



2018/19 FUNDING REVIEW

SUMMARY AND ANALYSIS OF SUBMISSIONS

1 MARCH 2019

Introduction

On 6 November 2018 Maritime NZ released a consultation document on the review of Maritime NZ funding for 2019/20 to 2024/25. At the request of industry, the public consultation period ran for 10 weeks to account for the end of year holidays and the seasonal demand on many operators at this time of year.

The document included 20 proposals with 16 relating to the Maritime Levy and fees and four to Crown and Fuel Excise Duty¹ (FED) funding. The proposals for Crown and FED funding are being sought under the budget bid process. The submissions analysis focuses on the responses to the 16 proposals relating to the Maritime Levy and fees.

The Maritime Levy and fees are currently prescribed under regulations authorised under the Maritime Transport Act (MTA) 1994. The Minister must not make any recommendations to change the regulations unless consultation has occurred. As a matter of good regulatory practice it is also important to consult on such matters ahead of recommending regulation changes.

The proposals consulted on were developed as a result of:

- a detailed assessment of Maritime NZ's current activities, what future activities may be required, and the funding needed for these over the six years from 2019/20
- a recommendation by the Regulations Review Committee that the Maritime Levy allocation methodology be reviewed and the subsequent commissioning of a suggested revised methodology
- feedback from industry and stakeholders at various meetings held around the country and tested during a two-day pre-consultation workshop held in June 2018
- a time and effort assessment of activities currently subject to a fixed fee under the Shipping (Charges) Regulations and the Ship Registration (Fees) Regulations
- reviewing the basis for the current range of hourly rates for fee-able activities and analysing the cost of delivering fee-able activities in order to set a single hourly rate
- reviewing the economic characteristics of activities currently cost recovered through fees and considering issues raised by industry about how those activities are or should be funded
- the need to simplify the fees regulations, in particular, the Shipping (Charges) Regulations.

The submissions period closed on 18 January 2019. To assist submitters, an email enquiry facility was offered to all stakeholders and the public during the consultation period to enable questions and requests for clarification to be addressed directly.

We received 110 submissions.

Maritime NZ also held four public meetings during the consultation period and had meetings or discussions with industry groups when requested. A summary of the matters raised at those meetings and discussions, which are part of Maritime NZ's consideration, is set out at Appendix 1.

¹ Under section 9(1) of the Land Transport Management Act 2003, FED funding up to an amount agreed by the responsible by the Minister of Transport and the Minister of Finance, that is not more than the FED estimated to have been paid by users of pleasure craft, can be allocated to: (a) search and rescue activities, whether in relation to pleasure craft or otherwise, and (b) recreational boating safety and safety awareness, and c) maritime safety services that benefit the users of pleasure craft, and (d) administration of the activities and services in (a) to (c) above.

Purpose

This document sets out the feedback Maritime NZ received on the proposals consulted and the Maritime NZ response to (analysis of) that feedback.

In accordance with principles of public consultation, this document will be publicly released when decisions on the recommendations have been made.

Document structure

The document is set out as follows:

Part 1: Recommendations. Maritime NZ's recommendations on the proposals as a result of its analysis of the submissions.

Part 2: Analysis by theme. Identification and analysis of the themes emerging from submissions.

Part 3: Further analysis of submissions of proposals. Analysis of submissions received on specific proposals.

Part 4: Other matters raised. Response to other matters raised in submissions not related to specific proposals or reflected in the themes identified.

PART 1

Recommendations

Maritime NZ has given careful consideration to all the matters raised in the submissions. To inform Maritime NZ's response to the submissions received, Maritime NZ has also given thorough consideration to submissions made on the proposed Maritime Levy allocation methodology, and suggestions as to who should pay the levy and on what basis. In considering these suggestions, Maritime NZ has again applied the existing government policy settings and user-pays and cost-recovery approach in the Transport Regulatory System Funding Principles. These were also applied in the development of the proposals.

Maritime NZ appreciates the level of engagement on all of the proposals and the considered views and suggestions made in a number of submissions. We note that some submitters have raised issues that would require policy changes by the Government. Examples include:

- the submissions questioning the 'user-pays' government policy settings (outlined in the Office of the Auditor General (OAG) and Treasury guidelines and the Transport Regulatory System Funding Principles) and suggesting that additional Crown funding should be applied to support the proposals set out in the consultation document; and
- various submissions proposing that levy funding should be gathered to support the provision of welfare services for seafarers.

Maritime NZ also notes that various submissions pointed out that recreational vessels operating on New Zealand waters bring significant risk to the maritime system, so there needs to be more funding for Maritime NZ to undertake regulatory activity for recreational boating. Several submissions suggested that recreational vessels should be leviable in recognition that recreational vessel operators benefit from an effective maritime regulatory system. While funding for Maritime NZ's activity in relation to recreational vessels is currently provided for separately (in large part from Fuel Excise Duty which recreational boaties contribute to), there is merit in giving this issue further consideration in future.

For the reasons set out in the submissions analysis, Maritime NZ does not recommend changes to the proposals impacting the amount of Maritime Levy revenue required or fees.

PART 2

Analysis by theme

A total of 110 submissions were received through the designated funding review email channel. Of those 56 were online form submissions (many of which did not include commentary), and the balance were bespoke submissions.

Email communications received through the email enquiry facility during consultation have also been included in considerations where they recorded comments on proposals generally or specifically.

Matters raised or comments made at the four industry meetings and meetings with specific organisations have been documented and form part of this analysis where relevant.

Submissions were received from individuals and organisations from a wide range of the maritime sector. They include:

- Seafarers
- Domestic maritime operators including chartered passenger and fishing operations
- Port operators
- Recognised surveyors
- Foreign passenger vessels / cruise industry
- GP examiner
- Ship owners and agents
- A charitable trust
- Aquaculture and marine farming
- Industry representative associations

A full list of submitters and a high level summary of each submission is in Appendix 2.

Themes

There was a fair degree of support for many of the proposals, particularly among those who made online submissions. 32 submitters supported most or all proposals.

Overall, support for the proposals was higher among those who made online submissions than the written submissions group. However, among the written submissions there were a number that focused only on one or two proposals. The proposed Maritime Levy allocation methodology and levy rates received a lot of comment. It is therefore both difficult and unhelpful to apply a purely quantitative analysis to the submissions in terms of the percentage of those who did or did not (across both online and written submission groups) support or oppose any given proposal.

The overarching theme, from submissions that qualified their objection to a proposal or proposals, is that many do not want to pay more or that others should pay instead.

