environment, the Department undertakes biosecurity work both on the land and the coastal waters of the Subantarctic Islands. This includes surveillance activity to monitor the detection of unwanted organisms, pests and diseases. It also includes response activity to manage biosecurity threats, and processes to ensure clean hulls for all vessels that visit the Subantarctic Islands coastal waters.
- **Biodiversity.** Related to the above, the Department undertakes work to protect and restore the biodiversity in the Subantarctic Islands. This includes monitoring species' populations potentially impacted by commercial fishing. It also includes planning for a new programme of work to eradicate vertebrate pests on the main Auckland Island.
- **Asset management and maintenance.** The Department undertakes significant work to plan and maintain a range of infrastructure on the islands. This includes tracks, boardwalks, footbridges, signs, viewing platforms, huts, toilets, and heritage assets. This infrastructure is for either visitor related or conservation related purposes. Some of the infrastructure is used for both purposes.
- **Visitor management.** The Department undertakes significant work to manage visitors to the Subantarctic Islands. This includes regulation of access to the approved landing sites and regulation of vessels in the coastal waters, provision of government observers on cruise ships, visitor impact monitoring and planning, and navigation safety.

Below is a high level overview of the activities that the Department undertakes across the four functions.



Figure 2 The Department's key functions in the Subantarctic Islands



Supporting functions

In addition to the main functions that the Department undertakes in the Subantarctic Islands, there are a range of supporting functions and activities. These costs are not attributable solely to Subantarctic activities.

Management. The Department incurs costs relating to internal work approvals, reporting, managing of finances, familiarisation trips, and supporting the health and safety of Department staff that go to the Subantarctic Islands. Additionally, the Department undertakes Treaty Partnership work, involving engagement with Ngāi Tahu on a range of issues, including the management of the Subantarctic Islands.



Shared logistics. The Department works with other agencies, such as the Defence Force³ to share costs in getting to the islands and undertaking work there.

Business support. The Department has a range of corporate services that support the work of the Department in the Subantarctic Islands, including Communications, Finance, Human Resources, Procurement, and Information & Communications Technology (ICT).

Below is a high level overview of the Department's functions and activities that support its work in the Subantarctic Islands.

Figure 3 Functions that support the Department's work in the Subantarctic Islands

Management	Shared logistics	Business support
Work approvals	Managing vessel providers	Communications
Managing finances	Defence Force liaison	Human Resources
Reporting	Managing shared resources	Procurement
SOP and information management	Operation Endurance	ICT
Forward planning		
Health and safety		
Hazardous substances		
Treaty partnership		
Field familiarisation		

The Department's overall operating costs and planned investment

Below we set out the full range of costs associated with the Department's management of the Subantarctic Islands.

Operating costs

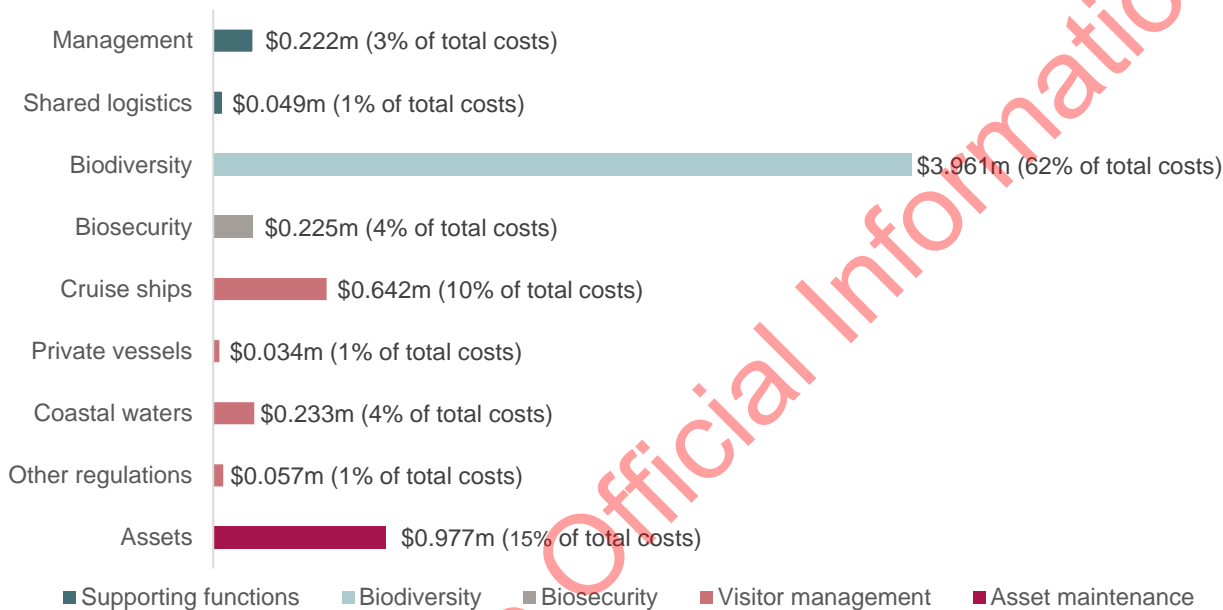
In managing the Subantarctics, the Department incurs operating costs across 55 distinct activities which are done to manage either visitors, biodiversity, biosecurity, or to maintain assets on the islands.

³ The New Zealand Defence Force assists the Department with conservation tasks and scientific research on the islands. In particular, by helping to transport staff, researchers and equipment to and from the islands.



The breakdown of total annual costs (on average from 2023/24 to 2025/26) is shown in the graph below. We also include what proportion of the Department's total costs each function comprises.

Figure 4 Subantarctic Islands costs by type, \$m (and percentage of total costs)



Notes

- 1 The above graph shows total annual costs (on average for the period 2023/24 to 2025/26)
- 2 Overhead costs are applied to staff time across all activities

Planned investment

The Department is currently in the process of setting their long term visitor management plan for the Subantarctic Islands, which is at an early stage and will require consultation with tourist operators, Ngāi Tahu, the Southland Conservation Board, and other interested stakeholders.

The fees currently charged

There are a broad range of visitors to the Subantarctic Islands including Ngāi Tahu, Department staff, researchers, recreational visitors and tourists on cruise ship expeditions.



Fees paid by recreational visitors

There are a small number of recreational visitors to the Subantarctic Islands, who arrive on their own boats (for example, on their own yacht). Historically, there have been very few of these visitors (requiring less than 25 entry permits each year).

Recreational visitors pay the VIM Fee and an Entry Permit Processing Fee. As these are non commercial vessels, they do not pay any concession fees.

Figure 5 The fees paid by recreational visitors to the Subantarctic Islands

Entry Permit Processing Fee	Visitor Impact Management Fee
•\$260 + GST per season	•\$405 + GST per unique passenger landed

Fees paid by tourist operators

The Department currently charges five types of fees to tourist operators operating a commercial expedition business to the Subantarctic Islands. We include a fuller overview of the fees in **Appendix 2**.

Figure 6 The fees paid by tourist operators to the Subantarctic Islands

Concession Activity Fee	Concession Processing Fee	Concession Management Fee	Entry Permit Processing Fee	Visitor Impact Management Fee
•\$30 + GST per passenger per season	•\$995 - \$3,247 + GST per concession	•\$400 + GST per annum	•Expected to be \$2065 + GST for upcoming season	•\$405 + GST per unique passenger per season

Notes

- 1 The Concession Activity Fee is \$30 per client to visit the Subantarctic Islands for any given season for Aurora, Ponant, Lindblad, TUI and Coral. The concession activity fee is \$30 per client guided per day for Heritage. In practice Heritage has been billed as per the others, but no formal variation has been made to their concession document.
- 2 The Entry Permit Processing Fee was increased from \$260 to \$2,065 for 24/25 season, but then discounted by 50% to support transition to the higher fee, meaning it was charged at \$1,032.50 for 24/25 season.
- 3 The Concession Processing Fee has been charged at different rates, Heritage, Ponant, Aurora and Lindblad were charged \$995 + GST, TUI was charged \$1,125 plus GST and Coral was charged \$3,247 + GST. All of these were re-issues of existing concessions, except for Coral, which was a new concession.



Revenue received from third parties

Below is a summary of the revenue that the Department and the Crown receives from the fees paid by tourist operators and recreational visitors (including the VIM Fee, the Concession Activity Fee, the Entry Permit Processing Fee, and the Concession Management Fee). Revenue received from Concession Activity fees is returned to the Crown and is not held by the Department.

Table 3: Revenue summary 2022/23 to 2024/25 (rounded to \$000)

	2022/23	2023/24	2024/25
Used entry permit VIM fees	\$593,000	\$611,000	\$559,000
Unused entry permit VIM fees	n/a	\$71,000	\$186,000
Surrendered entry permit VIM fees	n/a	\$213,000	\$83,000
Total VIM fee from all granted entry permits	\$593,000	\$895,000	\$828,000
Crown Concession Activity fees	\$44,000	\$45,000	\$41,000
Entry Permit Processing fee	\$1,000	\$1,000	\$4,000
Concession Management fee	\$2,000	\$2,000	\$2,000
Total revenue	\$640,000	\$943,000	\$875,000

Source: Department of Conservation

Notes

1 Revenue is based on fees charged and does not take account of any invoiced amounts not received

2 Excludes revenue from concession processing fees, as these are a one-off fee and were not charged between 2022/23 to 2024/25

3 Excludes revenue received from fees for processing coastal permit applications, research permits and commercial filming permits

4 Revenue from Concession Activity fees goes directly to the Crown

Process for review and changing the fees for tourist operators

Changing the Concession Activity Fee

We have reviewed the Subantarctic Islands concessions, which set out the contractual terms and conditions on which the concession was granted. The Subantarctic concessions provide for:

- Three yearly 'concession fee' reviews, as required by s17Y(3) of the Conservation Act 1987.



- That both parties must agree to the new fee within 30 working days of the Grantor giving the tourist operator written notice of the review.
- That if the parties cannot agree, then each party is to appoint a Registered Valuer who must meet and agree on the new fee.
- If the Registered Valuers fail to reach agreement the new fee is determined by an umpire appointed by the two Registered Valuers.

The Department advised the tourist operators on 30 September 2024 that a fee review was being undertaken. We understand from the Department that the 30 day period starts when notice of the **outcome** of the fee review is given (and not when notice of the intention to start the process is given).

Changing the VIM Fee

There are no specific review requirements for the VIM fee, and the Department has more flexibility to change the methodology and the amount at the time the entry permits are granted. Payment of the VIM Fee is a condition of the entry permit.



Review of the Concession Activity Fee

History of the Concession Activity Fee

The Concession Activity Fee is currently **\$30 + GST per unique passenger landed** in a given season⁴.

The Concession Activity Fee has been at its current level since 2015.

In 2011, the Concession Activity Fee was charged at \$12.00 + GST per adult client guided for a full day and \$6.00 + GST per adult client for a half day. At the time, this was comparable to the standard guiding fee on mainland New Zealand (which was set at \$10.00 per person for 4 hours or more, or \$5.00 per person for less than 4 hours). The fee was charged for each site visit.

In 2015, the Concession Activity Fee was increased to \$30 per unique person. The purpose of the change was to have a single seasonal activity fee, which covered all site visits in one fee. This would be more user friendly. To arrive at the amount, we understand that the standard guiding fee of \$12 was multiplied by 2.5 to arrive at \$30. The multiplier of 2.5 was used as this was the average amount of days spent on shore by tourist operators and their passengers.

The legal framework for setting the Concession Activity Fee

Concession Activity Fee must be set at market value

Under s17Y of the Conservation Act 1987, the granting of a concession by the Minister is conditional on the concessionaire paying any specified fees, rents and royalties.

The Conservation Act 1987 does not place any limit on what figure the Minister may fix for a fee, rent or royalty. However, s17Y(2) provides that the Minister has discretion to fix the fee, rent or royalty at market value.

The rent, fee, or royalty may be fixed at the **market value**, having regard to:

- (a) any circumstances relating to the nature of the activity; and
- (b) the effects of the activity on the purposes of the area affected; and
- (c) any contractual conditions, covenants, or other encumbrances placed upon intrinsic resources, natural resources, or historic resources by the concession.

⁴ We note that Heritage's concession provides for \$30 per client guided day (rather than per passenger in a given season). However, in practice, Heritage has been billed the same as the other tourist operators.



The concession documents set out that the Concession Activity Fee is to be the 'market value of the concession activity carried out on the land having regard to the matters set out in section 17Y(2) of the Conservation Act 1987'.

Market value is not defined

The Conservation Act 1987 does not define market value.

Market value is a concept that is often used in economics. It usually refers to the price at which an asset or service can be bought or sold in a competitive marketplace. It is determined by the forces of supply and demand, meaning that it is the amount that buyers are willing to pay, and sellers are willing to accept.

In practice, there can be a lot of variation in how the concept of market value is derived in New Zealand, especially where there is no market to directly observe.

In the context of our review, we understand that the purpose of this provision⁵ is for the Crown to receive a financial return from concessions for the granting of an opportunity to an individual, or organisation, to conduct a trade, business, or occupation on land managed by the Department. The concessionaire will receive an income, a cost saving, or an increase in market value from the exercise of the concession, and so a fee may be charged for the right to exercise the concession.

How Concession Activity Fees are usually set by the Department

Activity fees apply to a range of concession activities

Concession Activity Fees are one of the fees typically charged by the Department for concessions. They are charged to concessionaires for undertaking activities on public conservation land across a wide range of activities, generally on an annual basis. The Subantarctic Islands concessions are classified as a **guiding activity**.

Three main charging approaches in use by the Department for Concession Activity fees

Concession Activity fees are generally charged in one of three ways (as described in Figure 7 below).

⁵ Standard Operating Procedure for Setting Concession Fees (2005)



Figure 7 Main charging approaches used by the Department for Concession Activity fees

Per person	Percentage of revenue	Fixed
<ul style="list-style-type: none"> Fee is charged based on the number of customers 	<ul style="list-style-type: none"> Fee is charged as a percentage of gross revenue 	<ul style="list-style-type: none"> Set annual or monthly amount

Preferred methodology at the Department for guiding fees

Activity fees for guiding activities are currently charged at a *per person rate* or a *percentage of gross revenue*, with the scale of operation determining the type of fee to be paid.

