

13.1 Review of Maritime Assets and Operations

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Report Authoriser: Chief Executive Officer, Ben Scales

Attachments:

1. Draft Management Review Tranche 1 – Maritime Operations – 2025
2. Engagement Plan

REPORT OBJECTIVE

For Council to consider the *Draft Management Review Tranche 1 – Maritime Operations – 2025* and determine next steps in the process.

EXECUTIVE SUMMARY

As part of Council's commitment to financial sustainability a review of Council's tourism, heritage and maritime operations is being undertaken.

The Mid Murray region has a broad tourism offering, and supporting the region's diverse tourism sector is a Strategic Goal of Council's *Strategic Plan 2024-2028*, including promoting and leveraging the region's iconic tourism attractions and experiences to drive visitation.

Given the size of Council's tourism operations, the sustainability review of the department has been divided into manageable tranches. Tranche 1 focuses on Council's maritime assets and operations, and the associated volunteer workforce, as this is the most significant and impactful area of Council's operations. It also considers the value of tourism to the Mid Murray economy and community and what role Council tourism services have in supporting the tourism economy.

As part of this process a management review of Council's maritime operations has been undertaken and a *Draft Management Review Tranche 1 – Maritime Operations – 2025* (the Draft Report) has been prepared for Council's consideration and feedback.

Whilst there has been a level of consultation conducted to date as part of the review process, a more comprehensive engagement process is recommended should changes to the maritime operations be considered and proposed, and an Engagement Plan has been developed to guide this process.

A number of options for Council's consideration have been identified in the Draft Report in relation to the future operations of Council's maritime operations, and after consideration of all the factors, it is recommended that the leasing of Council's maritime assets and the divestment of operations is the most appropriate course of action.

It is recommended that further investigation on the viability of this option/s and an assessment of potential interest be undertaken, along with consultation and engagement with key stakeholders, with reports to be provided to the Mid Murray Heritage & Maritime Committee and Council once this work has been undertaken.

RECOMMENDATION

That:

1. The Review of Maritime Assets and Operations Report on the Council Agenda of 19 August 2025 be received.
2. Further investigation on the viability of the leasing of Council's maritime assets and the divestment of operations to other entities be undertaken, including an assessment of potential interest.
3. Further consultation and engagement with key stakeholders be undertaken as outlined in the Engagement Plan (Attachment 2, Item 13.1, Council Meeting 19 August 2025) with reports to be provided to the Mid Murray Heritage & Maritime Committee and Council once this work has been undertaken.

| STRATEGIC ALIGNMENT, FINANCIALS & IMPLICATIONS | |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mid Murray Council Strategic Plan 2024 – 2028 | <p>Theme</p> <ol style="list-style-type: none"> 1. Our Sustainability 3. Our Prosperity <p>Strategic Goal</p> <ol style="list-style-type: none"> 1.2. To deliver sustainability, we are responsible, accountable and efficient in operating our business and managing risk 3.3. Support our diverse tourism sector <p>Key Activity</p> <ol style="list-style-type: none"> 1.2.1. Strengthen Council's long term financial sustainability 3.3.1. Understand the value of our tourism economy and Council's Return on Investment (ROI) 3.3.2. Promote and leverage the region's iconic tourism attractions and experiences to drive visitation |
| 2025 - 2026 Budget allocation | <p>Total tourism budget:</p> <p>Operating income - \$512,503</p> <p>Operating expenditure - \$1,829,773</p> <p>Capital renewal - \$36,120</p> |
| 2025 - 2026 Budget variation/impact (if applicable) | Not as a result of this report. |
| Proposed Future Budget Impact (LTFP) | Not as a result of this report. |

| Risk Assessment | Low | Medium | High | Extreme |
|---------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|------|---------|
| Essential Services Commission of SA (ESCOSA) Report Reference | 5. Consider actioning asset sale or disposal options, where reasonable, in consultation with its community, as necessary. | | | |
| Legislative Reference | Not applicable. | | | |
| Policy | Not as a result of this report. | | | |
| Consultation | A workshop was held with the Mid Murray Heritage & Maritime Committee and an Elected Member Briefing undertaken. Subject to Council's decision on next steps, a more comprehensive engagement process is recommended with further consultation to be undertaken in line with the drafted Engagement Plan. | | | |
| Communication of decision | Subject to Council's decision on next steps, relevant stakeholders will be communicated and engaged with. | | | |

DISCUSSION & ANALYSIS

Background

In 2023, as part of a sector review, the Essential Services Commission of South Australia (ESCOSA) found that Mid Murray Council's financial position was potentially unsustainable, recommending that Council identify efficiencies across its operations and service delivery, including consideration of asset disposal or sale.

To support this objective, Council is reviewing all of its operations with a focus on delivering sustainability across the business. This includes a review of Council's tourism, heritage and maritime operations.

Mid Murray tourism function

The Mid Murray region has a broad tourism offering, and supporting the region's diverse tourism sector is a Strategic Goal of Council's *Strategic Plan 2024-2028*, including promoting and leveraging the region's iconic tourism attractions and experiences to drive visitation.