Broader themes arising from the submissions suggest that Government policy that adopts a user-pays model is not supported or that submitters have a general lack of understanding of the model (including that they understand the Maritime Levy to be a fee for service, which it is not).

The Transport Regulatory System Funding Principles have been applied to the proposals set out in the consultation document. Some of the statements made by the submitters indicate that those principles are not accepted or are not understood. In particular, submitters have questioned Maritime NZ's categorisation of some activities as 'club goods'.

The themes arising from the submissions are:

Theme 1: Maritime Levy allocation methodology. The view that the proposed Maritime Levy allocation methodology is not fair and not authorised under legislation or Government guidelines.

Theme 2: Crown contribution. The view that the Crown should pay more towards the cost of Maritime NZ activities.

Theme 3: Information and impact. The view that the consultation document did not provide enough detailed information, including details about the costs of each of the proposals and the additional Crown funding being sought; and the view that the consultation document did not consider the impact of other levies and fees payable to other Government agencies.

Theme 4: New Zealand's compliance requirements. The view that compliance requirements under New Zealand regulations (not just the maritime regulations) are too high or much higher than in other jurisdictions, which is a decision made by the New Zealand Government, so the costs should be met by the Crown.

Theme 5: Efficiency. The view that levies and fees are high compared to other maritime regulators because Maritime NZ is inefficient.

Theme 1: Maritime Levy allocation methodology

Submissions relating to this theme included the following points of view.

Issues raised

Issue 1: Maritime Levy allocation methodology

- There is no authorisation to use proxies, consequence risk or unmitigated risk.
- For the allocation methodology to be described as 'risk-based' it must be based on actual data on the safety record of each levy-paying vessel in the system or on national and international accidents and incidents data for a small sub-group.
- The methodology must use an actual risk approach to account for and benefit those operators who are safer than others.

Issue 2: Seeing the levy as a fee for service

- The levy payment must only cover the services the sub-group uses.
- As the sub-group do not believe they benefit from the activities for which increased funding is proposed, they don't believe they should have an increase in their levy payment.
- Don't see the need for some of the activities and functions performed by Maritime NZ and therefore don't believe their payment of levies should contribute towards those.

Issue 3: Foreign operators' contribution to the levy is too high

Foreign operators submit that they should have less cost applied to them under the methodology because little effort is required by Maritime NZ to regulate them as they are already regulated under international conventions by their Flag State.

Issue 4: The OPL methodology should be used for the Maritime Levy

For those paying the Oil Pollution Levy (OPL), they note that if the Maritime Levy allocation methodology was based on the same risk-based methodology used for the OPL they would pay less.

Response to Theme 1 – Issue 1. Maritime Levy allocation methodology

There is authorisation for the proposed levy allocation methodology

The methodology that was proposed in the consultation document is authorised under Section 191 Maritime Transport Act (MTA) 1994 that states:

- the levy can be raised for “*any services provided, or **any regulatory services or activities undertaken, by the Authority, the Director, or the Crown in the performance or exercise of functions, duties, or powers under this Act***”
- the levy may *prescribe **different levies for different classes of ship based on length, tonnage, equipment available for use on board the ship, or such other criteria as may be specified in the regulations***”

Independent economic advisors (Castalia) recommended the methodology because it is administratively cost effective, fair, simple and transparent

Maritime regulation does not currently require data reporting for numerous aspects of ship operations, such as passenger numbers, operating timetables or vessel usage. Requiring such data reporting to support a levy allocation methodology would increase administrative burden and result in increased costs. As a result, Castalia's analysis concluded that the proposed

methodology is the most administratively cost effective, fair, simple and transparent methodology.

Under the *current* methodology each vessel is levied on one factor (Gross Tonnage (GT), Passenger Capacity (Pax Cap) or Deadweight Tonnage (DWT)) and no recognition is given to vessels that are charged on an annual basis not being used 365 days per year and passenger vessels not always being full.

Castalia has recommended that to make the methodology fairer and easily calculated by participants in a transparent way:

- all three factors (GT, Pax Cap and DWT) apply to all vessels and these are used to calculate the levy allocation liability for each category of payer
- relying on statistical and economic data, the model has weightings within it that recognise that different categories of vessels may not be used 365 days per year, are not always full, have different operating areas (whether coastal and inland waters (non-SOLAS) or can travel into international waters (SOLAS)), and whether the vessel only operates in New Zealand (domestic) or also operates in international waters (called “foreign” because all of these vessels are foreign owned and flagged).

The methodology for calculating the levy payment for a vessel under the proposed model was published on the consultation website page and industry feedback confirmed it is simple to use.

The methodology doesn't have to reflect levels of compliance or the likelihood of accidents and incidents

A number of submitters state they are safer than others so should pay significantly less levy. Some submitters stated that other sub-groups have higher injuries and deaths than they do, including the recreational boating sector (that does not pay the levy), and that safety record should be the basis for the levy amount payable by each sub-group.

While appreciating this perspective, the levy allocation methodology is not intended to reflect levels of compliance or likelihood of an accident or incident, or focus on deaths and injuries. This is because the levy recovers the costs incurred by Maritime NZ for the particular purpose of performing the functions and services set out in section 191(2) of the MTA and which are only required or regulated because of the activities of the maritime sector.

Accordingly, it is appropriate for the methodology to allocate the levy for those specific safety regulatory functions and activities that drive and support the final safety outcomes. The levy is not a fee for a particular service and the allocation does not increase or decrease the total amount of Maritime Levy required. The allocation methodology is designed to distribute the amount required fairly and transparently among levy payers.

Recreational boating issues raised

The submissions received about recreational boating were that the estimated 1.5 million (2018 figure) recreational boats operating on New Zealand waters bring significant risk to the maritime system, so there needs to be more funding for Maritime NZ to undertake regulatory activity for that sector. Several submissions suggested that recreational boats should be leviable in recognition that recreational boat operators benefit from an effective maritime regulatory system.

While funding for recreational boats is currently provided for separately, there is merit in giving this issue further consideration in future. Maritime NZ will include the issue about Maritime NZ needing more funding for recreational boating activities in Maritime NZ's FED funding bid as part of the Ministry of Transport FED funding review planned for 2019.

Currently, recreational vessels are not included in the Maritime Levy payer group because:

- they have been historically excluded from this levy by law²
- the safety regulatory framework for this group differs considerably from that applicable to commercial ships as most of the regulatory and compliance activities for recreational vessels are undertaken by regional councils not Maritime NZ
- the Maritime NZ costs associated with recreational boating safety and safety awareness activities are recovered through an alternative mechanism.³

Under the current approach, in applying the Transport Regulatory System Funding Principles, recreational boaters are secondary risk exacerbators and secondary beneficiaries of the maritime regulatory system.