Standard per-person fees for smaller operations

The Department takes a standardised approach to activity fees for many guiding activities and does not look to establish a bespoke market value for different guiding concessions. The standard per person fees for guiding activity are published as part of the Department's price book (see **Table 4** below). The price book is published on the Department's website to ensure transparency around how fees are set at the Department.

Per person guiding fees are charged based on how much time guiding is undertaken on public conservation land.

Table 4: Current standard activity fees for guiding activities at the Department

Length of guiding activity	2025
One hour or less	\$2.00 + GST
More than 1 hour but no more than 4 hours	\$7.50 + GST
More than 4 hours but no more than a calendar day	\$15.00 + GST

Percentage of revenue is preferred if per person fee is more than \$10,000 or if daily ticket price exceeds \$350 + GST

The Department currently charges a percentage of revenue fee for large operators, where a per person fee is likely to be greater than \$10,000 plus GST per annum, or for operators with a high daily ticket price (\$350/day GST included or more).

The standard rate is generally 7.5% of gross revenue but this can vary depending on market factors and the proportion of activity on public conservation land.



Options for calculating market value

As part of our review, we have looked at seven potential approaches to establishing market value (as set out in Table 5 below).

In the case of the Subantarctic Islands concessions, there is no "market" to observe what a tourist operator might be willing to pay for the right to operate their business over public conservation land, so all of the options below look to construct an acceptable proxy for "market value".

We have taken into account that the Department is not able to change the fee methodology away from a per person fee unless a variation to the concession is agreed with concessionaires.

Table 5: Options for calculating market value of the Concession Activity Fee

Option	Description
1. Benchmarking	This approach would identify comparable sites to set an appropriate market value.
2. Willingness to pay (WTP)	This approach would use willingness to pay to set the market value. Willingness to pay could potentially be established through a survey of concessionaires or through the Treasury's impact database (CBAX).
3. CPI adjustment	This approach would make a simple adjustment to the existing fee of \$30 to take account of Consumer Price Inflation.
4. Auction	Under this approach, the market value would be established through periodic auction of concession rights. For example, an auction approach is used for allocation of radio spectrum in New Zealand.
5. Economic value add /excess returns	This approach would charge a market value fee based on actual profits from concessionaires over and above a reasonable level. For example, this is used for airports, electricity lines and telecommunications businesses in New Zealand.
6. Standard Fee + Environmental premium	Under this approach we would apply an environmental premium to the Department's standard guiding fees to set the market value.
7. Percentage of gross revenue	This approach would set the market value by assuming it equates to a proportion of the turnover of a business

Below we look at the approaches in more detail.

In assessing the options, we considered whether there was a clear linkage back to market value and establishing the value of the economic right conferred, whether it would be practical to obtain data and calculate the new fee, and the administrative complexity for the Department. We also took account of whether it would be a transparent approach for stakeholders to understand, and whether it



was a method that the Department has used to calculate market value previously (which we anticipate would be more familiar to tourist operators and the Department, and easier to operationalise).

Benchmarking

We explored whether we could establish the market value of the Subantarctic Islands concessions to tourist operators by looking at similar fees for comparable sites.

Whilst no two markets are exactly the same, this approach can be valid where there is a comparable market with similar characteristics. For example, by looking at what tourist operators pay for the right to operate a commercial business in a comparable site (such as other UNESCO world heritage sites or nationally significant parks), we could assume they would be willing to pay a similar amount to operate in the Subantarctic Islands.

To test this methodology, we did a search of fees in destinations that might be considered comparable. However, we have not been able to find comparable fees to benchmark against. Nearly all of the fees we looked at were a visitor charge to recover costs, not a charge to tourist operators for operating a commercial business over public conservation land.

Benefits	Issues / constraints	Overall assessment
<ul style="list-style-type: none">• Theoretically sound method for estimating market value• Simple to administer as it usually involves tracking some comparable fees in comparable markets• Transparent to tourist operators who may pay similar fees at other sites	<ul style="list-style-type: none">• We have not been able to find comparable fees to benchmark against• Not in use by the Department as a methodology for Concession Activity fees	<div>×</div> <p>Whilst theoretically possible, we have not been able to find comparable fees to benchmark against</p>

Willingness to pay

Another option we initially looked at was using a 'willingness to pay' methodology. This approach can be used to determine the value that a customer or business places on a product or service. For example, by looking at what tourist operators might be willing to pay for the operation of their business over public conservation land, we could use this to estimate the market value.

To establish willingness to pay, a common method is to undertake a survey (which in this case would be a survey of the tourist operators). However, data collection would be time consuming. Additionally, a well-known drawback of this type of survey is that survey participants may under or overstate their willingness to pay.



An alternative approach could be to use the willingness to pay measures in Treasury's CBAX model⁶. This is not the intended use of the Treasury CBAX model though, and we think multiple values would need to be combined to reflect the value of the land, water and biodiversity. This would be challenging.

Overall, we think willingness to pay is a sound methodology for calculating market value but data collection is likely to be time consuming or challenging for the Subantarctic Islands.

Benefits	Issues / constraints	Overall assessment
<ul style="list-style-type: none"> Theoretically sound method for estimating market value Likely to align closely with the expectations of tourist operators as to the value of the concession 	<ul style="list-style-type: none"> If surveying tourist operators, they may under or overstate their willingness to pay The WTP indicators in Treasury's model are not intended to be used in this context Not in use by the Department as a methodology for Concession Activity fees 	<p>✗</p> <p>Whilst this approach is sound, data collection is likely to be time consuming or challenging</p>

CPI adjustment

Under this approach, we would adjust the existing \$30 Concession Activity Fee to take account of consumer price inflation. Given that the fee has been at the same level since 2015, this would be a simple adjustment to the existing fee to recognise the impact of inflation over time.

Although this approach is simple to apply, it is not an approach that prices the market value of the concession activity to tourist operators. It is usually intended to take account of increases in costs once the fee is set at a sustainable level. Overall, we think this would not be a robust way to establish market value.

⁶ Treasury's CBAX model features an impacts database, which has a range of willingness to pay indicators, including ecological water quality, water clarity, preventing extinction of susceptible native species, restricting losses of susceptible heritage and iconic urban and landscape trees, and restricting impacts on forests



Benefits	Issues / constraints	Overall assessment
<ul style="list-style-type: none"> Simple to calculate and easy to understand 	<ul style="list-style-type: none"> Not a method for establishing market value It is not clear if the original fee was set at market value 	<p>✗</p> <p>Would be simple to apply but not a sound way to establish market value</p>

Auction

We considered whether a market or auction process could be used to determine the market value of the concession. For example, by auctioning the concession rights to tourist operators, this would indicate what the value of the concession over public conservation land is worth to their business. This approach is used in New Zealand by the Government to establish the value of radio spectrum to telecommunications operators.

Auctions can be a good method of establishing the true market value of a good or service. However, given that concessions have already been allocated through to 2031, it is not clear how an auction would be designed for the Subantarctic Islands at this point in time.

Benefits	Issues / constraints	Overall assessment
<ul style="list-style-type: none"> Clearly establishes the competitive price that a market participant is willing to pay by asking for bids Encourages fair competition and can help discover the true market value of a concession right Allocates resources to those who value them most, leading to a more efficient outcome 	<ul style="list-style-type: none"> The concessions for the Subantarctic Islands have already been allocated through to 2031 Organising and conducting auctions requires careful design. If not designed properly, auctions can lead to collusion among bidders 	<p>✗</p> <p>Not practical to consider at this time given concessions have already been granted through to 2031</p>

Economic value add / excess returns

We considered whether an 'economic value add' approach could be used to establish the market value of the Concession Activity Fee. Under this approach, a benchmark for a reasonable or fair rate of return is established, with any returns above that considered to be 'excessive'. This approach is used in New Zealand for price setting in regulated industries such as utilities, to ensure that companies do not earn excessively high profits at the expense of consumers.



We dismissed this approach as the administrative complexity would be very high, and very resource intensive for the Department.

Benefits	Issues / constraints	Overall assessment
<ul style="list-style-type: none">It is a clear and transparent method for setting prices	<ul style="list-style-type: none">Would be very resource intensive for the Department to construct a benchmark for a reasonable rate of returnMainly used for regulated utilities, not public conservation landThis approach is more aligned to ensuring a fair rate of return in an industry that lacks competition (typically utilities) rather than an approach to establish market value when the government is the sole provider of a right	<div>×</div> <p>Implementing and monitoring this pricing methodology is resource intensive and would incur significant administrative costs for the Department</p>

Standard fee + environmental premium

An alternative approach would be to add an environmental premium to the base Concession Activity fees for guiding. This would recognise the unique nature of the Subantarctic Islands, and that the tourist operators are granted an exclusive right, limited to a very small number of operators, to operate a business there.

The Department currently charges an environmental premium in the context of the Concession Activity fees for telecommunications facilities as well as easements and grazing, depending on the status of the land. An environmental premium is added on to the activity fee to reflect the type of land that the facility is placed or activity occurs on, for certain land types.⁷

Although this approach is relatively simple to calculate, we have not found a good way of estimating what the environmental premium would be. It also lacks a clear linkage to establishing the market value that a tourist operator would be willing to pay for operating over public conservation land.

⁷ A 40% premium is added on if the facility is situated in a National Park, Nature Reserve, Ecological Area, National Reserve, Wilderness Area or Wilderness Reserve, Wildlife Sanctuary or Sanctuary Area



Benefits	Issues / constraints	Overall assessment
<ul style="list-style-type: none"> Simple to calculate and administer Has precedence within the Department 	<ul style="list-style-type: none"> Difficult to estimate what the environmental premium would be Does not have a clear link to market value 	<p>✗</p> <p>Difficult to establish what the environmental premium should be and lacks a clear link to market value</p>

Percentage of revenue

As discussed earlier, the percentage of revenue approach is part of the Department's standard approach to setting Concession Activity fees for larger operators undertaking guiding activities.

This approach establishes market value by assuming it equates to a proportion of the turnover of a business. For example, the market value of the Subantarctic Islands concession would be a percentage of the revenue that the tourist operator earns from taking tourists to visit there. It is sometimes termed revenue sharing as there is an element of risk sharing between the underlying owner of the property right (in this case the Crown) and the business utilising the right for commercial purposes (in this case the tourist operators). Overall, we consider this approach would provide a clear link back to market value and be practical to obtain the data for. We have used this approach to inform what market value is on a per person basis.

Benefits	Issues / constraints	Overall assessment
<ul style="list-style-type: none"> Has precedence within the Department Methodology is well known to stakeholders When charged purely as a % of gross revenue, the Department's returns are aligned with a concessionaire's income⁸ 	<ul style="list-style-type: none"> Revenue can be volatile depending on business performance Can be hard to establish the revenue attributable to the Subantarctic Islands Requires operators to provide financial information, or relies on publicly available information that may be out of date with actual and current revenue 	<p>✓</p> <p>This provides a clear linkage back to market value, is reasonably practical to obtain data for, and is a method currently in use by the Department</p> <p>We have used it to inform our thinking about what market value is on a per person basis</p>

⁸ This creates some revenue risks for the Department. For example, if poor weather affects the concessionaire undertaking the activity, and there is reduced revenue as a result, this flows into the Department's returns.



Our recommended Concession Activity Fee

We used a percentage of revenue approach to inform our recommended per person fee

We have used a percentage of revenue approach **to inform our recommended per person Concession Activity Fee** for the Subantarctic Islands concessions.

Relative to the other approaches that we considered, this approach offers several benefits. It provides a clear linkage back to market value and establishes the value of the economic right conferred. It is practical to obtain publicly available data and calculate the new per person fee. It also has manageable administrative complexity for the Department.

We developed a purpose-built financial model to calculate the per person fee

To calculate the fee amount for a given percentage of revenue, we developed a purpose built financial model developed for the Department of Conservation based on ticket prices listed at 7 March 2025 for the 2025/26 season.

Our model uses published ticket prices for the advertised itineraries to conservatively estimate the gross revenue being received by tourist operators for each unique visitor to the Subantarctic Islands. We took into account that -

- Ticket prices are sometimes discounted, and that more expensive tickets are offered for better lodgings and onboard amenities. For consistency, we have assumed the lowest ticket price excluding any discounting, taxes or fees as the base value of the voyage and its destinations for all passengers.
- Tickets are for voyages that include destinations other than the Subantarctic Islands. When calculating the fee, we calculated the percentage of days in the listed itinerary where passengers are scheduled to land on the Subantarctic Islands. This excluded days with scheduled viewings of the Snares and other Subantarctic Islands that cannot be landed on.

We used ticket prices to inform our modelling as they are a readily observable proxy for gross revenue and are on a per person basis (similar to how the Concession Activity Fee is charged).

An alternative approach is to use audited financial accounts. However, the Department does not currently hold audited financial accounts from the tourist operators.⁹ Even if audited financial accounts were available, we expect that it would still be challenging to establish what portion of gross revenue is attributable to visits to the Subantarctic Islands, or to establish what the per person fee is.

We include a full set of the assumptions used in our financial model in **Appendix 3**.

⁹ Section 17ZB provides for the Department to request a complete set of audited financial accounts from concessionaires, and for those to be forwarded not later than 3 months after the end of the financial year in respect of which they are required.



The Concession Activity Fee for different percentages

Below we set out what the per person Concession Activity Fee would equate to, based on different percentages of revenue in our financial model.

Across all the voyages advertised for 2025/26, the table below shows for the lowest listed ticket price (excluding any discounting) what the minimum fee, the weighted average fee, and the maximum fee would be across the operators at different percentage rates charged by the Department. The weighted average reflects any advertised voyages that are scheduled to run more than once in the upcoming season.