An overview of Council's tourism function is below:



To support the delivery of Council's tourism-related strategic objectives, Council owns, manages, operates and delivers a number of tourism and heritage assets, programs and operations. These include:

Maritime assets:

- PW Mayflower
- PS Marion
- PS Canally

Heritage assets:

- Mannum Dock Discovery Centre
- Morgan Landseer Museum
- Port of Morgan precinct including Pendles Tea Rooms

Visitor servicing:

- Mannum Visitor Information Centre
- Arnold Gallery
- Morgan Information Office and craft shop
- Mannum Riverside Markets

Council's tourism department also undertakes the following functions:

- Marketing - including the Explore Mid Murray website and App, social media, and creation and maintenance of Australian Tourism Data Warehouse listings
- Volunteer management

Council relies heavily on volunteers to support its tourism operations, with 156 volunteers involved across the tourism function. Volunteers are both Council's most valuable asset, and also a significant risk given the importance of their contributions, skills and the general age of the cohort. A loss of skills and knowledge as the cohort ages and are unable to be involved in the future will have a significant impact on Council's maritime operations.

Council's overall involvement as a provider of tourism product delivers both economic and community benefit and it is important to consider the overall benefits of this rather than just the financial impact to Council.

In the past, tourism, heritage and maritime operations and assets of Council have been seen as separate to Council's operations and were managed in a piecemeal manner with limited management control and strategic direction. This has also been compounded in the past by a negative Council perception and attitude in sections of the operations.

Work has been undertaken on cultural change given the significant history of the operations and changes that have occurred over recent years, such as the departure of longstanding key personnel. Positive results have been achieved with barriers broken down and benefits realised, across both operations and management. That said, challenges remain and there is still a great deal of work to be done in this area that will benefit those involved and the outcomes delivered.

Tourism sustainability review

Given the size of Council's tourism operations, the sustainability review of the department has been divided into manageable tranches. Tranche 1 focuses on Council's maritime assets and operations, and the associated volunteer workforce, as this is the most significant and impactful area of Council's operations. It also considers the value of tourism to the Mid Murray economy and community and what role Council tourism services have in supporting the tourism economy.

As part of this process a management review of Council's maritime operations has been undertaken and a *Draft Management Review Tranche 1 – Maritime Operations – 2025* (the Draft Report) (**Attachment 1**) has been prepared for Council's consideration and feedback.

The report reviews and considers:

- the sustainability of Council's maritime assets;
- Council's volunteer workforce;
- Economic impact of tourism in the Mid Murray region
- Options. Key challenges and risks
- Recommendation, future strategies and operational improvements

It should be noted that a number of assumptions have been made in the Draft Report where recognised metrics are not available. These assumptions are based on sound principles and have been included where measurement in dollar terms is difficult or data is potentially limited. The information derived from these assumptions aims to inform and support decision making, however the assumptions included should be considered when reviewing the Draft Report.

Consultation

Whilst there has been a level of consultation conducted to date, comprising of a workshop with the Mid Murray Heritage & Maritime Committee and an Elected Member Briefing, a more comprehensive engagement process is recommended should changes to the maritime operations be considered and proposed.

Although consulted through a workshop, it should be noted that the Mid Murray Heritage & Maritime Committee have not made any formal recommendations to Council on the management review and subject to Council's position, it is recommended that the Committee be formally engaged to consider the Draft Report.

To facilitate further engagement on the future operations of Council's maritime assets, subject to Council's decisions on next steps, an Engagement Plan (**Attachment 2**) has been developed to guide this process.

Options

A number of options for Council's consideration have been identified in the Draft Report in relation to the future operations of Council's maritime operations. These include:

1. Maintain ownership of the three (3) boats
 - a. Council continues to support the operations of three (3) heritage vessels, with a further review on the sustainability of the vessels to be undertaken in 2028
 - b. Static display
2. Own – lease and divest operations
 - a. Divest operations of PS Marion and PW Mayflower as a joint entity
 - b. Divest operation of PS Canally as a single entity
 - c. Divest operations of all three vessels as single entities
 - d. Divest operations of all three vessels as a joint entity.
 - e. Divest PS Marion and PS Canally operations but retain PW Mayflower as part of the Mannum Dock / VIC tourism experience.
3. Divest
 - a. Cease investment, ownership and operation of all vessels
 - b. Cease investment, ownership and operation of part of the fleet

The opportunities and risks with each option has been assessed as part of the Draft Report.

Financial analysis

A financial analysis has been undertaken of Council's maritime assets in the Draft Report, which included consideration of 2024/2025 actual costs and 2025/2026 forecasted revenue and budgeted expenditure, staff costs associated with the operations of the vessels, capital renewal and depreciation requirements.

This analysis identified that from a purely financial perspective, under the current circumstances, the PW Mayflower is sustainable, whereas the PS Marion and PS Canally are not sustainable, noting that the PS Canally is not cruising and therefore the analysis has been based on projected revenue.