The proposed methodology fixes issues raised by industry previously

The levy allocation methodology recommended by Castalia addresses issues raised by previous complaints about the Maritime Levy to the Regulations Review Committee (as set out in Part 2). It clearly documents the rationale and basis for the amount allocated to each payer on a fair and transparent basis that is supported by independent statistical and economic analysis.

Response to Theme 1 – Issue 2. Seeing the levy as a fee for service

The proposed approach is in line with the Guidelines from the OAG, Treasury and the Transport Regulatory System Principles

Some submissions imply that the levy is a fee for service. While it is understandable that some industry participants see it this way, this is not correct. The levy does not have to provide a direct benefit to an individual or organisation for a specific service. If that is what it did then it would be categorised as a payment for a private good.

The Office of the Auditor General (OAG) guidelines⁴ describe a levy as differing from a fee for a specific good or service which is more akin to a tax. The Transport Regulatory System Funding Principles also acknowledge that levies are used for club goods and states that:

“most funding of the transport regulatory system occurs through levies that are spread across groups of people who are the primary risk exacerbators and who underpin the need for the regulation, as well as (often) the primary beneficiaries of an effectively functioning regulatory system.”

A levy recovers the costs of *functions* for a *purpose*. For the Maritime Levy, the *purpose* is the maritime safety regulatory functions and services set out in section 191(2) of the MTA. The activities of the maritime sector (vessels operating commercially in New Zealand waters) cause the need for this safety regulatory oversight.

Response to Theme 1 – Issue 3. Foreign operators’ contribution to the levy is too high

The safety regulatory functions and services performed by Maritime NZ include extensive Port and Coastal State obligations relating to international shipping activities in New Zealand waters, and foreign operators’ contribution to the levy reflects this.

The foreign operator sector has submitted that the regulator activities are for New Zealand and New Zealanders only, so should be met by the domestic fleet or the Crown.

² Section 192(1) of the Maritime Transport Act 1994 provided that “All pleasure craft” were exempt from levy liability. This exclusion was removed in 2013.

³ Section 9(1) of the Land Transport Management Act 2003.

⁴ See: Good Practice guide: *Charging fees for public sector goods and services*, (June 2008), para 1.10

Maritime NZ is charged with the regulatory oversight of all shipping activity in New Zealand waters. This includes the provision of navigation aids, marine safety information, inspections and enforcement. It also includes significant engagement at and advice to the UN technical body responsible for international shipping regulation, the International Maritime Organization (IMO). Foreign and New Zealand SOLAS operators are the primary risk exacerbators and beneficiaries of this international safety regulatory regime.

The cruise sector has also submitted that their insurance covers the consequence of harm, so they should pay less levy. The proposed levy allocation methodology does apply 'mitigated cost', so whether an operator has insurance is not relevant. Also, even if it did, international conventions limit the liability of ship owners which means not all of the cost of harm is covered by their insurance. New Zealand has experience of this in relation to the *RENA* grounding in 2011. Of the \$47 million in direct costs of the harm caused by the *RENA* grounding, \$27.6 million was recovered from the owner and its insurers. The balance of \$19.4 million was met by New Zealand taxpayers. It is not correct to say that foreign vessels have a low consequence risk to the New Zealand maritime system.

Response to Theme 1 – Issue 4. The OPL methodology should be used for the Maritime Levy

The OPL methodology cannot be used for the wider group of Maritime Levy payers without significant administration cost

The OPL allocation methodology is based on:

- vessel activity and routing, the proportion of oil types carried, and assumptions regarding standards of pilotage across each large vessel sector, ferry schedules and, for tankers, full compliance with IMO Regulation 13G (double hulls and bunker protection)
- the latest available national and international data on any changes to the above and on accidents and incidents
- mitigated risk (i.e. taking into account that regulation reduces risk).

The OPL is allocated based on relative levels of risk and actual data of negative outcomes post mitigation because the OPL is only collected for the purpose of paying for preparedness and response activity which is required when things have gone wrong. The OPL also relates to *one purpose* – oil pollution response capability in accordance with an international convention – and the payer group is small with reasonably similar sized vessels.⁵

It is appropriate to allocate the Maritime Levy based on relative levels of unmitigated risk using proxies for the 'value of what is placed at risk' in the system because the Maritime Levy is the primary source that pays for Maritime NZ to maintain the maritime regulatory system.

Further, unlike the OPL, the Maritime Levy meets the cost of providing not one single service, but a variety of *services and functions for the maritime regulatory system* as set out in section 191(2) of the MTA. It also applies across a *very wide range of vessel sizes and types* and a much *larger payer group*

⁵ The OPL applies to contributing ships and offshore installations: **contributing ship** has the meaning given to it by section 329 MTA, but does not include a ship that— (a) is 24 metres or less in length; or (b) operates exclusively in fresh water. Section 329 defines a "contributing ship" as a ship in excess of 100 gross tons, whose principle means of propulsion is mechanical. The OPL does not only apply to vessels that carry oil as cargo.

The proposed levy allocation methodology recommended by Castalia identifies three factors (GT, Pax Cap and DWT) which can apply to each vessel type in the levy payer group to recover the overall amount needed to pay for the cost of providing levy funded services and functions. The three factors are a proxy for the value of what is placed at risk in the maritime system.

The methodology proposed by Castalia also takes account of the fact that data is either not held, or not readily available for safety performance, actual passenger numbers per voyage (or on average), actual freight carried, actual time spent on water and vessel actual size dimensions *for every vessel or sub-group that pays the Maritime Levy*.

Requirements that this be collected by and from participants and verified as correct for levy purposes would add significant cost to administering the levy. The Treasury guidelines allow proxies to be used where the administration is not feasible, including due to high costs.

The 2014/15 midpoint funding review consulted on a number of different types of levy allocation models. For instance, whether to use actual data, risk proxies, turnover or ability to pay (used in other jurisdictions).

Maritime NZ did not receive any submissions that identified a preferred approach, but did receive submissions that whatever model was used the industry did not want to provide additional data to Maritime NZ. This contradicts the feedback received for this funding review, including from some of the same submitters.

Theme 2: Crown Contribution

Response to Theme 2 - Issues raised. Crown contribution

The proposals are largely supported, but industry does not want to pay for them and suggest that the Crown should pay more.