Table 6: Per person Concession Activity Fee based on different percentages of revenue

Percentage of revenue	Min fee	Weighted average	Max fee
0.7%	\$18	\$30	\$48
1.0%	\$25	\$43	\$68
1.5%	\$37	\$64	\$102
2.0%	\$50	\$85	\$137
2.5%	\$62	\$107	\$171
3.0%	\$75	\$128	\$205
3.5%	\$87	\$149	\$239
4.0%	\$100	\$171	\$273
4.5%	\$112	\$192	\$307
5.0%	\$125	\$213	\$341
5.5%	\$137	\$235	\$376
6.0%	\$150	\$256	\$410
6.5%	\$162	\$277	\$444
7.0%	\$175	\$299	\$478
7.5%	\$187	\$320	\$512
8.0%	\$200	\$341	\$546
8.5%	\$212	\$363	\$580
9.0%	\$225	\$384	\$615
9.5%	\$237	\$405	\$649

Notes

- 1 Based on a purpose-built financial model developed for the Department of Conservation based on ticket prices listed at 7 March 2025 for the 2025/26 season.
- 2 We include a full set of assumptions in the model in **Appendix 3**



Recommended Concession Activity Fee amount

The current Concession Activity Fee of \$30 + GST per unique visitor is less than 1% of the average gross revenue earned by tourist operators per person, based on our financial modelling. We consider that the current fee does not reflect the market value of the concession for the Subantarctic Islands and there is potential for the Department to increase the fee.

In considering what percentage of revenue the per person activity fee should be based on, we took into account the four factors listed in **Table 7**. These factors are a mixture of what the Department has published as their standard price book approach for guiding businesses, two factors that we consider would affect the market value of the concession opportunity in the Subantarctic Islands, and a discount for the contributions made to the preservation of the Subantarctic Islands by tourist operators.¹⁰

The specific percentage of revenue we used to calculate the fee was the following:

Standard guiding fee + Exclusivity of concession opportunity – Investment by tourist operators – Discount

Overall, **we recommend a Concession Activity Fee of \$171 per unique visitor**. This is based on **4% of gross revenue** in our financial model and reflects:

- a starting point of 7.5% (\$320), which is the standard approach for large guiding operators
- an increase of 1.5 percentage points for the exclusive nature of the concession opportunity in the Subantarctic Islands, bringing the fee up to 9% (\$384)
- a reduction of 2.5 percentage points for investment into the business by tourist operators, bringing the fee down to 6.5% (\$277), and
- a reduction of 2.5 percentage points for the contribution made by tourist operators to preservation of the Subantarctic Islands, bringing the final fee down to 4% of gross revenue (\$171).

¹⁰ Some of these factors are taken from the Percentage of Revenue Framework that was previously applied by the Department when calculating percentage of revenue fees. Although the Percentage of Revenue framework is no longer in use, some of these considerations can still usefully inform the market value of the concession opportunity in the Subantarctic Islands. For example, where a concession opportunity is unique or there is high demand, the market value is higher.



Table 7: Factors for determining an appropriate percentage for the per person Concession Activity Fee in the Subantarctic Islands

Factors	Rationale for taking this into account	How it affects market value of the concession opportunity in the Subantarctic Islands	% amount
Department's standard approach for guiding operators	7.5% is the Department's rate "where a per person fee is likely greater than \$10,000 plus GST per annum, or for operators with a high daily ticket price (\$350/day GST included or more)."	Tourist operators to the Subantarctic Islands fall into the category of larger operators, given that the daily ticket price for a cruise is more than \$350 per day. This suggests a starting point for percentage of revenue at 7.5%	7.5% starting point
Exclusivity of the concession opportunity ¹¹	Where the concession opportunity is of an exclusive nature or where demand for the activity exceeds the supply, this suggests the market value of the opportunity is higher. Put another way, where a concessionaire is able to exclude others from accessing the public conservation land (because of the opportunity granted to them), this also suggests the market value is higher.	The Subantarctic Islands have unique biodiversity values, and there are a limited number of people that are able to visit (pursuant to the Conservation Management Strategy (CMS)). In recent years, demand for entry permit allocations has exceeded the supply available although actual use remains below the limits prescribed in the CMS. The Department have said there will be a limited supply of concessions and there are only six tourist operators with active guiding permit concessions. This suggests a higher percentage than 7.5% can be charged.	+ 1.5%
Investment into the business ¹²	The higher the investment for a concessionaire to establish a business, then the more likely it is that the market value of the opportunity is due to investment by the concessionaire rather than attributable to the value of the public conservation land.	Tourist operators to the Subantarctic Islands undertake significant investment into vessels, in order to operate a guiding business in the Subantarctic Islands. This suggests a lower percentage than 7.5% can be charged.	-2.5%
Concessionaire contribution to the Subantarctic Islands	Where a concessionaire is providing clear and tangible benefits to conservation management, it would be reasonable to provide for a discount to reflect this. For example, this might include contributing to educational and research activities, or preservation of biodiversity.	We understand that tourist operators contribute to the preservation and conservation management of the Subantarctic Islands. For example, via transport of Departmental staff, Ngāi Tahu, and researchers on their vessels to undertake various research and conservation management activities. This suggests a discount can be applied to the 7.5% (or alternatively to the VIM Fee)¹³.	-2.5%

¹¹ Under the Percentage of Revenue Framework, a premium was added to the base fee to recognise if the site was unique and made it difficult to conduct the activity elsewhere or resulted in demand exceeding the ability to provide the activity. Although the Percentage of Revenue Framework is no longer in use, we consider this is a relevant consideration to market value

¹² Under the Percentage of Revenue Framework, investment by concessionaires was used to inform the base fee. Although the Percentage of Revenue Framework is no longer in use, we consider that investment in the business by a concessionaire is relevant to informing market value

¹³ We suggest the discount could be applied to the Concession Activity Fee in the first instance – though it would be desirable to take the views of fee payers into account and consistency with how discounting is applied more broadly by the Department



Transitioning to the new fee

A \$171 Concession Activity Fee would represent a significant increase for tourist operators, and it already factors in a discount. However, the Department may like to consider implementing a transition plan to gradually increase the fee over time.

This would be for the Department to decide.

Adjusting and reviewing the fee in future

For subsequent years, we do not recommend adjusting the recommended Concession Activity Fee in line with the CPI to keep up with inflation.

As the fee is determined on a market value basis, the average ticket price may go up or down over seasons. Reviewing the market value every three years (as set out in the Conservation Act and the terms and conditions of concessions) would be the best approach to make sure the fee stays in line with the economic value of the right to operate tourism services to the Subantarctic Islands.



Review of the Visitor Impact Management Fee

The history of the VIM Fee

The VIM Fee for the entry permit is currently charged at **\$405 + GST** and recovered by the Department directly from tourist operators.

Key features of the current charging arrangements are:

- The Department currently charge this fee **per unique passenger who makes a landing on the Subantarctic Islands** on any expedition. This means that if one person visits several sites utilising multiple permits, only one fee is charged.
- The VIM Fee is also **charged for allocated permits** that are not used. This was put in place in 2023 to incentivise operators to only request what they believe they will use and to mitigate against anti competitive behaviour. Immediately prior to this, tourist operators did not pay for permits where they did not achieve a landing.
- Tourist operators can **return permits that they will not use for a refund**. These can be returned at any point prior to or during the season for redistribution via an in season transfer process:
 - Permits returned prior to the season commencing will receive a 100% refund
 - Permits returned during the season will receive a 50% refund.
- **Invoicing is partially in advance**, with 50% of a VIM Fee estimate required to be paid pre season, and with a wash up of the outstanding balance at the end of the season.

The history of the VIM Fee

The level of the VIM Fee has not been increased for over ten years. It was initially charged at \$200 per person in 1988, \$250 per person in 2005, and \$370 per person in 2013. The fee level was last increased in 2014, where it was set at \$405 per person.

Separate from the dollar amount, the design of the VIM fee has undergone significant changes since it was first introduced. A history of the VIM Fee charges is provided in **Table 8** on the next page.



Table 8: History of the VIM Fee charges

Year	VIM fee	Change
1988	\$200 per person per voyage	Concession Environmental Monitoring Fee first charged.
2005	\$250 per person per voyage	The actual cost per passenger was estimated by the Department at \$350. Correspondence with an operator at the time notes that the fee was recovering the costs of permit administration, provision of Departmental Representatives, maintenance of facilities, and visitor impact monitoring. ¹⁴
2011	\$150 per person base fee per voyage + per site fees of \$75 per person for Northern Cliffs and Col-Lyall + per site fees of \$20 per person for all other sites	Changed to a base fee per person combined with a per landing charge. This fee structure was intended to recognise that a visitor who lands more time on the islands has more impact and accordingly generates more cost to manage those effects. At the same time, fees moved to being charged in advance, regardless of whether a landing succeeded.
2013	\$370 per person per voyage	Changed back to a single fee per person, regardless of the number of landings, and entry permits were only charged when used.
2014	\$405 per person per voyage	
2023	\$405 per person per voyage	Changed to charging for all allocated permits, even if not used. In-season transfer implemented, allowing operators to surrender permits during the season at pre-defined transfer windows. Surrendered permits receive a partial refund (100% refund if surrendered at pre-season window, 70% if surrendered at early season window, and 50% if surrendered at mid-season window).
2024	\$405 per person per voyage	In-season transfer modified to allow operators to surrender permits at any point during the season. Surrendered permits receive a partial refund (100% pre-season, 50% during the season).

Source: DOC memo, 23 May 2023

¹⁴ Subantarctic Islands VIM Fee review letter Quark – OLDM-411677

The legal framework for setting the Visitor Impact Management Fee

The Conservation Act provides for cost recovery

Under sections 60A, 60B and 60C of the Conservation Act 1987, the Department is able to recover direct and indirect costs that it incurs in considering, granting or issuing any consent, concession, permit, approval or action. There is also scope to recover other 'post grant' costs that the Department incurs relating from the management of visitors on a unique Nature Reserve, pursuant to s60D and under the Reserves Act 1977.

Crown guidance on cost-recovery

In addition to the statutory provisions above, the Treasury and the Office of the Auditor General (OAG) have produced best practice guidance on cost recovery.¹⁵ This guidance is widely used and provides direction on how departments should set and administer fees.

A key principle underlying the government's approach to cost recovery is that those who directly benefit from a good or service (beneficiaries) or contribute to the need for it (risk exacerbators), should pay at least some of the costs.

For a list of cost recovery principles that the Department should be considering, see **Appendix 4**.

Costs that are recoverable through the VIM Fee

Our approach

We used a first principles approach to consider which of the Department's costs for the Subantarctic Islands (as set out in full in **Appendix 6**) should be recovered through the VIM Fee. This approach is consistent with the Treasury guidance for cost recovery, and the Office of the Auditor General's guidance for setting fees and charges in the public sector.

For each of the Department's functions related to the Subantarctic Islands we looked at:

- **The economic characteristics of the function.** We classified the Department's functions relating to the Subantarctic Islands into one of following three types of goods:

¹⁵ [Guidelines for Setting Charges in the Public Sector | The Treasury New Zealand](#) and [Setting and administering fees and levies for cost recovery: Good practice guide \(oag.parliament.nz\)](#).



- Private good. A private good is one where people can be excluded from its benefits at a low cost and use by one person conflicts with use by another. Generally, where the benefits of a good accrues to a private individual or entity, that person should pay the costs.¹⁶
- Public good. A good is a public good when excluding people from its benefits is either difficult or costly, and its use by one person does not detract from its use by another. Sometimes excluding other users is not only impractical, but undesirable. These goods tend to be funded by the public, through central or local government.¹⁷
- Club good. A club good is one where people can be excluded from its benefits at a low cost but its use by one person does not detract from its use by another, at least until the point where congestion occurs.¹⁸
- **Equity and allocative efficiency considerations.** We considered who was benefitting from the Department's activities, and who was giving rise to the need for the Department's activities or exacerbating the risk (risk exacerbaters). To ensure the financial burden is shared appropriately, those who benefit from, or give rise to the need for the Department's services should pay at least some of the cost.
- **Legal mandate.** We considered if the Department had the authority to recover the costs of the function through the VIM Fee, including whether it could reasonably be considered to be linked to visitor impacts. Our views on legal mandate were checked with the Department. Where we have said it is not within the authority of the Department to recover the cost of the activity through the VIM Fee, this does not preclude the cost of the activity being recovered by the Department via another fee.

After considering the above, we made an assessment on whether the funding source for the Department's activities should be the Crown or could be recovered from third parties. We then looked at whether the cost should be recovered in full through the VIM Fee (for example, where the Department was only undertaking the activity due to tourist visitors) or whether it should only be recovered in part (for example, where the activity was attributable to more than just tourist operators).

In some cases, we have identified tourist operators as the funding source for the Department's activities but assessed 0% of the costs as recoverable through the VIM Fee as the costs are already being recovered under another fee (for example, the Entry Permit Processing Fee).

To assist with our assessment, the Department provided us with a list of their activities and facilities, the time and operating expenditure on each of the activities and facilities, and a suggested proportion of costs attributable to tourist operators and recreational visitors. We took their views into account in determining what costs were recoverable through the VIM Fee.

¹⁶ For example, other private goods that the government produces include passports and birth certificates. They are specific to the person they are generated for, and they are excludable (in that the owner of the passport or birth certificate cannot readily let another person use the documents.)

¹⁷ For example, street lighting and fireworks displays are public goods.

¹⁸ For example, toll roads are club goods.