Key findings

The annual economic and community benefit to the region from Council's maritime operations is circa \$1.225 million. This is 1.32 times greater than Council's net investment in the original 2024/2025 budget for the entire tourism portfolio of \$924K. It is also four (4) times greater than the actual cost of operating Council's vessels of \$297K for 2024/2025.

Feedback received from the Mid Murray Heritage & Maritime Committee as part of the consultation process identified Council's governance structures and bureaucracy as an issue with vessel operations, volunteer recruitment and retention, private funding / grant opportunities and commercial decision making. As result, the Mid Murray Heritage & Maritime Committee are supportive of Council considering and investigating the outsourcing of vessel operations to a not-for-profit entity. To that end however, the Mid Murray Heritage & Maritime Committee also feel it important that PS Marion and PW Mayflower are not split and those vessels continue to operate out of Mannum. They further stated that PS Canally may present a viable proposition for an alternative operational model, and that Council's heritage vessels should continue to operate for the benefit of tourism in the region.

Competitive neutrality is also an issue that needs to be considered, and while there is currently limited immediate risk, the establishment of commercial operations in the region may necessitate further consideration of Council's operations.

Council's tourism staff are supported by 156 volunteers across the region. Many have specialised skills which are paramount to the operation of and sustainability of Council's maritime operations.

Volunteers have provided 15,192 hours to Council's operations during 2024/2025 valued at \$708K.

It is unlikely that a net zero cost to Council for the operations of the heritage vessels is achievable. Based on the 2025/26 cruise schedule analysis within the Draft Report, Council would need to consider and determine whether the maritime assets of Council and the benefits they provide to the greater tourism economy and community are worth the investment of \$197K in 2025/2026.

There are a number of matters that would need to be considered if the decision is made to consider outsourcing the operations of Council's heritage vessels. These are explored in detail within Section 7 of the Draft Report, and include:

- What level of funding would Council consider acceptable to divest operations to an incorporated not-for-profit organisation or for-profit business?
- What level of ongoing capital renewal would Council consider to be acceptable to maintain its heritage assets?
- What level of ongoing staff support would Council consider appropriate in the handover period, short term operational period and long term?

Subject to Council's decisions, an outsourcing model may cost Council circa \$200K per annum depending on the terms and conditions of any lease/arrangement entered into with interested parties. That potential cost of \$200K per annum compares to the estimated deficit for the 2025/2026 cruise schedule outlined in Section 6 of the Draft Report of \$197K.

Should Council determine to continue with full ownership and operations of the three (3) heritage vessels, consideration will need to be given to the organisational structure to ensure there is appropriate resourcing and sufficient knowledge within the business to manage the boats effectively. The same level of consideration will be required should Council continue to operate the vessels through a transition period to alternative operating models.

Recommendations

A number of options have been identified and explored as part of the management review of Council's maritime operations.

After consideration of all the factors, the Draft Report recommends that the leasing of Council's maritime assets and the divestment of operations is the most appropriate course of action. This could include the following options:

Own – lease and divest operations

- a. Divest operations of PS Marion and PW Mayflower as a joint entity
- b. Divest operation of PS Canally as a single entity
- c. Divest operations of all three (3) vessels as single entities
- d. Divest operations of all three (3) vessels as a joint entity
- e. Divest PS Marion and PS Canally operations but retain PW Mayflower as part of the Mannum Dock / VIC tourism experience.

The Mid Murray Heritage & Maritime Committee supported Council's consideration of the above option through consultation, however, as noted have not officially made a recommendation to Council. They further stated that PS Marion and PW Mayflower should not be split.

It is recommended that further investigation on the viability of the above options and an assessment of potential interest be undertaken, along with consultation and engagement with key stakeholders, with reports to be provided to the Mid Murray Heritage & Maritime Committee and Council once this work has been undertaken.

An Engagement Plan has been drafted to guide the consultation, which includes key messaging given the potential controversial nature of the review given the emotive nature of the decisions being considered. To support a constructive process it is important to ensure the process is open and transparent.

CONCLUSION

As part of Council's commitment to financial sustainability a review of Council's tourism, heritage and maritime operations is being undertaken. Given the size of Council's tourism operations, the sustainability review of the department has been divided into manageable tranches, with Tranche 1 focusing on Council's maritime assets and operations, and the associated volunteer workforce.

As part of this process a management review of Council's maritime operations has been undertaken and a Draft Management Review Tranche 1 – Maritime Operations – 2025 (the Draft Report) has been prepared for Council's consideration and feedback.

A number of options for Council's consideration have been identified in the Draft Report in relation to the future operations of Council's maritime operations, and after consideration of all the factors, it is recommended that the leasing of Council's maritime assets and the divestment of operations is the most appropriate course of action.

It is recommended that further investigation on the viability of this option/s and an assessment of potential interest be undertaken, along with consultation and engagement with key stakeholders, with reports to be provided to the Mid Murray Heritage & Maritime Committee and Council once this work has been undertaken.