Generally submitters agree that:

- the increase in funding is necessary in the areas proposed
- domestic sector audit and inspection costs (including travel time and costs) should be recovered from the Maritime Levy
- seafarer certification fees should be lower at \$368 (GST inclusive)
- there should be one hourly rate for fee-able activities.

However, many submit that:

- industry cannot afford the levy currently or the proposed increase in levy revenue (including those who actually receive a reduction in levy payment, such as KiwiRail), so the Crown needs to provide the additional funding
- the Crown is not contributing its fair share to Maritime NZ costs
- where an operator or a sub-group of the maritime sector does not benefit from the proposals, the additional funding should be met by the Crown or by another sub-group within the maritime sector.

The proposals are in accordance with OAG and Treasury guidelines and the Transport Regulatory System Funding Principles and unless Government decisions are made to fund the activities and functions through other means (such as Crown funding), the levy is the most appropriate means by which to recover these costs.

The Transport Regulatory System Funding Principles state that in addition to the principles in the Treasury and OAG guidelines, the transport system funding principles include that:

“Crown funding is limited to certain functions: *Crown funding should be limited to functions with broad, indirect or very widely distributed benefits. In the transport regulatory system, Crown funding will cover most Ministry activities and fewer regulator activities”*

The approach applied by Maritime NZ in identifying the funding source is consistent with the Transport Sector Funding Principles. Most of regulatory system costs are met by industry under the Maritime Levy. The additional funding for international engagement, regulatory reform, systemic risk activities and ICT costs are proposed as levy funded as they are club goods.

The Crown meets the public good costs of:

- Maritime NZ dealing with, for instance, ministerial servicing, Official Information Act requests, legislative programmes, requests for advice from Ministers, Crown entity accountability and monitoring obligations and reporting, and contributes to rules development
- the Ministry of Transport in dealing with regulatory stewardship, legislative and regulation changes, system oversight, Crown entity monitoring, and significant policy issues that relate to or affect the maritime sector.

Maritime NZ’s costings and allocation to funding sources were reviewed by the Office of the Auditor General (OAG) in 2015

In 2015, as part of the Regulations Review Committee’s review of complaints and at the Committee’s request, the OAG undertook a forensic accounting review of, and provided advice on, Maritime NZ’s costings and allocation to funding sources.

The OAG only found one issue with the costings and allocation to funding sources. The issue related to including a small amount of staff training costs in the seafarer certification costings that did not relate directly to processing seafarer certification applications. The OAG considered that this cost should be Maritime Levy funded not fees funded. We addressed this in the 2014/15 midpoint funding review.

Maritime NZ has continued to follow the advice provided by the OAG in 2015 to assess costings and allocation to funding sources as part of the 2018/19 full funding review.

The amount of other levies by other government agencies does not change the need for increased funding for Maritime NZ

Some have submitted that the overall economic impact of all levies across the maritime sector, particularly on foreign large vessel operators, needs to be considered. For instance, that the additional funding sought from the Maritime Levy comes at a time when tourism operators and visitors have been subjected to a multitude of cost increases by government agencies.

Examples of these costs stated by some submitters are:

- Introduction of the International Visitor Levy (2019) – \$35 per international visitor
- Introduction of Electronic Travel Authority (2019) – \$9-\$12 per international visitor
- Increased immigration fees and levies to reduce a \$50 million deficit in Immigration NZ’s Memorandum Account
- Increase in AVSEC fees for international passengers of 51% between 2019/20 and 2021/22
- Minimum wage increases of 7% in 2019 (increasing \$1.20 to \$17.70/hour).

That levies from other government agencies have been imposed, or are increasing is noted, but this is not something that can be properly taken into account in respect to need for additional funding for Maritime NZ; nor does it undermine the case for the funding coming from the maritime sector. The Ministry of Transport supports the view that this issue is not for Maritime NZ to deal

with as a safety regulator, but rather a matter of Government policy drawing on the advice of the Ministry of Transport and the Ministry of Business, Innovation and Employment.

Theme 3: Information and impact

Response to Theme 3 – Issue raised. Information and impact

Costing information was available as part of the ‘open-book’ approach

Many submissions stated that not enough detail was provided in the consultation document. To clarify this issue, Maritime NZ adopted the ‘open-book’ approach under the Treasury guidelines which provides for a consultation document to provide a summary of proposals with more detailed information available at the request of the public. The public consultation information provided by Maritime NZ stated this and further details were available and provided to submitters as requested. As the costs of all proposals are interdependent to maximise efficiencies across services provided, a specific or detailed breakdown of each was not possible to the exclusion of others.

Detailed work on costings and other matters has been done

Detailed work has been done over the past 15 months on organisation-wide volume forecasting, assessment of tasks and effort relating to fees, what the costs are and whether there are further efficiencies that can be achieved to reduce costs without additional funding.

This approach is usual for an ‘*all of organisation*’ review under a full funding review (which is done every six years). It results in a package of proposals, not separate project bids for discrete services or activities. The proposals are interdependent, so many of the staff and other costs are spread across a number of the areas to achieve efficiencies and the outcomes sought.

Individual proposals cannot be adjusted or dropped entirely without impacting on the other proposals. The proposals for the Maritime Levy and fees have been made on the basis that the Crown and FED funding bids are approved. As most of the additional Crown and FED funding relates to non-discretionary overhead allocation and cost pressures, if they are not approved, this will mean the non-discretionary overhead allocation and costs pressures for those proposals will have to be spread across the other proposals.

The total additional Maritime Levy funding for international engagement, regulatory reform, systemic risk activities and ICT is available in the consultation document

The total additional funding for the areas of international engagement, regulatory reform, systemic risk activities and ICT can be calculated using information in the consultation document as follows:

1. Remove the fees proposed to be transferred to the Maritime Levy:

Proposed reduction in fees revenue from 2018/19 \$Million (excluding GST)						
Funding source	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 & outyears
Reduction in fees revenue from 2018/19 revenue	0.99	0.93	1.05	1.03	1.09	1.09

2. Remove the costs pressures attributable to Maritime Levy funded activities (noting that a separate bid has been made for the Crown’s share of general cost pressures):

Estimated <i>additional</i> Maritime Levy revenue for Maritime Levy funded activities \$Million						
Activity	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 & outyears
General business cost pressures attributable to the Maritime Levy	0.67	1.29	1.91	2.54	3.21	3.87

3. This makes the total additional funding from the Maritime Levy for international engagement, regulatory reform, systemic risk activities and ICT as follows:

Proposed additional funding for international engagement, regulatory reform, systemic risk activities and ICT from 2018/19 \$Million (excluding GST)						
Funding source	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 & outyears
Maritime Levy	8.34	7.78	7.04	9.43	8.7	8.04

Crown and FED bid costs are not included in the consultation document as is the usual practice

The additional funding under the Crown and FED bids was not included in the consultation document as is usual practice. This is because the Crown budget bid process was some months away when the consultation document was released and is yet to commence for the next financial year

Theme 4: New Zealand’s compliance requirements

Response to Theme 4 issue - New Zealand’s compliance requirements

The costs that Maritime NZ incurs in executing functions and providing services under section 191 of the MTA reflect current regulatory settings. The decision on the level of compliance requirements reflects Government policy and has been made by Parliament through law. While concerns about the levels of compliance requirements are understood, they are not a matter that Maritime NZ can address through this funding review.