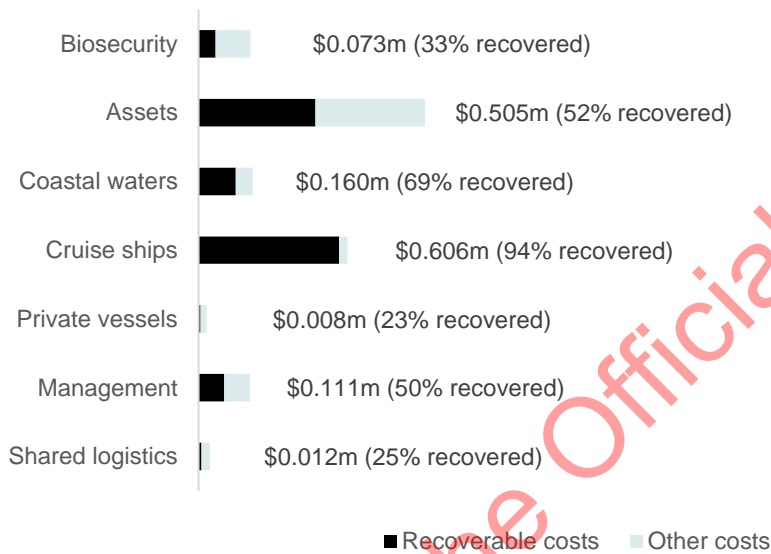


Our assessment

Below we set out a summary of our assessment of the costs that can be recovered through the VIM Fee. We show both the dollar amount that we have assessed as recoverable and what proportion of the overall costs of this function are recoverable through the VIM Fee.

Of the \$6.4m total average annual costs, we have assessed \$1.5m as recoverable through this fee.

Figure 8 Costs that can be recovered through the VIM Fee



Notes:

- The aqua and black coloured bars combined represent the overall costs provided to us by the Department for each category of activity.
- The black bars and corresponding percentages are the percentage of the overall costs that we have assessed as recoverable under the VIM Fee.
- Biodiversity and Other regulation costs are not included in this graph as we have assessed them as not recoverable under the VIM Fee.
- Business support costs are not included as a separate bar in this graph as these costs have been included in the staff time across all Subantarctic Islands activity.
- A full list of assumptions is included in **Appendix 5**.

Biosecurity

We have assessed biosecurity work as partially cost recoverable through the VIM Fee.

Biosecurity work includes incursion planning, monitoring and response. It also includes marine biosecurity work related to clean hull processes for cruise ships and other vessels, as well as costs associated with managing biosecurity facilities on mainland New Zealand.

We consider that 50% of these incursion planning, monitoring and response costs are cost recoverable, as the work is mixed between cruise ship visitor impacts and other visitors (such as



researchers and Department staff). We have assessed marine biosecurity work as 75% recoverable as this predominantly relates to clean hull processes for cruise ships. Managing biosecurity facilities and biosecurity checking is for multiple purposes so we have assessed this as 25% recoverable.

This mix of 75%, 50% and 25% recoverable activities means that we have assessed 33% of biosecurity costs as recoverable through the VIM Fee.

Biodiversity

Biodiversity work is the largest cost for the Subantarctic Islands, and it creates and maintains the value from the Subantarctic Islands for visitors. It includes costs associated with the Conservation Species Programme (CSP)¹⁹, Auckland Island eradication programme, and other biodiversity operations. However, we have assessed these as not recoverable through the VIM Fee as it is a key function of the Department regardless of whether there are tourist visitors or not.

There is an argument that the tourism industry should contribute to this cost as they share in the benefits. The unique experience able to be offered to visitors is a key part of the value proposition to tourist operators. In the case of the Subantarctic Islands, we consider that the Department can potentially charge for this benefit through the Concession Activity Fee.

Overall, we have assessed 0% of biodiversity costs as recoverable through the VIM Fee.

Asset maintenance and management

Asset maintenance is the second largest cost the Department has in the Subantarctic Islands, after biodiversity work. We have assessed more than half of this as recoverable through the VIM Fee.

Asset maintenance costs include four types of costs:

- **Asset planning**, which includes the time that Departmental staff spend on maintaining assets (including for inspections, repairs and maintenance).
- **Depreciation**, which reflects the declining value of the initial investment in the assets over their useful lives.
- **Capital charge**, which reflects the opportunity cost of money being tied up in infrastructure.
- **Infrastructure investment**, which should reflect the cost of new capital investment. We have not provisioned for any costs for this, though we have provided for a capital charge. This is described below in 'Providing for future investment'.

The underlying assets include visitor assets (100% recoverable), biodiversity assets (0% recoverable) and mixed-use assets (50% recoverable). There are also heritage assets, which we consider partially recoverable but are not included in the costs due to their age and irreplaceability.

Overall, we have assessed 52% of asset costs as recoverable through the VIM Fee.

¹⁹ The Conservation Species Programme in New Zealand is designed to mitigate the adverse effects of the commercial fishing industry on protected species. Administered by DOC, the CSP focuses on avoiding, remedying or mitigating bycatch and other impacts on marine wildlife



Visitor management

Much of the costs of visitor management activity is directly attributable to tourist visitors and we suggest recovering most of this cost through the VIM Fee. We have, however, excluded some costs where there are already other fees in place, or tourist visitors are not the main people giving rise to the need for the Department's activity.

Coastal waters

These are the costs of meeting the coastal waters management requirements. We consider that most of these costs are recoverable through the VIM Fee.

Whilst coastal waters management would more usually sit with regional councils, the Department is responsible for managing this for New Zealand's Subantarctic Islands. This includes work on the Coastal Plan, navigation safety, developing regulatory processes, and education and awareness. Cruise ship visitors to the Subantarctic Islands give rise to the need for most of this activity. Mostly this is due to tourist visitors, but some of the Department's activities benefit other visitors (such as fishing vessels and researchers), so we have assessed this as 75% recoverable.

We excluded managing enquiries and processing of coastal permit applications from being recovered through the VIM Fee. This is more appropriately captured through the processing fee charged for coastal permits.

This mix of 75% and 0% recoverable activities means overall 69% of costs relating to coastal waters management are recoverable through the VIM Fee.

Cruise ships

Most of the costs of the Department relating to cruise ships can be recovered through the VIM Fee. This includes managing approved tourist operators, provision of government observers, developing regulatory processes, and visitor monitoring and planning. Although monitoring and compliance serve the public interest by ensuring that regulations are followed, cost recovery in full can be justified as tourist visitors give rise to the need for this activity, and it is appropriate that these activities are fully recoverable.

Activity related to concession and entry permit processing is not recoverable, and we treated this as out of scope. We consider it is more appropriately recovered through the Concession Processing Fee and the Entry Permit Processing Fee.

This mix of 100% and 0% recoverable activities means overall 94% of costs relating to cruise ships are recoverable through the VIM Fee.

Private vessels

Similar to the above, we consider managing entry permit holders is fully in scope of the VIM Fee, whilst entry permit processing should be out of scope. Recreational visitors give rise to the need for



management of their activities (including any monitoring and compliance). Entry permit processing is more appropriately recovered through the Entry Permit Processing Fee.

This mix of 100% and 0% recoverable activities means overall 23% of costs relating to private vessels are recoverable through the VIM Fee.

Other regulations

We have assessed these costs as not recoverable through the VIM Fee.

This includes costs relating to research permits, filming permits, and managing Civil Aviation Airspace (CAA) regulations (for example, relating to use of drones). The costs of granting and managing research permits are more appropriately recovered from researchers (not tourist operators and recreational visitors) who give rise to the Department's costs and the Department already charges fees to recover their costs. Similarly, it would be more equitable to recover the costs of commercial filming and drone usage from those who undertake these activities in the Subantarctic Islands, rather than from all recreational visitors and tourist operators generally.

Overall, we have assessed 52% of costs for other regulations as recoverable through the VIM Fee.

Supporting functions

Management

This includes central costs for the regional office, heritage, and biodiversity staff working on the Subantarctic Islands. It covers reporting, planning, and health and safety, as well as managing Treaty partnerships and field familiarisation.

Overall, we have assessed 50% of management costs as cost recoverable through the VIM Fee as this work enables both visitor management, asset maintenance, and biosecurity.

Shared logistics

This includes time and costs from coordinating with other government organisations, including the New Zealand Navy to arrange transport for the Department's team to do repairs, maintenance, and biodiversity work on the islands.

Overall, we have assessed 25% of shared logistics costs as cost recoverable through the VIM Fee, as they are for multiple purposes, and an indirect cost for managing visitors.

Business support

The Department has estimated an overhead cost to allocate organisational costs and business support services. This includes the cost of providing services such as Communications, Finance, Human Resources, Procurement, and Information & Communications Technology (ICT).

This has been included in the cost of staff time across all Subantarctic Islands activity.



Providing for future investment

The asset costs should consider the amount required for future investment. The Department is currently in the process of developing their long term visitor management plan, which will include consultation with operators to identify priorities for investment.

We recommend that future fees should provide for the cost of new capital investment, once the visitor management plan has been finalised.

To ensure there is funding available for infrastructure investment, we have included depreciation, and a capital charge based on the replacement value of the current suite of assets supporting the visitor experience. This is separate to the actual repairs and maintenance needed to keep the existing assets operating. These asset costs may be CPI adjusted as part of future fee adjustments to keep up with the growing cost of new infrastructure to replace the current assets used by visitors (discussed further in the section on 'Adjusting and Reviewing the VIM Fee in future')

Fee design questions

We looked at one fee design question that arose during the course of our work – is it still appropriate to charge the VIM Fee per unique passenger? We think yes and recommend that the Department continue to charge the VIM Fee on this basis.

The main alternative approach suggested by the Department was charging the VIM Fee for every landing made by a visitor.

It is feasible, in our view, to look at costs by landing site and this would align more closely to some of the Department's cost drivers. For example, asset costs vary by landing site. The Department already monitors the number of visitors landing at each site (under the Conservation Management Strategy), and this could be used to apportion other operating costs by site. The Department also considers it would be simpler to use the pre-existing CMS figures than to determine the number of unique passengers per voyage.

However, fees are already complex for the Subantarctic Islands for tourist operators. Tourist operators pay five distinct fees and also receive refunds depending on their utilisation of entry permits. Changing to a fee per landing would add additional complexity to what is already a complicated charging arrangement for tourist operators. A single fee per passenger is likely to be simpler for tourist operators to pass on to their passengers and less complex for visitors.

Our recommended Visitor Impact Management Fee

The current VIM Fee of \$405 + GST is significantly under recovering the cost of the Department's activities in the Subantarctic Islands.



We recommend that the VIM Fee be set at \$1,017 + GST per unique visitor.

It is apparent from the history of the VIM Fee that it has never fully recovered the Department's costs. This new fee would cover all of the costs we have assessed as recoverable at this point in time (noting that there may be some additional costs in future for new capital investment once the visitor management plan is finalised and that future operating costs could also change over time).

Unlike the Concession Activity Fee, the Department can alter the VIM Fee as part of the entry permit process. However, given the significant fee increase, it would be best practice to be transparent about the range of the Department's activities and to make cost information accessible to stakeholders. We recommend providing information about cost drivers and the main components that determine the charges. Fee payers should understand the basis for the fee or charge.

We acknowledge that our recommended VIM Fee would represent a substantial increase for tourist operators. Therefore, the Department may like to consider applying a discount or implementing a phased transition.

Adjusting and reviewing the VIM Fee in future

For subsequent years, we recommend regularly reviewing and adjusting the VIM Fee to ensure it aligns with the Department's costs. Our assessment of the costs is based on expenditure by the Department over 2023/24, 2024/25 and 2025/26 (forecast) and future expenditure for each function may differ.

There are two approaches that the Department could consider:

- First, adjusting in line with CPI to keep up with cost inflation in between review periods. As the fee is set on a cost recovery basis, it is appropriate for inflation to be considered, and the costs and value of existing assets underpinning the fee will get more expensive over time.
- Second, as an alternative, the Department could use the financial model we have provided to them for this work to update the expenditure being incurred. This would be more resource intensive but would also be more accurate than a cost inflation adjustment.

Regardless of the approach taken, we recommend adjusting the fee to include depreciation of new assets, excluding replaced assets, noting these are an additional cost that are not currently included as they will be shaped by the asset management plan that is currently being developed.



Appendix 1: Visitor number guidelines for the Subantarctic Islands

VISITOR SITE	VISITOR AREA AND/OR TRACK/ ROUTE (AS IDENTIFIED ON MAPS)	GUIDELINE FOR MAXIMUM NUMBER OF VISITORS PER DAY	GUIDELINE FOR MAXIMUM NUMBER OF VISITORS PER YEAR (1 JULY TO 30 JUNE)
AUCKLAND ISLAND			
Hardwicke	Hardwicke and Terror Cove visitor area	200	400
Camp Cove	Camp Cove visitor area	50	150
Erlangen Clearing	Erlangen Clearing visitor area	50	150
Epigwaite	Epigwaite/Grafton visitor area	50	150
Lake Hinemoa	Lake Hinemoa visitor area and track	50	150
Ranui	Ranui Coastwatchers Base visitor area and track	50	150
South West Cape	South West Cape visitor area	50	150
Tagua	Tagua Coastwatchers Base visitor area	50	150
Hill 360 Route	Hill 360 visitor area and route	50	50
ENDERBY ISLAND			
Northern Cliffs	Sandy Bay/Penguin Alley, Northern Cliffs Track and Northern Cliffs terminus	200	1100
Circuit	Enderby Island Circuit visitor area and track	50	600
CAMPBELL ISLAND/MOTU IHUPUKU			
Col-Lyall/Beeman Base	Col-Lyall Saddle Track	200	1100
Col-Lyall Albatross	Col-Lyall Albatross visitor area	50	300
Mount Honey	Mount Honey visitor area and track	50	150
Northwest Bay Loop	Northwest Bay Circuit track	50	150
Perseverance Shoreline	Coastwatchers, Tucker's Homestead, Loneliest Tree, Duris Grave, Garden Cove and Venus Bay visitor areas	50	150
Penguin Bay	Penguin Bay visitor area and track	50	60



Appendix 2: Overview of fees paid by tourist operators to the Subantarctic Islands

Crown revenue	Recovered Departmental expenses			
In scope for review	Out of scope	Out of scope	Out of scope	In scope for review
Concession Activity Fee	Concession Processing Fee	Concession Management Fee	Entry Permit Processing Fee	Visitor Impact Management Fee
\$30 + GST per passenger per season	\$995 – \$3,247 + GST per concession	\$400 + GST per season	Expected to be \$2,065 + GST per season	\$405 + GST per unique passenger per season
Paid by tourist operators	Paid by tourist operators	Paid by tourist operators	Paid by tourist operators	Paid by tourist operators on a per visitor basis
<i>Methodology: market value</i>	<i>Methodology: cost recovery</i>	<i>Methodology: cost recovery</i>	<i>Methodology: cost recovery</i>	<i>Methodology: cost recovery</i>
Purpose of this fee is for the Crown to receive an appropriate return for the use of public conservation land	The purpose of this fee is to recover the costs of assessing the concession application, making a decision and issuing the concession.	The purpose of this fee is to recover the administrative costs of managing the concession	The purpose of this fee is to cover the administrative cost of processing applications for entry permits	Purpose of this fee is to recover the costs that the Department incurs relating to the impact and management of visitors on public conservation land

Notes

- 1 The Concession Activity Fee is \$30 per client to visit the Subantarctic Islands for any given season for Aurora, Ponant, Lindblad, TUI and Coral. The concession activity fee is \$30 per client guided per day for Heritage. In practice Heritage has been billed as per the others, but no formal variation has been made to their concession document.
- 2 The Entry Permit Processing Fee was increased from \$260 to \$2,065 for 24/25 season, but then discounted by 50% to support transition to the higher fee, meaning it was charged at \$1,032.50 for 24/25 season.
- 3 The Concession Processing Fee has been charged at different rates, Heritage, Ponant, Aurora and Lindblad were charged \$995 + GST, TUI was charged \$1,125 plus GST and Coral was charged \$3,247 + GST. All of these were re-issues of existing concessions, except for Coral, which was a new concession.