Theme 5: Efficiency

Response to Theme 5 issue - Efficiency

Some submitters raised specific concerns about Maritime NZ efficiency, for example:

“the operations of Maritime New Zealand are similar to operations in other jurisdictions so there is an easy comparison that can be made as to both service levels and pricing. One concern is that the services levels, which are slow by world standards, reflect over-processing of relatively simple functions. We wonder whether the over-processing arises from insufficient understanding about the relative risks arising from the different processes.

We are also concerned at the growing headcount, especially at management level rather than delivery personnel, and the increases in charge-out rates.”

The FTE increase is due to new functions not inefficiency

In response to the comment about FTE numbers increasing, Maritime NZ notes that FTE has grown from 205 in 2014/15 to 246 in 2018/19 across all functions, including RCCNZ, oil pollution and maritime incident response, and regulatory and compliance – a 20.2% increase. This increase is largely due to the introduction of additional functions resulting from:

- changes to the regulatory framework (such as the introduction of MOSS and SeaCert)
- the expanded responsibilities under the new Health and Safety at Work Act
- the introduction of additional international obligations (such as the amendments to SOLAS, MARPOL and the introduction of the Maritime Labour Convention).

Details of this growth and the additional functions were set out in the consultation document on page 9. The consultation document also set out (on page 74 – Appendix 6) efficiency measures

taken by Maritime NZ over the past three years to reduce costs and improve quality and timeliness.

The hourly rate charges are not going up overall and most fees are going down

While the proposed single hourly rate of \$245 (GST inclusive) is \$10 higher than the lowest hourly rate currently, it is significantly lower than the current highest hourly rate of \$313 (GST inclusive).

Having undertaken task and effort reviews of all fee-able activities, many fixed fees are reducing. Some even halve in cost, such as many of the fees under the Ship Registration (Fees) Regulations.

Service delivery and processing times are not slower than in all other jurisdictions

The submissions referring to processing times can only be about fee-able activities, although this is not stated in some of the submissions that raised this as an issue. Some submitters specifically raised the issue in relation to seafarer certification. They submitted that processing times are slower, and the standards applied are higher, than those in *all* other jurisdictions.

Maritime NZ has compared Maritime NZ’s processing time and costs with Australian Maritime Safety Authority (AMSA) and the Canadian maritime regulator and has found as follows:

- in Canada processing seafarer certification takes longer
- Maritime NZ has very similar fees and processing times to AMSA.

Here is an example of two certificates processed by Maritime NZ and AMSA

Comparison of certification processing fees and average processing times

Certificate type	Average processes time (minutes)		Fee – Current (Proposed)	
	NZ	AUS	NZ (NZD)	AUS (NZD*)
Marine Engineer Class 3	120	120	1105 (368)	1120 – to 1244
Master	93	120	995 (368)	1120

*Notes: Currency conversion uses rate found on www.xe.com on 30 January 2018: 1 AUD = 1.10510 NZD

Direct comparisons with some jurisdictions (such as the UK) must be approached with caution because the UK government policy does not apply the ‘user-pays’ model and many services are government subsidised.

We have benchmarked Maritime NZ against other agencies

As part of the funding review, Maritime NZ looked at the:

- activities undertaken by maritime regulators in other jurisdictions and the costs recovered by them through fees, levies and Government funding
- New Zealand Treasury’s Business and Administrative Support Services (BASS) data on Small Agency Cohort.

In an effort to shorten the consultation document not all of this information, set out below, was included.

Maritime regulators in other jurisdictions do not all do the same activities as Maritime NZ

Maritime regulators in other jurisdictions do not undertake all of the same activities as Maritime NZ. Maritime NZ has wider responsibilities than some maritime regulators and less than others. Also, geographic, political and economic conditions in each country influence the size of shipping sectors and the breadth and depth of the market the regulator covers and the different policy approach to funding the sector. This means they are not directly comparable. For example:

- Maritime NZ has wider functions than comparable maritime agencies, but is most similar to AMSA with each covering regulation, compliance and response functions. However, Maritime NZ does not have functions that require large asset management, such as search and rescue helicopters in the UK
- New Zealand relies heavily on maritime transport:
 - with nearly 99% of international trade transported on vessels, whereas the global rate is closer to 80%
 - because New Zealand is geographically distant from international markets, whereas others also use road, rail or air networks, as distances are shorter or countries are connected by land
 - with all international trade for New Zealand being transported on foreign rather than New Zealand owned vessels, whereas in the UK what in New Zealand are called 'foreign' vessel would be called 'domestic' vessels as they are UK flagged and the vessel owning companies are UK registered.

Comparison of international maritime agencies functions

Function	Typical activities	Maritime NZ	Australian Maritime Safety Authority	Maritime and Coastguard Agency UK	Transport Canada
Regulation					
Policy advice	Problem setting, options analysis, policy decisions or advice to other decision makers (eg, Ministers); ministerial services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Standard setting	Participate in international standard setting (eg, at the IMO), set domestic standards through legislation	Shared with policy agency	Shared with policy agency	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review	Maritime system reviews, evaluations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Maritime security	Monitor security threats to maritime interests, monitor the security provided by port operators	<input checked="" type="checkbox"/>	Spread across several agencies)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Compliance					
Information and guidance	Traditional and social media, public meetings, publications	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Entry control	Licensing, certification or registration of operators, seafarers, vessels, surveyors, training providers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Monitoring	Audit, investigations, targeted compliance campaigns	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Enforcement	Suspension, conditions, detention, seizure, additional inspections, infringement, improvement and prohibition notices, prosecution, and disqualification	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Distress and safety radio	Radio station, weather and warning broadcasts	<input checked="" type="checkbox"/>	Mostly provided	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