Appendix 3: Concession Activity Fee calculation assumptions

We used a purpose built financial model developed specifically for the Department of Conservation to review the Concession Activity Fee.

To calculate a per person fee based on market value, we calculated it using the following approach:

Concession Activity Fee

$$= \text{Lowest ticket price (excluding discounts)} \times \frac{\text{Days visiting Subantarctic Islands}}{\text{Total days in itinerary}} \times 4\%$$

Our market value analysis is based on the ticket price for voyages that include the Subantarctic Islands in the planned itinerary for the 2025/26 season. This has been used as it is a direct measure of the market value for tourists to the Subantarctic Islands. It also equals the revenue per unique visitor for the tourism operators.

The fee can only be charged if a visitor lands, but we note that operators will likely factor the fee into the ticket price for all visitors, including those unable to land due to weather conditions.

Specific assumptions to note include:

- Revenue is based on the lowest ticket prices (excluding any discounts) for voyages including the Subantarctic Islands as a destination. The lowest ticket price is selected as the baseline, assuming that higher ticket prices are charged to reflect a premium for onboard experiences, not the market value of use of the public conservation land.
- Ticket prices are proportioned for the number of days in the itinerary that include landing on Subantarctic Islands (excluding Snares, Bounties and Antipodes where landings are not allowed). This factors in that the Subantarctic Islands are not the sole destination on these voyages and calculates proportion of each ticket that relates to touring the Subantarctic Islands, noting operators offer voyages with multiple destinations.
- Noting some trips with the same itineraries run more than once in a season, the ticket prices considered are weighted by the number of voyages listed for 1 July 2025 through to 30 June 2026.
- Ticket prices have been converted into New Zealand dollars.

When interpreting the results, it is important to note that:

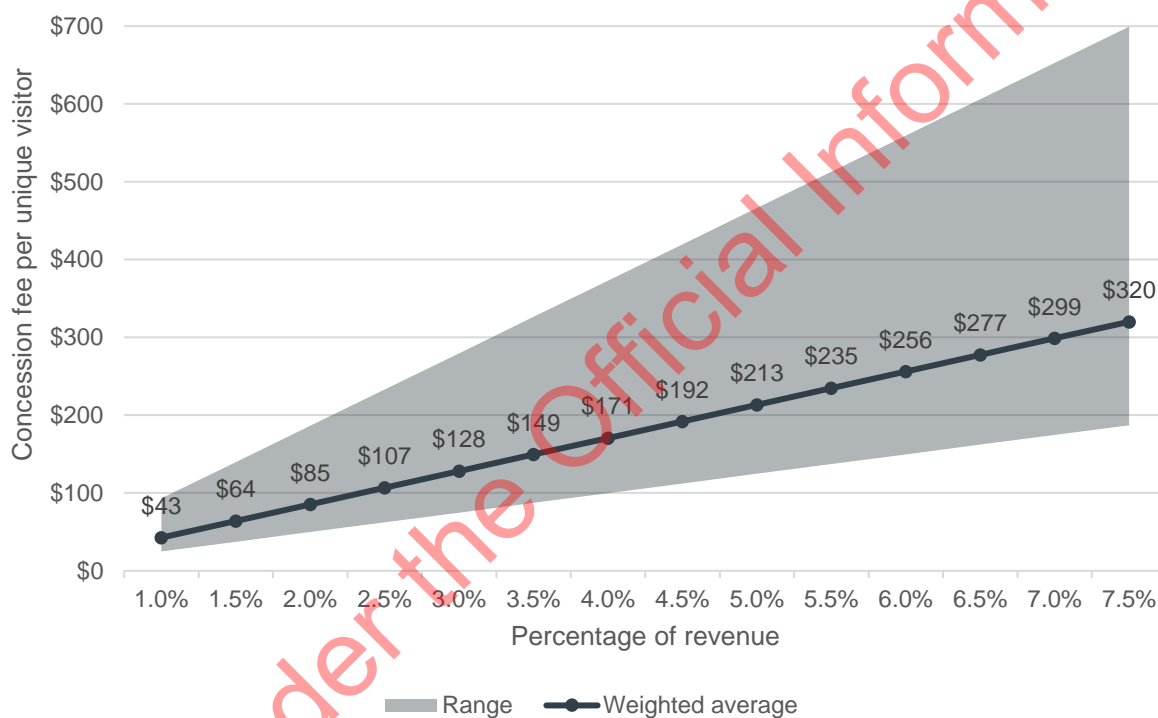
- The current concession fee of \$30 is less than 1% of average revenue.
- The Department charges different percentages of revenue depending on the activity. For example, the Department charges 3.5% for ski fields; and 7.5% for guiding and 7% for activity in Department owned infrastructure.



- Deloitte's December 2020 report 'The Percentage Revenue Framework – Issues and Options Paper' initially suggested a royalty should fall between 2% to 5% of revenue.

We undertook sensitivity analysis on the Concession Activity Fee for different percentage rates for different ranges of ticket prices. See Figure 9 below.

Figure 9 Per person Concession Activity fees based on different percentages of revenue in our financial model



Appendix 4: Cost recovery principles

Treasury's *Guidelines for Setting Charges in the Public Sector*²⁰ list the following factors for fee setters to consider when setting fees:

- **Authority:** does the public entity have legal authority to charge a fee for the goods and services provided?
- **Effectiveness:** Are resources allocated in a way that contributes to the outcomes being sought by the activity? Is the level of funding fit for purpose? Does it enable the cost recovered activity to be delivered to a level of quality that is appropriate for the circumstances (e.g., it should not be 'gold plated' or conversely at a poor level of performance that impedes the ability of organisations to do business)?
- **Efficiency:** are decisions on volume and standards of services, and costs to recover and when to recover, consistent with the efficient allocation of resources? What efforts have been made to ensure that there are reasonable constraints on charging, in order to demonstrate efficiency, particularly in the context of variable or hourly fees? Have options for pricing been considered in terms of what would be most efficient?
- **Transparency:** is information about the activity and its costs available in an accessible way to all stakeholders? Has the cost recovery analysis been approached in an 'open book' manner? Is detailed information about the cost drivers and the components that make up the charges available to stakeholders?
- **Consultation:** Has the entity engaged in meaningful consultation with stakeholders, and is there opportunity for stakeholders to contribute to the policy and design of the cost recovery activity?
- **Equity:** have the impacts of the proposed or existing cost recovery regime been identified? Will stakeholders be treated equitably? Have impacts over time been identified?
- **Simplicity:** is the cost recovery regime straightforward and understandable to relevant stakeholders? Have the costs of participation been kept low and evasion opportunities mitigated to acceptable levels?
- **Accountability:** public entities are accountable to Parliament and to the public. In practical terms, this can be demonstrated by consultation with stakeholders about change, through recording any surpluses and deficits generated by cost recovery regimes, through reporting on performance, and through reviews of the use of powers to set fees under regulation.

²⁰

[Guidelines for Setting Charges in the Public Sector - April 2017 \(treasury.govt.nz\)](#)



The Auditor General's *Setting and administering fees and levies for cost recovery: Good practice guide*²¹ lists four principles which set out the Auditor General's expectations for the administration and management of fees and levies:

- **Equity** – ensuring that fees and levies are administered and managed in a way that is administratively fair.
- **Efficiency** – Efficiency means that public organisations produce as many goods, or provide as many services, to the desired level of quality as possible from a given quantity of resources. This achieves value for money.
- **Justifiability** – Justifiability means that the costs you recover through fees or levies reasonably relate to the goods or services you are charging the fees or levies for. Where possible, it means eliminating cross subsidisation.
- **Transparency** – A public organisation is accountable to Parliament and the public. To be accountable for your charging practices, you need transparent processes for setting and managing fees or levies.

²¹

[Setting and administering fees and levies for cost recovery: Good practice guide \(oag.parliament.nz\)](https://oag.parliament.nz/setting-and-administering-fees-and-levies-for-cost-recovery-good-practice-guide)



Appendix 5: Entry permit VIM Fee calculation assumptions

The VIM Fee is calculated using the following approach:

$$VIM\ fee = \frac{\sum (Average\ cost \times Recovery\ rate)}{Average\ annual\ number\ of\ unique\ visitors}$$

For all activities, the average annual costs from 2023/24 to 2024/2025, through to an estimate for 2025/26 including staff costs (with overheads applied) and other operating costs are multiplied by their relevant cost recovery rate to get the total recoverable costs. Similarly, asset costs including depreciation and capital charge are included based on their relevant recovery rate.

Inherent to this methodology is that the costs are based on the current work programme of the Department, which we have assumed will continue 'as is' for the near future. However, we note that the work programme may change, which could result in changes in costs. For subsequent years, we recommend regularly reviewing and adjusting the VIM Fee to ensure it aligns with the Department's costs (as discussed in the section 'our recommended Visitor Impact Management Fee').

Source

The VIM Fee is based on information provided to us by the Department on staff time costs, other operating costs, and assets costs for all work done in the Subantarctic Islands on visitor management, biosecurity, biodiversity, and asset management.

Assumptions

Average cost

Staff time costs

Staff costs are calculated using the following approach:

$$Staff\ time\ costs = \frac{Weeks\ worked}{40\ weeks\ per\ year} \times (Average\ salary + Other\ direct\ costs + Indirect\ overhead\ costs)$$

The Department provided us with staff time in terms of weeks of work per task. These week estimates have been converted to an FTE rate based on there being a maximum of 40 effective working weeks per FTE.

The cost per FTE is calculated based on:



- Average salary of \$96,400 from the Public Service Commissions published average salary for FTE for the Department of Conservation for 2024.
- 4% other direct salary costs, for ACC and Kiwisaver.
- \$46,000 of indirect overhead costs per FTE, provided by the Department, based on the costs per person for centrally provided services. This includes business support costs for communications, human resources, procurement, and ICT.

Other operating costs

Other operating costs have been applied as provided to us by the Department. These include any costs charged to the Department for work on the Subantarctic Islands other than their own staff time, such as charter of vessel transport to the islands, consultants, other service contracts, travel costs, field equipment, expedition logistics (including food), training costs, medical supplies, personal protective equipment and materials.

Asset costs

Asset costs, including depreciation, capital charge, and investment needed are based on amounts provided by the Department's finance team. We have offset the amount of investment needed with the depreciation cost to avoid double counting. As the VIM Fee is charged on a cost recovery basis, costs for assets that do not yet exist should be covered through another mechanism. With the recommended VIM Fee recovering more costs, this may free up other funding to contribute to future investment.

The finance team have also provided a 'system value' estimate for maintenance cost which is less than the current actual maintenance time and costs. This is in part due to finance's costs excluding heritage assets which are maintained as part of the visitors' experience as these assets are unique and do not have a replacement value for their calculations to use. The difference between these two amounts is just over \$26k for the in scope proportion of costs, noting the actual activity costs are used for the recovery rates.

Calculating average costs

Activity costs are based on an average of staff and other operating costs over 2023/24, 2024/25 and 2025/26 (forecast). We note that for the Department this means the cost base reflects current funding rather than the full cost of future work required for the Subantarctic Islands.

Other asset costs are based on current year cost estimates provided by the Department's finance team.

Recovery rates

Costs recovery rates are as follows (these rates align with our first principles assessment in **Appendix 6**). The Department provided us with their views on which costs were attributable to tourist operators and recreational visitors, which we took into account.



Table 9: Recovery rates and average costs by function

Reported costs	Category	Activity	Recovery rate	Average cost ²²	Percent of total costs
Activity costs	Biosecurity	Biosecurity planning and management	50%	\$17,069	0.3%
		Incursion monitoring and response	50%	\$13,693	0.2%
		Biosecurity planning and management – marine (including clean hull processes)	75%	\$18,891	0.3%
		Managing biosecurity facility (Subantarctic Islands %)	25%	\$95,676	1.5%
		Biosecurity checking (Subantarctic Islands %)	25%	\$79,222	1.2%
		TOTAL	33% (average)	\$224,551	4%
	Biodiversity	CSP threatened species programme	0%	\$1,708,813	26.7%
		Auckland Island eradication programme	0%	\$2,205,724	34.5%
		Other biodiversity operations	0%	\$46,104	0.7%
		TOTAL	0% (average)	\$3,960,641	62%
	Visitor management – cruise ships	Concession enquiries and application processing	0%	\$4,266	0.1%
		Entry permit enquiries and application processing	0%	\$6,094	0.1%
		Managing approved operators	100%	\$30,470	0.5%
		Government observers planning and management	100%	\$45,467	0.7%
		Government observers	100%	\$153,605	2.4%
		Developing regulatory processes	100%	\$186,647	2.9%
		Visitor monitoring and planning	100%	\$190,123	3.0%
		Entry permit processing	0%	\$25,595	0.4%
		TOTAL	94%	\$642,267	10%
	Visitor management – private vessels	Entry permit enquiries	0%	\$15,844	0.2%
		Managing entry permit holders	100%	\$7,922	0.1%
		Entry permit processing	0%	\$10,360	0.2%
		TOTAL	23%	\$34,126	1%

²² Average costs are based on 2023/24, 2024/25 and 2025/26 (forecast) for activity costs. Asset costs (depreciation, capital charge, and infrastructure investment) were provided in March 2025, and are based on the modelled replacement value of assets.



Reported costs	Category	Activity	Recovery rate	Average cost ²²	Percent of total costs
	Visitor management – coastal waters	Managing enquiries on Coastal Plan	0%	\$9,141	0.1%
		Monitoring and managing vessels to Coastal Plan	75%	\$9,141	0.1%
		Managing coastal permits	75%	\$7,313	0.1%
		Developing regulatory processes	75%	\$33,925	0.5%
		Education and awareness	75%	\$9,750	0.2%
		Management of Navigation Safety contract	75%	\$141,524	2.2%
		Provide support to Navigation Safety contractor	75%	\$5,485	0.1%
		Other coastal waters regulatory processes	75%	\$6,094	0.1%
		TOTAL	69%	\$233,342	4%
	Visitor management – other regulations	Managing filming permits	0%	\$3,047	0.0%
		Managing CAA airspace regulations	0%	\$1,828	0.0%
		Research permit enquiries	0%	\$2,438	0.0%
		Managing research permit holders	0%	\$6,703	0.1%
		Filming permit processing	0%	\$4,875	0.1%
		Research permit processing	0%	\$37,783	0.6%
		TOTAL	0%	\$56,674	1%
	Shared logistics	Managing vessel providers	25%	\$2,438	0.0%
		Defence Force liaison	25%	\$22,913	0.4%
		Managing shared resources	25%	\$6,094	0.1%
		Operation Endurance management	25%	\$17,551	0.3%
		TOTAL	25%	\$48,996	1%
	Management	Work approvals	50%	\$42,049	0.7%
		Managing finances	50%	\$16,454	0.3%
		Reporting	50%	\$10,360	0.2%
		SOP and information management	50%	\$15,844	0.2%
		Forward planning	50%	\$28,032	0.4%
		Health and Safety planning	50%	\$38,392	0.6%
		Hazardous substances	50%	\$3,656	0.1%



Reported costs	Category	Activity	Recovery rate	Average cost ²²	Percent of total costs
		Health and Safety training	50%	\$24,631	0.4%
		Treaty partnership	50%	\$34,251	0.5%
		Field familiarisation	50%	\$8,775	0.1%
		TOTAL	50%	\$222,445	3%
	Asset field maintenance and planning	Visitor assets	100%	\$65,693	1.0%
		Mixed use assets	50%	\$283,269	4.4%
		Biodiversity assets	0%	\$174,045	2.7%
	Other asset costs – Visitor assets	Depreciation	100%	\$119,304	1.9%
		Capital charge	100%	\$177,978	2.8%
		Infrastructure investment	100%	\$0	0.0%
Asset costs	Other asset costs – Biodiversity assets	Depreciation	0%	\$50,713	0.8%
		Capital charge	0%	\$105,585	1.6%
		Infrastructure investment	0%	\$0	0.0%
	Other asset costs – Heritage assets	Depreciation	50%	\$0	0.0%
		Capital charge	50%	\$0	0.0%
		Infrastructure investment	50%	\$0	0.0%
	Asset management and maintenance	TOTAL	52%	\$976,588	15%

Average annual number of unique visitors

1,451 unique visitors are assumed each year, based on the average over 2022/23 (1,465 people), 2023/24 (1,508 people), and 2024/25 (1,380 people).



Appendix 6: Funding source assessment for the Department's Subantarctic Islands functions

The following table assesses the economic characteristics of each of the Department's main activities in the Subantarctic Islands, equity and allocative efficiency considerations (such as who benefits from the Department's activities and who gives rise to the need for the Department's activities), and whether there is a legal mandate for cost recovery of this activity through the VIM Fee.

We then identify who should fund the activity, and how much of the cost associated with this activity should be apportioned to the VIM Fee.

Please note that

- In describing who should fund the activity, we have differentiated between the Crown, tourist operators (and their passengers), recreational visitors, and all visitors. We use the term 'other' to describe a range of other potential funding sources including the commercial fishing industry, researchers, and coastal permit holders – as sometimes these third parties are giving rise to the Department's activities in the Subantarctic Islands.
- Our views on legal mandate were checked with the Department. Where we have said it is not within the authority of the Department to recover the cost of the activity through the VIM Fee, this does not preclude the Department recovering the cost via another fee.
- In some cases, we have identified tourist operators as the funding source for the Department's activities but assessed 0% of the costs as recoverable through the VIM Fee as the costs are already being recovered under another fee.
- We did not do a funding source assessment for business support functions. Instead, our financial model applies \$46,000 of indirect overhead costs per FTE. This was provided by the Department, based on the costs per person for centrally provided services.



Table 10: Funding source assessment for the Department's functions in the Subantarctic Islands

Function and activities of the Department	Key outputs	Economic characteristics			Equity and allocative efficiency considerations		Legal mandate	Funding source
		Excludability from output benefits, that is can people be prevented from benefitting?	Rivalry for output benefits, that is does one person's use preclude another's use?	Good type	Who benefits from the output?	Who creates risks or gives rise to the need for the activity?	Is this within the authority of the Department to recover under the VIM fee?	Crown, tourist operators, recreational visitors, all visitors, other
Biosecurity								
Terrestrial Biosecurity planning, incursion monitoring and response	Reduction in unwanted organisms, pests and diseases, which helps protect the unique ecosystems and marine environment of the Subantarctic Islands	Excludable. Visitors can be excluded from the benefits of biosecurity work to maintain the unique ecosystems of the Subantarctic Islands through permit system	Non-rival. One person's enjoyment of the unique ecosystems in the Subantarctic Islands does not significantly reduce the enjoyment of the islands by other visitors	Club good	Visitors to the islands benefit from the Department's management of biosecurity risks The public benefits from government efforts to protect biodiversity in the Subantarctic Islands	Any visitors are risk exacerbaters, as they are the main source of an incursion from unwanted organisms. Tourist operators (and their passengers) comprise a significant proportion of the visitors.	Yes	All visitors 50% apportioned to VIM Fee
Marine biosecurity planning and management (such as clean hull processes)	Prevents the spread of unwanted or invasive marine species in the coastal waters of the Subantarctic Islands	Excludable Visitors can be excluded from the coastal waters if they do not meet minimum regulatory requirements for vessels	Non-rival. One person's enjoyment of the coastal marine ecosystems in the Subantarctic Islands does not significantly reduce the enjoyment by other visitors	Club good	Visitors to the islands benefit from the Department's management of biosecurity risks The public benefits from government efforts to protect biodiversity in the Subantarctic Islands	Any visitors are risk exacerbaters, as they are the main source of an incursion from unwanted organisms. However, tourist operators give rise to most of the Department's marine biosecurity activities	Yes	All visitors 75% apportioned to VIM Fee
Managing biosecurity facilities and biosecurity checking	Tbc	Excludable. Visitors can be excluded from the benefits of biosecurity work to maintain the unique	Non-rival. One person's enjoyment of the unique ecosystems in the Subantarctic Islands does not significantly reduce the enjoyment of	Club good	Visitors to the islands benefit from the Department's management of biosecurity risks The public benefits from government	Visitors give rise to the risk and are the main source of an incursion from unwanted organisms. However, tourist operators only give rise to a small	Yes	All visitors 25% apportioned to VIM Fee



Function and activities of the Department	Key outputs	Economic characteristics			Equity and allocative efficiency considerations		Legal mandate	Funding source
		Excludability from output benefits, that is can people be prevented from benefitting?	Rivalry for output benefits, that is does one person's use preclude another's use?	Good type	Who benefits from the output?	Who creates risks or gives rise to the need for the activity?	Is this within the authority of the Department to recover under the VIM fee?	Crown, tourist operators, recreational visitors, all visitors, other
		ecosystems of the Subantarctic Islands through permit system	the islands by other visitors		efforts to protect biodiversity in the Subantarctic Islands	proportion of the Department's activities		
Biodiversity								
CSP threatened species programme	Monitoring the impact of commercial fishing on protected marine species and measures to reduce bycatch help protect the unique marine environment of the Subantarctic Islands	Non-excludable. The benefits of maintaining protected marine species is accessible to all	Non-rival. One person's enjoyment of the unique ecosystems in the Subantarctic Islands does not significantly reduce the enjoyment of the islands by other visitors	Public good	Public benefits from government efforts to protect threatened species in the Subantarctic Islands	Commercial fishing industry gives rise to the risks. It would be inequitable to charge visitors for this activity.	No	Crown / Other - commercial fishing industry 0% apportioned to VIM Fee
Auckland Island eradication programme	Removal of invasive vertebrate species from Auckland Island to help restore native ecosystems.	Excludable Only those with an entry permit can access Auckland Island	Non-rival One person's enjoyment of the ecosystems in Auckland Island does not significantly reduce the enjoyment of the island by other visitors	Club good	Visitors benefit from the improvements to conservation values in the Auckland Island Public benefits from government efforts to protect biodiversity	Visitors do not give rise to the need for this activity, which the Department would likely undertake as part of biodiversity efforts	No	Crown 0% apportioned to VIM Fee



Function and activities of the Department	Key outputs	Economic characteristics			Equity and allocative efficiency considerations		Legal mandate	Funding source
		Excludability from output benefits, that is can people be prevented from benefitting?	Rivalry for output benefits, that is does one person's use preclude another's use?	Good type	Who benefits from the output?	Who creates risks or gives rise to the need for the activity?	Is this within the authority of the Department to recover under the VIM fee?	Crown, tourist operators, recreational visitors, all visitors, other
Other biodiversity operations	Removal of invasive flora and non-vertebrate fauna species to help restore native ecosystems.	Excludable Only those with an entry permit can access the Subantarctic Islands	Non-rival One person's enjoyment of the island ecosystems does not significantly reduce the enjoyment of the island by other visitors	Club good	Visitors benefit from the improvements to conservation values on the islands. Public benefit from government efforts to protect biodiversity	Visitors do not give rise to the need for this activity, which the Department would likely undertake as part of biodiversity efforts	No	Crown 0% apportioned to VIM Fee
Asset management and maintenance								
Visitor asset management and planning	Maintenance of tracks, boardwalks, footbridges, seats signs and some specialist structures e.g. viewing platforms.	Excludable – the benefits of asset planning are only available to those who visit the island	Non-rival	Club good	Primarily tourist operators (and their passengers) and recreational visitors ²³	Tourist operators (and their passengers) and recreational visitors	Yes	Tourist operators, recreational visitors 100% apportioned to VIM Fee

²³ Researchers, DOC staff and Ngai Tahu do make some use of visitor tracks for their work but we understand would use alternatives if the visitor assets were not there



Function and activities of the Department	Key outputs	Economic characteristics			Equity and allocative efficiency considerations		Legal mandate	Funding source
		Excludability from output benefits, that is can people be prevented from benefitting?	Rivalry for output benefits, that is does one person's use preclude another's use?	Good type	Who benefits from the output?	Who creates risks or gives rise to the need for the activity?	Is this within the authority of the Department to recover under the VIM fee?	Crown, tourist operators, recreational visitors, all visitors, other
Biodiversity asset management and planning	Maintenance of tracks, boardwalks, footbridges, huts, seats, signs and specialist structures e.g. dangerous goods sheds.	Excludable – the benefits of asset planning are only available to those who visit the island	Non-rival	Club good	Tourist operators (and their passengers) and recreational visitors benefit from the improvements to conservation values across the Islands Public benefit from government efforts to protect biodiversity	Tourist operators and recreational visitors do not give rise to the need for this activity, which the Department would likely undertake as part of biodiversity efforts	No	Crown 0% apportioned to VIM Fee Note - 50% apportioned for asset field maintenance and planning for assets used for both biodiversity and visitors (mixed use assets)
Heritage asset management and planning	Maintenance of heritage sites and in situ artefacts.	Excludable – the benefits of asset planning are only available to those who visit the island	Non-rival	Club good	Tourist operators (and their passengers) and recreational visitors benefit from maintenance of some heritage assets which are a visitor attraction. The public benefit from government efforts to protect heritage assets	Tourist operators (and their passengers) and recreational visitors give rise to some of the activity, though the Department would undertake some heritage asset preservation regardless of visitors	Yes	Crown / Tourist operators / Recreational visitors 50% apportioned to the VIM fee



Function and activities of the Department	Key outputs	Economic characteristics			Equity and allocative efficiency considerations		Legal mandate	Funding source
		Excludability from output benefits, that is can people be prevented from benefitting?	Rivalry for output benefits, that is does one person's use preclude another's use?	Good type	Who benefits from the output?	Who creates risks or gives rise to the need for the activity?	Is this within the authority of the Department to recover under the VIM fee?	Crown, tourist operators, recreational visitors, all visitors, other
Visitor management								
Coastal waters management								
Navigation safety - Management of Navigation Safety contract, Safety provision of support to navigation safety contractor, education and awareness, and developing regulatory processes	Effective navigation safety measures help protect the crew and passengers of vessels operating in this challenging maritime environment	Non-excludable – Navigation safety measures in place benefit all vessels navigating the waters	Non-rival One vessel's use of navigation safety measures does not reduce their availability to other vessels	Public good	Mostly tourist operators and recreational visitors, but also other visitors to the island's coastal waters	Mostly tourist operators and recreational visitors, but also other visitors to the island's coastal waters	Yes	Tourist operators, recreational visitors 75% apportioned to VIM Fee
Coast permits – managing enquiries	Information provided to persons making the enquiry	Excludable. Only those who receive the information benefit from it	Rival Information is not able to be used by another person	Private good	Persons making the enquiry	Persons making the enquiry	No	Other - Persons making the enquiry 0% apportioned to VIM Fee
Coastal permits - processing of coastal permit applications	Coastal permit granted to navigate coastal waters	Partially excludable – coastal permits improve access but are not a prerequisite to gain at least some access	Non-rival Granting a coastal permit to a vessel does not reduce the ability of other vessels to receive a permit	Club good	Vessels who receive a coastal permit	Vessels who apply for coastal permits	No	Other – vessels who apply for a coastal permit 0% apportioned to VIM Fee (recovered under coastal permit processing fee)