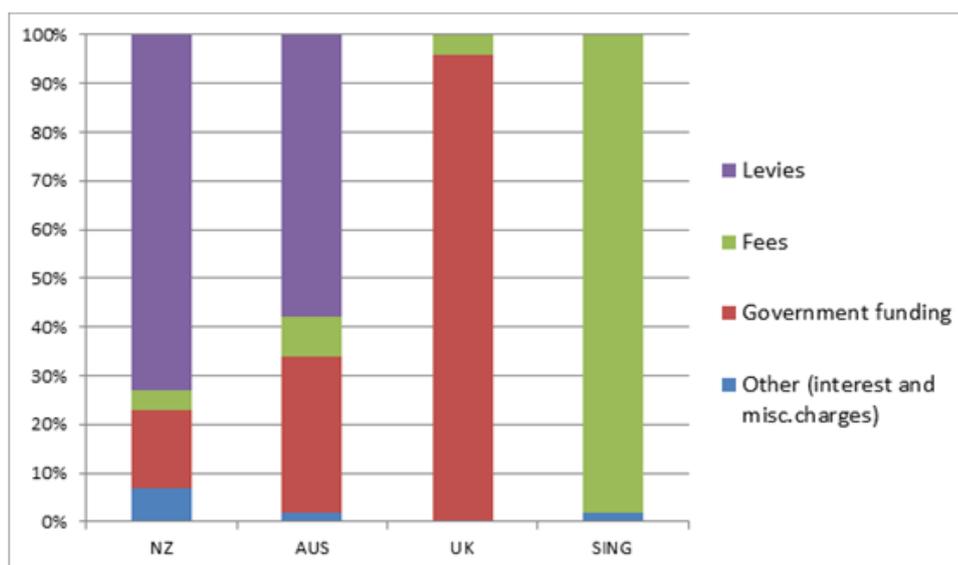
Function	Typical activities	Maritime NZ	Australian Maritime Safety Authority	Maritime and Coastguard Agency UK	Transport Canada
			by State agencies		
Navigational aids	Maintenance of national navigational aids and oversight of local navigation aids	☑	☑	✗	✗

Maritime regulators in other jurisdictions have lower fees and levies because they don't apply a full cost recovery policy

In terms of Maritime NZ's levies and fees being higher than in other jurisdictions this is not due to inefficiency, but because New Zealand relies more on levies and fees for funding than other maritime regulators (for which information was available).

See the explanation and the figure below from the consultation document.

**Comparison of funding sources by country 2018:
New Zealand, Australia, United Kingdom, Singapore**



Currency conversions rates from www.xe.com on 30 January 2018: 1 AUD = 1.10510 NZD; 1 GBP = 1.92208

MCA (UK) in particular operates with a high proportion of direct Crown funding of about 92%. Currently, AMSA's funding is 8% fees, 58% levies, 32% Government and 2% other.

The only exception is Singapore, which is 96% funded by fees and 4% interest from reserves (largely because it operates as an international shipping hub rather than a destination for tourists and freight).

Maritime NZ understands that AMSA is moving away from fees to recover more activities from levy funding. Also, a review of regulator models by the UK Government in 2017 recommended a move to levies and fees funding with industry meeting the bulk of the cost of regulators. (see UK Regulatory Futures Review, January 2017

<https://www.gov.uk/government/publications/regulatory-futures-review>). The UK fees have not been reviewed and updated for a number of years.

If this recommendation is accepted, the amount of government funding for the UK maritime regulator is likely to reduce with a commensurate rise in levies and fees charged to the maritime industry in the UK.

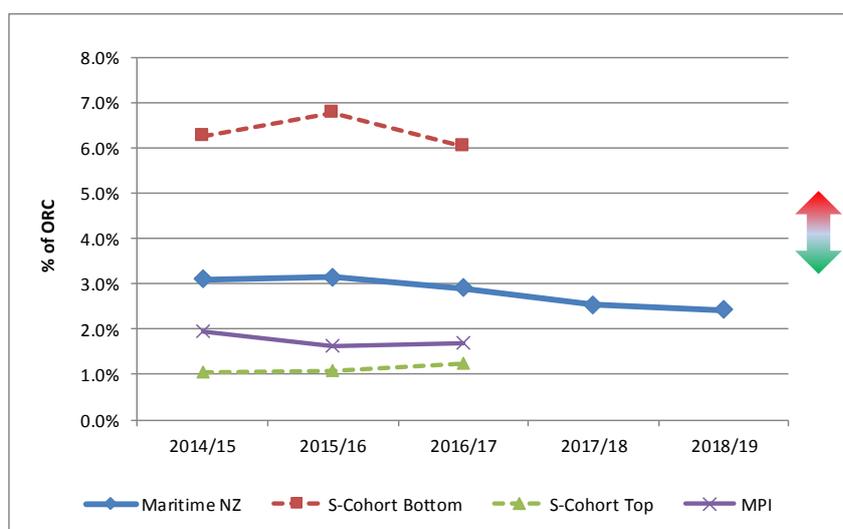
Currently, the UK maritime regulator is consulting on fee increases, e.g. hourly rates increasing from £94 to a proposed £147 in November 2019 against Maritime NZ's proposed \$245 (incl. GST) under the 2018/19 funding review.

Maritime NZ's headcount compares favourably to public sector benchmark

Using the BASS⁶ figures for the Small Agency Cohort shows that Maritime NZ's corporate executive services, as a percentage of organisational running costs, is less than 2% higher than the best of the Small Agency Cohort and is close to the middle of that range.

The comparison against Ministry for Primary Industries (MPI) results in the table below shows MPI is significantly better than Maritime NZ, but this is due to the larger regulated sector providing volume based benefits, such as spreading the fixed costs across a larger group of payers.

Corporate Executive Services as a percentage of organisational running costs



PART 3

Further Analysis of submissions on proposals

Proposal 1: Maritime Levy Allocation Methodology (a revised methodology and new levy rates arising from the methodology and a proposed increase in Maritime Levy revenue)

This proposal was the most highly 'subscribed' in terms of both the quantum and substantiveness of submissions received. The proposal:

- sets out a proposed new methodology for allocating the levy liability to commercial vessel operators
- shows the indicative *effect* of the proposed methodology on levy payers by applying the proposed levy rates to the current total levy revenue amount and to the proposed total levy revenue amount required due to other proposals that require additional levy funding.