Function and activities of the Department	Key outputs	Economic characteristics			Equity and allocative efficiency considerations		Legal mandate	Funding source
		Excludability from output benefits, that is can people be prevented from benefitting?	Rivalry for output benefits, that is does one person's use preclude another's use?	Good type	Who benefits from the output?	Who creates risks or gives rise to the need for the activity?	Is this within the authority of the Department to recover under the VIM fee?	Crown, tourist operators, recreational visitors, all visitors, other
Coastal permits - Monitoring and managing vessels, managing regulatory processes, education and awareness	Monitoring and compliance with regulatory requirements, improved awareness	Non-excludable Information and compliance with coastal permits benefits visitors and the public	Non-rival Benefits from improved information and compliance are accessible to all simultaneously	Public good	Vessels who receive a permit	Vessels who hold a coastal permit	Yes	Other – vessels who have a coastal permit 75% apportioned to VIM Fee
Cruise ships								
Concession enquiries	Information provided to persons making the enquiry	Excludable. Only those who receive the information benefit from it	Rival Information is not able to be used by another person	Private good	Persons making the enquiry	Persons making the enquiry	No	Other - Persons making the enquiry 0% apportioned to VIM Fee
Concession application processing	Concessions granted to operate a guiding business over public conservation land	Excludable Only those with a concession can operate a commercial business	Rival Granting the concession reduces the availability of concessions to others	Private good	Primary beneficiary is the tourist operators who hold the concessions	Tourist operators (and their passengers)	No – but recoverable under s60B as this is a direct cost of granting concessions	Tourist operators 0% apportioned to VIM Fee (as recovered under the concession processing fee)
Entry permit enquiries	Information provided to persons making the enquiry	Excludable. Only those who receive the information benefit from it	Rival Information is not able to be used by another person	Private good	Persons making the enquiry	Persons making the enquiry	No	Other - Persons making the enquiry 0% apportioned to VIM Fee (



Function and activities of the Department	Key outputs	Economic characteristics			Equity and allocative efficiency considerations		Legal mandate	Funding source
		Excludability from output benefits, that is can people be prevented from benefitting?	Rivalry for output benefits, that is does one person's use preclude another's use?	Good type	Who benefits from the output?	Who creates risks or gives rise to the need for the activity?	Is this within the authority of the Department to recover under the VIM fee?	Crown, tourist operators, recreational visitors, all visitors, other
Entry permit application processing	Permits granted to tourist operators to land passengers on the Subantarctic Islands	Excludable Only those with a permit can land in the Subantarctic Islands	Rival There are a limited number of permits available	Private good	Primary beneficiary is the entry permit holders (tourist operators and their passengers)	Entry permit holders	No – but recoverable under s60B as this is a direct cost of granting entry permits	Tourist operators 0% apportioned to VIM Fee (as recovered under the entry permit processing fee)
Developing regulatory processes	Fit-for-purpose rules and guidelines to achieve regulatory objectives	Non-excludable. The benefits of improvements to the regulatory system will benefit regulated parties and the public	Non-rival Improvements to the regulatory system will be accessible to all regulatory participants simultaneously	Public good	Tourist operators (and their passengers) and the public	Tourist operators (and their passengers)	Yes	Tourist operators 100% apportioned to VIM Fee
Managing approved tourist operators, including provision of Government observers	Monitoring and compliance with regulatory requirements	Non-excludable Compliance with requirements benefits tourist operators (and their passengers), and the public	Non-rival Benefits from compliance are accessible to all simultaneously	Public good	Tourist operators (and their passengers), and the public	Tourist operators (and their passengers)	Yes	Tourist operators 100% apportioned to VIM Fee
Visitor impact monitoring and planning	Assessment of the environmental, cultural and visitor experience impacts of tourist visitors and mitigation of visitor impacts on the unique biodiversity of the Subantarctic Islands	Excludable Only those with an entry permit can access the Subantarctic Islands	Non-rival One person's enjoyment of the unique ecosystems in the Subantarctic Islands does not significantly reduce the enjoyment of the islands by other visitors	Club good	Tourist operators (and their passengers) and the public	Tourist operators (and their passengers)	Yes	Tourist operators 100% apportioned to VIM Fee



Function and activities of the Department	Key outputs	Economic characteristics			Equity and allocative efficiency considerations		Legal mandate	Funding source
		Excludability from output benefits, that is can people be prevented from benefitting?	Rivalry for output benefits, that is does one person's use preclude another's use?	Good type	Who benefits from the output?	Who creates risks or gives rise to the need for the activity?	Is this within the authority of the Department to recover under the VIM fee?	Crown, tourist operators, recreational visitors, all visitors, other
Private vessels								
Pre-application enquiries	Information provided to persons making the enquiry	Excludable. Only those who receive the information benefit from it	Rival Information is not able to be used by another person	Private good	Persons making the enquiry	Persons making the enquiry	No	Other - Persons making the enquiry 0% apportioned to VIM Fee
Processing of permit applications	Permits granted to land on the Subantarctic Islands	Excludable Only those with a permit can land in the Subantarctic Islands	Rival There are a limited number of permits available	Private good	Primary beneficiary is the entry permit holders (recreational visitors)	Entry permit holders (recreational visitors)	No – but recoverable under s60B as this is a direct cost of granting permits	Recreational visitors 0% apportioned to VIM Fee (recovered under the entry permit processing fee)
Managing permit holders	Monitoring and compliance with regulatory requirements	Non-excludable - Compliance with requirements benefits recreational visitors, , and the public	Non-rival Benefits from compliance are accessible to all simultaneously	Public good	Recreational visitors and the public	Recreational visitors	Yes	Recreational visitors 100% apportioned to VIM Fee
Other regulations								
Research permits	Research permit granted to carry out research	Excludable	Rival	Private good	Researchers	Researchers. It would be inequitable to recover the costs of this activity from tourist operators and recreational visitors	No	Other – researchers 0% apportioned to VIM Fee (recovered under



Function and activities of the Department	Key outputs	Economic characteristics			Equity and allocative efficiency considerations		Legal mandate	Funding source
		Excludability from output benefits, that is can people be prevented from benefitting?	Rivalry for output benefits, that is does one person's use preclude another's use?	Good type	Who benefits from the output?	Who creates risks or gives rise to the need for the activity?		
						given they do not give rise to the need for it		research permit processing fee)
Commercial filming permits	Commercial filming permit granted	Excludable	Rival	Private good	Filming permit holders	Filming permit holders. It would be more equitable to recover the costs of filming permits from those who apply for them.	No	Other – filming permit holders 0% apportioned to VIM Fee (recovered under filming permit processing fees)
Managing CAA Airspace regulations, including drones	Drone permits granted	Excludable	Rival	Private good	Drone users, who are a mixture of tourist visitors and other visitors	Drone users e.g. Mixture of tourist visitors and other visitors to the islands	No	Other - drone users 0% apportioned to VIM Fee (processing costs recovered from applicant / drone operator)



Function and activities of the Department	Key outputs	Economic characteristics			Equity and allocative efficiency considerations		Legal mandate	Funding source
		Excludability from output benefits, that is can people be prevented from benefitting?	Rivalry for output benefits, that is does one person's use preclude another's use?	Good type	Who benefits from the output?	Who creates risks or gives rise to the need for the activity?	Is this within the authority of the Department to recover under the VIM fee?	Crown, tourist operators, recreational visitors, all visitors, other
Supporting functions								
Shared logistics								
Managing vessel providers Defence force liaison Operation Endurance Managing shared resources	Transit of Department staff to the Subantarctic Islands to undertake a mixture of work on asset maintenance, and biodiversity	Not applicable for supporting functions			Tourist operators (and their passengers) and recreational visitors benefit from asset maintenance work The public benefit from government efforts to protect biodiversity on the islands	Tourist operators (and their passengers) and recreational visitors give rise to some of the activity	Yes	Tourist operators / Recreational visitors Crown 25% apportioned to VIM Fee
Management								
Treaty partnership, internal work approvals managing finances, SOP and information management, forward planning health and safety planning, hazardous substances, health and safety training, field familiarisation	Contributes to the delivery of activities and outputs in the Subantarctic Islands	Not applicable for supporting functions			Those who benefit from the Department's main functions in the islands (biodiversity work, biosecurity, visitor management and asset management) as listed above benefit from these supporting activities	Tourist operators (and passengers) and recreational visitors indirectly give rise to a substantive amount of this activity.	Yes	All visitors / Crown 50% apportioned to VIM Fee



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MEMO

DATE: 24/06/2025

TO: Ruth Isaac - Deputy Director-General Policy and Regulatory Services

CC: Henry Weston – Deputy Director-General Regional Operations
Siobhan Quayle – Director Regulatory Systems Performance
Aaron Fleming – Director Regional Operations

FROM: Carolyn Parker – Principal Commercial and Revenue Advisor
Kirsty Cameron – Commercial Manager

SUBJECT: Increase to Subantarctic Islands guiding concession activity fee – decision required

Context

1. The consultation document that went out last year on changes to the proposed entry permit allocation process indicated that the Department would undertake a review of fees for the Subantarctic Islands as and when resources allowed.
2. Martin Jenkins have now completed a [review](#) of the two key fees we charge concessionaires taking visitors to New Zealand's Subantarctic Islands. They recommend that we markedly increase both fees. The review found that:
 - a. the current concession activity fee is not at market value, and
 - b. the entry permit Visitor Impact Management (VIM) fee is not appropriately recovering DOC's costs for managing cruise ships visiting the islands.

Table 1: Summary of fee situation

Fee	Type of fee	Current fee	Recommended fee	Basis for recommended fee	% Increase
Activity fee	Crown	\$30 + GST per unique passenger landed	\$171 + GST per unique visitor landed	Market value (equivalent to 4% of gross revenue)	470%
VIM fee	Departmental	\$405 + GST per unique visitor landed	\$1,017 + GST per unique visitor landed	Cost recovery	151%

3. This memo focusses on the **concession activity fee**. It outlines why the fee should increase and seeks your approval of the higher fee and a decision on how we'll implement it.
4. Due to the significant increase of the concession activity fee ^{Sec 9(2)(g)(i)}, we believe the decision should be escalated to Deputy Director-General Policy and Regulatory Services, with agreement from Deputy Director-General Regional Operations.

5. The mechanism for changing the activity fee is the 3-yearly rent review process. We advised the six concessionaires on 30 September 2024 that we were beginning a rent review. After you make your decision, we'll notify each concessionaire of the outcome of the rent review. Both parties must agree to the new fee within 30 days. If no agreement is reached each party appoints a valuer to agree the new fee.
6. Additionally, we are requesting a decision on the Visitor Impact Management fee in a separate memo. The VIM fee is Departmental revenue, and we believe you and Henry Weston should be joint decision makers.
7. A new process, to competitively allocate entry permits to concessionaires for the coming three years, is also occurring over the next few months.

Background

8. Over the last three seasons there have been around 1,500 unique visitors to the Subantarctic Islands per year. Most visitors access the Islands through the six concessionaires who hold active concessions for guiding: Heritage Expeditions Limited, Lindblad Expeditions LLC, OP Marine Limited (Coral Expeditions), Compagnie du Ponant Pty Ltd, TUI Cruises, and Aurora Expeditions. Their concessions expire on 30 September 2031.
9. There are five fees paid by concessionaires that go to the Subantarctic Islands.
 - a. Concession activity fee,
 - b. Visitor impact management fee (VIM) fee,
 - c. Concession application fee,
 - d. Concession management fee, and
 - e. Entry permit processing fee.
10. The concession activity fee and VIM fee are the two main fees.
11. The concession activity fee was set at \$30 + GST per person in 2015 and has remained at that level since. The fee was based on multiplying the standard (as of 2015) per person, daily guiding fee by 2.5 (average days spent on shore) to cover all landings on a voyage. The per person, daily guiding fee which was used had been in place since at least 2011.
12. We contracted an independent, external review to MartinJenkins in late 2024. MartinJenkins are familiar with the Subantarctic Island context because of previous contracts with DOC. For example, they undertook consultation with concessionaires, Ngāi Tahu, and stakeholders about the 2023/24 entry permit process in mid-2024.

MartinJenkins Findings

13. MartinJenkins recommends we increase the concession activity fee to \$171 + GST per person landed to reflect the current market value of the economic right conferred.
14. The recommended fee was determined by using published ticket prices for advertised itineraries to conservatively estimate gross revenue being received by tourist operators for each unique visitor to the Subantarctic Islands, then taking a percentage of that (4%) to determine the fee.
15. A [financial model](#) has been built that lays out the concession activity fee calculation in detail. There are many factors accounted for in the detail of the calculation such as number of scheduled landing days, currency/exchange rate, range of ticket prices, and number of voyages.
16. The percentage used (4%) considers the Department's standard percentage for large guiding operators, the exclusivity of the concession opportunity, the level of investment required by tourist operators to

offer trips to the Subantarctic Islands, and the contribution made by tourist operators to the preservation of the Islands.

17. Based on the modelling, the current concession activity fee of \$30 + GST represents less than 1% of the average gross revenue earned by tourist operators per person.
18. As the recommended fee represents a significant increase for tourist operators, MartinJenkins suggests we consider gradually increasing the fee. Concessionaires have already priced and are advertising trips through to the 2026/27 season. Although we have signalled the review and that we expect fees to increase, they may be surprised by the extent of change recommended.

Recommendation

19. We agree with MartinJenkins' recommendation for the concession activity fee.
20. Since the 2025/26 cruise season starts soon (November 2025), and the 2026/27 cruises are already being sold, we recommend introducing the fee gradually.
21. We recommend that the full fee applies from the 2027/28 season, which hasn't been advertised yet. This gives operators time to include the fee in their pricing.
22. Our recommended approach to implementing the new fee is:
 - a. 2025/26 season: \$43 + GST (25% of new fee; 43% increase on current fee),
 - b. 2026/27 season: \$56 + GST (33% of new fee; 87% increase on current fee), and
 - c. 2027/28 season: \$171 + GST (100% of fee).
23. The next rent review is due to commence by 30 September 2027. Assuming we use the same methodology at that point, it's likely that any change will be relatively minor. The new fee could be applied from the 2028/29 season and is unlikely to need phasing in.
24. Our recommended approach gives certainty to concessionaires about what the fee is over the coming three years (the period they're applying for allocation of entry permits for) and gives reasonable notice to concessionaires of fee changes relative to the extent of change.

Sec 9(2)(g)(i)

26. We think the approach we've proposed for introducing the new fee acknowledges that it's not currently at market rate and takes an immediate step towards rectifying that, while also minimising the impact on the concessionaire in the short term (given financial commitments they've already made). We did signal and advise concessionaires of a review, so they could have made provision for some change, but they can't reasonably have predicted the extent of change.

27. Sec 9(2)(h)

Recommended fee

Activity Fee

\$171 + GST per person landed

Phased in over three years as follows:

2025/26 season: \$43 + GST per person landed

2026/27 season: \$56 + GST per person landed

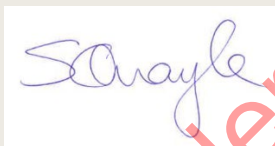
2027/28 season: \$171 + GST per person landed

Conditions (delete if no conditions are required)

Decision

Pursuant to the Conservation Act 1987, the proposed fees in the fee assessment section above are:

Approved



Signed by Siobhan Quayle, Director Regulatory Systems Performance

Pursuant to the delegation dated 9 September 2015

Date: 26 June 2025

Approved



Signed by Ruth Isaac, Deputy Director-General Policy and Regulatory Services

Pursuant to the delegation dated 9 September 2015

Date: 30 June 2025

MEMO

DATE: 24/06/2025

TO: Ruth Isaac - Deputy Director-General Policy and Regulatory Services
Henry Weston – Deputy Director-General Regional Operations

CC: Aaron Fleming – Director Regional Operations
Siobhan Quayle – Director Regulatory Systems Performance

FROM: Carolyn Parker – Principal Commercial and Revenue Advisor
Kirsty Cameron – Commercial Manager

SUBJECT: Increase to Subantarctic Islands entry permit VIM fee – decision required

Context

1. The consultation document that went out last year on changes to the proposed entry permit allocation process indicated that the Department would undertake a review of fees for the Subantarctic Islands as and when resources allowed.
2. Martin Jenkins have now completed a [review](#) of the two key fees we charge concessionaires taking visitors to New Zealand's Subantarctic Islands. They recommend that we markedly increase both fees. The review found that:
 - a. the current concession activity fee is not at market value, and
 - b. the entry permit Visitor Impact Management (VIM) fee is not appropriately recovering DOC's costs for managing cruise ships visiting the islands.

Table 1: Summary of fee situation

Fee	Type of fee	Current fee	Recommended fee	Basis for recommended fee	% Increase
Activity fee	Crown	\$30 + GST per unique passenger landed	\$171 + GST per unique visitor landed	Market value (equivalent to 4% of gross revenue)	470%
VIM fee	Departmental	\$405 + GST per unique visitor landed	\$1,017 + GST per unique visitor landed	Cost recovery	151%

3. This memo focusses on the entry permit **visitor impact management ("VIM") fee**. It outlines why the fee should increase and seeks your approval of the higher fee and a decision on how we'll implement it.
4. The VIM fee is Departmental revenue, and we believe you (Ruth Issac and Henry Weston) should be **joint** decision makers. It is appropriate for the decision to be escalated to Deputy Director-General level because of the significant increase recommended **Sec 9(2)(g)(i)**



5. The VIM fee can be reviewed on an annual basis. We advised the six concessionaires on 30 September 2024 that we were beginning a review, and on 9 June 2025, through the entry permit allocation application process, we signalled that the independent fee review is likely to recommend a substantial increase. After you make your decision, we'll notify each concessionaire of the outcome.
6. Additionally, we are requesting a decision on the concession activity fee in a separate memo. The activity fee is Crown revenue, and we believe the decision should be made by Deputy Director-General Policy and Regulatory Services, with agreement from Deputy Director-General Regional Operations.
7. A new process, to competitively allocate entry permits to concessionaires for the coming three years, is also occurring over the next few months.

Background

8. Over the last three seasons there have been around 1,500 unique visitors to the Subantarctic Islands per year. Most visitors access the Islands through the six concessionaires who hold active concessions for guiding: Heritage Expeditions Limited, Lindblad Expeditions LLC, OP Marine Limited (Coral Expeditions), Compagnie du Ponant Pty Ltd, TUI Cruises, and Aurora Expeditions. Their concessions expire 30 September 2031.
9. There are five fees paid by concessionaires that go to the Subantarctic Islands.
 - a. Concession activity fee,
 - b. Visitor impact management fee (VIM) fee,
 - c. Concession application fee,
 - d. Concession management fee, and
 - e. Entry permit processing fee.
10. The concession activity fee and VIM fee are the two main fees.
11. The VIM fee increased from \$370 + GST to \$405 + GST per person in 2014 and it has remained at that level since.
12. Since at least 1998 the VIM fee has been charged 'per person landed, per voyage/season' except for during 2011-2012, when charging of a base fee + per site fees was trialled. In the last two seasons we've also charged for all allocated permits, even if not used (but in-season surrenders are possible, at discounted fee rates, to incentivise returning permits for others to use).
13. There is limited past analysis of the Department's costs relating to Subantarctic Island tourist operators and how that compares to the revenue received through the VIM fee, although in 2005 the fee was \$250 + GST and costs were estimated by the Department at \$350 + GST.
14. In terms of the legal framework for setting the VIM fee, the Conservation Act provides for cost recovery. Under sections 60A, 60B and 60C of the Conservation Act 1987, the Department is able to recover direct and indirect costs that it incurs in considering, granting or issuing any consent, concession, permit approval or action. There is also scope to recover 'post grant' costs that the Department incurs relating from the management of visitors on a unique Nature Reserve, pursuant to s60D and under the Reserves Act 1977.
15. We contracted an independent, external review to MartinJenkins in late 2024. MartinJenkins are familiar with the Subantarctic Island context because of previous contracts with DOC. For example, they undertook consultation with concessionaires, Ngāi Tahu, and stakeholders about the 2023/24 entry permit process in mid-2024.

MartinJenkins Findings

16. MartinJenkins recommends we increase the VIM fee to \$1,017 + GST per unique visitor. At this level (and based on ~1,500 visitors per annum), it covers all cruise ship related costs at the time of their analysis that were assessed as recoverable.
17. The recommended fee was determined using a first-principles approach to consider which of DOC's costs for the Subantarctic islands should be recovered through the VIM fee.
18. MartinJenkins advises that their approach follows both the Treasury's cost recovery guidelines and the Office of the Auditor-General's guidance on setting public sector fees and charges. For each of the Department's functions related to the Subantarctic Islands, they worked with DOC staff to understand and consider the function's economic characteristics, fairness, efficiency, and legal requirements. They then assessed whether the funding should come from the Crown or be recovered from third parties. If recovery from third parties was appropriate, they also considered whether the full cost or only part of it should be recovered through the VIM fee.
19. Of the \$6.4m total average annual costs (based on an analysis of expenditure over 2023/24, 2024/25, and a forecast for 2025/26), MartinJenkins assessed \$1.5m as recoverable through the VIM fee. Many of these are fixed costs that do not vary with the level of cruise ship activity. This means that if the number of passengers declines for some reason, our costs for managing cruise ships visiting the islands will be under-recovered.
20. A [financial model](#) has been built that lays out the VIM fee calculation in detail.
21. The Department is currently in the process of developing a long-term visitor management plan for the Subantarctic Islands. MartinJenkins recommends that the future fees should provide for the cost of new capital investment once the visitor management plan, including scope and priorities for investment, has been finalised. The recommended fee does not currently include provision for new capital investment but does include depreciation and a capital charge based on the replacement value of the current suite of assets that support the visitor experience.
22. As the recommended fee represents a significant increase for tourist operators, MartinJenkins suggests we consider a transition to the new fee. They also recommend we provide information about the cost drivers and main components that determine the fee, so that concessionaires understand the basis for the fee.
23. Concessionaires have already priced and are advertising trips through to the 2026/27 season. Although we have signalled the review and that we expect fees to increase, they may be surprised by the extent of change recommended.
24. For subsequent years, MartinJenkins recommends we regularly review and adjust the VIM fee to ensure it aligns with our costs at the time, as future expenditure for each function included in the assessment may differ. Two approaches we can consider are:
 - a. adjusting the fee in line with CPI to keep up with inflation in between review periods; and
 - b. using the financial model to update the expenditure being incurred.
25. The latter option would be more resource intensive but would also be more accurate than a CPI adjustment.

The Regional Operations view

26. There is support at District / Regional level for a substantial increase of the fee.
27. District staff (Murihiku office, SSI region) hold concerns about the methodology though because, as is, the base fee doesn't accommodate for new activities or significant cost escalations in the future. For example, in recent forward planning, cost escalations have already occurred for vessel charters, navigation safety advice, and visitor monitoring studies for the 2025/26 year. The recommended fee is

- based on looking back on costs for the past two years, and forecasting 'business as usual' costs for the coming year, and so the year the fee is collected in won't reflect the actual costs of that year.
28. There is concern that, if the fee revenue is used to solely inform/fund the work programme of the coming year/s, it may be inadequate, as the methodology produces a 'lag', and that this could create a 'circular' argument where the level of current activity, as funded by the current revenue, is used as the benchmark for future activity, and future revenue. The methodology also doesn't account for activities currently on hold for lack of current funds.
 29. MartinJenkins have advised that in their view, using past costs to inform the future fees is a reliable and pragmatic methodology, given the cost information that DOC holds. They have also advised that if the assumptions don't correspond with the actual cost results going forward, there are some options to address this. The easiest is to adjust the fee if we find that actual costs going forward do not correlate with past costs, given we have the financial model that we can use to do this. This means that *over time*, there will not be under recovery.

Recommendation

30. We agree with MartinJenkins' recommendation for the VIM fee.
31. Since the 2025/26 cruise season starts soon (November 2025), and the 2026/27 cruises are already being sold, we recommend introducing the fee gradually.
32. We recommend that the full fee applies from the 2027/28 season, which hasn't been advertised yet. This gives operators time to include the fee in their pricing.
33. Phasing in the fee is fairer than applying the full amount immediately. However, because this is a cost recovery fee, any discount means the Government has to cover the shortfall (as it has done for many years). So, we still need to begin recovering more of the cost now.
34. Our recommended approach to implementing the new fee (factoring in 2% inflation) is:
 - a. 2025/26: \$712 + GST (70% of new fee; 76% increase on current fee),
 - b. 2026/27: \$933 + GST (90% of inflation adjusted new fee; 130% increase on current fee), and
 - c. 2027/28: \$1,058 + GST (full fee – 100% of inflation adjusted new fee).
35. We recommend a full recalculation of the fee every two years. The next one should occur in early to mid-2027, to come into effect for the 2028/29 season (i.e. updating actual costs for 2025/26 and 2026/27 and including the forecast of 2027/28 costs). This approach will keep the fee accurate over time while managing the workload involved in updating the model. The time involved in updating the model can be recovered through the recalculation though.
36. This approach gives concessionaires:
 - a. Certainty about the VIM fee for the next three seasons (two of which they've already priced and are selling, and all of which are included in the current entry permit allocation application process), and
 - b. Clear information to support their applications for entry permits.

Sec 9(2)(g)(i)

38. We think the approach we've proposed for introducing the new fee acknowledges that we're not currently recovering our reasonable costs and takes immediate steps towards rectifying that, while also reducing the impact on concessionaires in the short term (given financial commitments they've already

made). We did signal and advise concessionaires of a review, so they could have made provision for some change, but they can't reasonably have predicted the extent of change.

39. Sec 9(2)(h)

Recommended fee

Entry Permit VIM fee

Base fee of \$1,017 + GST per unique visitor

Phased in over three years as follows:

2025/26 season: \$712 + GST

2026/27 season: \$933 + GST

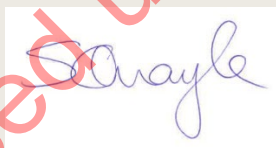
2027/28 season: \$1,058 + GST (100% of the inflation adjusted fee)

Conditions (delete if no conditions are required)

Decision

Pursuant to the Conservation Act 1987, the proposed fees in the fee assessment section above are:

Approved

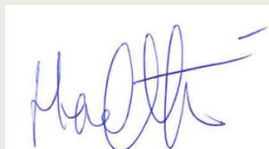


Signed by Siobhan Quayle, Director Regulatory Systems Performance

Pursuant to the delegation dated 9 September 2015

Date: 26 June 2025

Approved

A handwritten signature in blue ink, appearing to read 'H. Weston', enclosed in a white rectangular box.

Signed by Henry Weston, Deputy Director-General Regional Operations

Pursuant to the delegation dated 9 September 2015

Date: 27 June 2025

Approved

A handwritten signature in blue ink, appearing to read 'R. Isaac', enclosed in a white rectangular box.

Signed by Ruth Isaac, Deputy Director-General Policy and Regulatory Services

Pursuant to the delegation dated 9 September 2015

Date: 30 June 2025