The proposal itself does not increase levy revenue but adjusts the methodology for allocating the share payable by each levy payer on a fair and transparent basis. This is a separate issue from the two matters above. However, most submissions have understandably linked the proposed methodology with the levy rates required to generate the proposed levy revenue.

⁶ The Treasury's Benchmarking of Administrative and Support Services (BASS) exercise provides information on the cost, efficiency, and effectiveness of administrative & support services across the State sector.

Under the proposed methodology the most affected operations are those that do not, under the current methodology, pay on a passenger capacity basis. Those are domestic non-SOLAS passenger vessels, such as regional passenger ferries, water taxis and sight-seeing vessels. The more vessels in an operation and the larger those vessels are in terms of the total passenger capacity, the greater their levy share. That impact is irrespective of whether the total levy revenue increases, but it is compounded by the proposed increase. This is a consequence of aligning the treatment of all passenger vessels under the methodology.

Several of New Zealand's largest non-SOLAS passenger vessel operators, like Fullers and Real Journeys, are among the most affected operators and they have both raised strong objections to the proposed methodology.

Real Journeys note that the new model places a greater risk component on passengers than the previous model but that many smaller passenger vessels (such as theirs) operate on a short, repeated journey and close to shore, e.g. short ferry crossings, and scenic tours. They argue that this means the safety risk to people is low. They also contend that comparing Cook Strait ferries to the smaller domestic ferries is like comparing *"apples with oranges"*. They submit that *"The Cook Strait ferries operate in one of the 'dirtiest' waterways in the world (as attested by the Wahine Disaster) and should have a higher risk component than a ferry operated within enclosed waters"*. We note that the methodology accounts for this by having domestic SOLAS and non-SOLAS vessel categories and rates.

Fullers (and Tourism Industry Aotearoa) submit that *"the tourism maritime sector, both international and domestic, has a well-earned reputation for safety. Other sectors outside tourism carry a much higher risk profile and it is unreasonable that a new Maritime Levy allocation model does not recognise the history of safety management within the maritime tourism."*

KiwiRail, as an operator of passenger ferries across the Cook Strait, has submitted that KiwiRail does not support the *"allocation of levy on the basis of notional risk"* and supports the *"New Zealand Shipping Federation submission which queries why the charging allocation is not more directly related to services"*.

KiwiRail's submission in part conflicts with the past complaint made to the Regulations Review Committee, which the Shipping Federation effectively made on behalf of members with vessels such as those operated by KiwiRail. This was that *all* passenger vessels be levied on the same basis. This issue has been addressed by the proposed methodology applying GT, Pax Cap and DWT to all vessels. We also note that vessels like those operated by KiwiRail are one of the few types of vessel where levy liability reduces despite collecting increased levy revenue

These submissions, which substantively go to the fact the proposed methodology does not account for mitigated risk or sector performance and that the levy does not have a fee for service element, are responded to in the themes analysis, which includes commentary on the levy methodology.

Other matters covered in submissions received on this proposal included the following, which are responded to here, as they are not covered in the mains themes or the analysis of any other related proposal. Those matters and our response to each are as follows.

Proposal 1: Issue 1 [Regulations Review Committee recommendations addressed](#)

In respect to this issue, submitters made the following comments:

"Some of the risk factors that were criticised in the 2009 Regulations Review Committee decision remain as features of the current analysis. Thus passenger numbers are still a significant

element in the calculation of the levy for the Cook Strait ferries in spite of the comments by the Committee about this.” (Submitter A)

“The Regulations Review Committee called for a Levy methodology that is fair, robust and transparent. Throughout the consultation documents there is little detail provided on the allocation of costs that to show what is required for the various Output classes” (Submitter B)

“It is not possible to determine the Maritime NZ expenditure on maritime activities and how they are funded or the fairness of the Levy allocations; the funding structure involves cross-subsidies; and Maritime NZ treats the entire maritime sector as a single club with a single Levy that does not reflect different services delivered to different fleets. These were issues raised by the Regulations Review Committee in their previous reviews of the maritime levy and have not been substantively addressed by Maritime NZ” (Submitter C)

Response to Proposal 1 – Issue 1. Regulations Review Committee complaints

As background to our response to these submissions, below is a brief summary of the previous complaints made to the Regulations Review Committee (RRC) about the current Maritime Levy allocation methodology.

Previous complaints made to Regulations Review Committee about the current Maritime Levy allocation methodology	
Complaint	Response
<p>February 2009: NZ Shipping Federation complained to the RRC substantively on behalf of the Interislander and Strait Shipping that the Marine Safety Charges Amendment Regulations 2008:</p> <ol style="list-style-type: none"> 1. contained matters more appropriate for parliamentary enactment 2. appeared to make some unusual and unexpected use of the powers conferred by the statute under which they were made 3. that the regulations were not made in compliance with particular notice and consultation procedures described in the statute 	<p>The RRC produced an interim report in 2009 recommending:</p> <p>Re 1. Complaint not made out but that section 191 of the Maritime Transport Act be amended to clarify that the marine safety charge is a levy</p> <p>Re 2. <i>Complaint made out, particularly in regard to the risk analysis that was undertaken and that the Committee expects Maritime NZ to follow a fair, reasonable, robust and coherent process when determining the marine safety charge that it intends to levy</i></p> <p>Re 3. Complaint not made out but that the MTA should be amended to provide for a robust statutory consultation process to be followed when setting and reviewing the levy</p> <p>The Government accepted these recommendations and proposed to act on them by ensuring (among other things) that: <i>the methodology employed in calculating levies under s.191 of the MTA is consistent, transparent and supported by complete, verifiable information and robust analysis</i> (and post-implementation monitoring)</p> <p>The Government also advised in its response to the interim RRC report that Maritime NZ would ‘bring forward the next scheduled review of the marine safety charge’ to the 2011/12 full funding review</p> <p>The Committee updated its interim report in 2011 to report on progress made following the Government’s 2009 response. The final report did not alter the recommendations.</p>
<p>February 2014: Mr Paul Wilson complained to the RRC that the fees and levies set by the Shipping (Charges) Amendment Regulations 2013 and the Marine Safety Charges Amendment Regulations 2013 exceed the actual cost to Maritime NZ and that international operators are subsidised by domestic operators. This complaint was supported by several other maritime industry organisations.</p>	<p>The RRC did not uphold the complaint but in its December 2016 response it raised the following concerns and recommendations: Maritime NZ should ensure that at the time of making decisions relating to fees and levies it fully documents decision-making so it is transparent, including to industry</p> <p>In its report the Committee noted: We are concerned that the methodology that Maritime NZ uses to allocate the maritime levy across different classes of levy payers has not substantively altered since 2008...this matter requires attention as soon as practicable...and Maritime NZ will undertake a full review of the maritime levy allocation methodology to determine the appropriate data required, and the model to apply to levy payers</p>

Submitter A submission

In relation to the comments made by Submitter A that there are risk factors in the proposed methodology, specifically passenger capacity, that the RRC has previously commented on, the RRC 2009 interim report, the 2011 report and the 2016 reports did not criticise 'passenger capacity' as a risk factor per se.

The Committee raised concerns as to the basis on which it was not applied to all passenger vessels, and the absence of robust information to support it being chosen over passenger numbers. Specifically:

- why, given 'ability to pay' was then a factor in deciding which vessels should have a passenger-levy, no indication was given that 'ability to pay' evidence was consistently gathered from operators
- the apparent absence of 'a robust system of information gathering and analysis' to support 'passenger capacity' rather than passenger numbers as the payment basis.

In short, the Committee's conclusion was that Maritime NZ had not followed a fair, reasonable, robust and coherent process and that a 'coherent picture of risk analysis' was not provided to the Committee during its hearing on the complaint. The finding was not that 'passenger capacity' per se should not be used, but the *basis* on which it was used.

Thus the submission that "*passenger numbers are still a significant element in the calculation of the levy for the Cook Strait ferries in spite of the comments by the Committee about this*" does not reflect the text in the Committee's report on the 2008 complaint.

The interim report of 2009 contained the substantive response. It was followed up with a final report in 2011 that reiterated the recommendations of the earlier report but did not make further specific comment on these matters. The 2016 RRC report went to a different complaint but reinforced the need for Maritime NZ to give effect to the 2009 recommendation and review the methodology.

Also, the same submitter's submission to the 2014/15 midpoint funding review consultation document (which consulted on various options for types of methodologies to use but did not include proposals to amend the levy methodology, only to changes in rates) did not go to what type of methodology it preferred, but instead submitted that the current methodology is not fair because it:

- charges some passenger vessels based on passenger capacity (who are some of the submitter's members) and not others, which results in a cross-subsidisation by one levy paying group of another levying paying group
- does not recognise that vessels may not be used 365 days per year and may not always be full.

The proposed methodology directly addresses these two issues in that it charges *all* passenger vessels on passenger capacity and recognises both that vessels do not operate every day and are not always full.

The Castalia model deals with the two issues by building into the calculation for domestic non-SOLAS and domestic SOLAS vessels that:

- Pax Cap rate includes weightings that assume that vessels:
 - only operate, on average, 50% of the year (182 days)

- have an average passenger weighting of 50% (i.e. on average the vessel is likely to only be 50% full over the year).
- GT or length rate includes a weighting for average crew and staff.

Noting that the weightings above have already been applied to reduce the Pax Cap and GT or Length rates, for invoicing purposes the model uses GT or Length and Pax Cap as this data is readily accessible and verifiable.

The proposed methodology also takes a more thorough approach to (the value of) people as a leviable factor because it also accounts for crew and staff.

The proposed change of allocation methodology has been raised as being unfair to others who have to pay more.

The proposed methodology only redistributes levy liability among levy payers. It does not of itself increase the overall levy revenue. But it does mean that a consequence of addressing the issues raised by Submitter A is that the overall levy amount that needs to be collected is re-distributed amongst all the levy payers, which is resulting in some of its members having to pay more.

Submitter A's current issues cannot be addressed without a redistribution of the levy liability among their members and other levy payers. We note that those on whose behalf the 2009 complaint was made will be paying significantly less under the proposed methodology (even with an increase in total levy revenue).

Submission B that the proposed methodology is unfair, not transparent and not robust

There were several submissions to the effect that the proposed methodology is unfair, not transparent, and not robust, because it is based on the absence of information on the cost *per proposal*. The methodology itself is fair – it treats like with like; and it is transparent in that the basis for the approach is set out in the Castalia report, which was made available on the Maritime NZ website as part of the consultation and the consultation document clearly sets out the assumptions and weightings. As to its robustness, that is covered in the themes analysis.

Submission C that issues raised by the RRC have not been substantively addressed

This submission does not accurately reflect the RRC reports or recommendations, which did not go to that level of specificity about the methodology.

The Committee certainly looked at issues of cross-subsidisation when considering the 2016 complaint summarised in the table above (specifically *'the possible subsidy of international operators in the industry by domestic operators'*⁷). The Committee also noted in its report that:

- this was a matter the 2011/12 and midpoint funding reviews looked into
- it is managed by Maritime NZ through alignment of revenue collection to the various services provided based on public, club or private good characteristics.

That is the approach taken in this funding review, and the consultation document is clear as to the basis for the funding source proposed for different activities.

⁷ Report of the Regulations Review Committee on the Complaint regarding Shipping (Charges) Amendment Regulations 2013 and Marine Safety Charges Amendment Regulations 2013. Page 7.

Proposal 1: Issue 2 Levy liability for search and rescue vessels, vessels owned by charitable organisations and 'Romantics'

Further to the submissions received on the proposed methodology, issues were also raised about the applicability of the levy to particular types of vessel operation and the levy treatment of those who operate on a seasonal or occasional basis.

These are not matters that the methodology itself addresses. The methodology is limited to the allocation of the levy liability. *Who* pays the levy relates to the categorisation of the activities recovered from the levy (private, club or public goods) under the Transport Regulatory System Funding Principles. The participant group that are the primary risk exacerbators or primary beneficiaries are the ones that pay the levy. If a participant falls into that category then they pay. Maritime NZ cannot decide that the cost be recovered from another funding source such as Crown funding.

However, Maritime NZ can apply a waiver or refund as a policy decision.

There are three 'sectors' about which levy liability has been raised. These are:

- Search and rescue vessels (the Coastguard New Zealand submission raised whether vessels operated by that organisation will be liable for the levy)
- Vessels operated by organisations with charitable status (raised by Friends of the Matakohē - Limestone Island Society)
- Vessels operated seasonally or part-time by smaller operators (like charter fishing vessels only operating in summer) or referred to as 'Romantics' (a sector characterised in the submission from Keith Ingram but also referred to (if not by that name) in several other submissions).

Response to Proposal 1 – Issue 2 Domestic search and rescue vessels

Issue

Coastguard New Zealand has submitted that:

“Coastguard is a registered charity, engaged in maritime Search and Rescue (SAR) through a voluntary workforce of more than 2,000 individuals, and relies on fundraised income to cover the costs of operating the only national maritime SAR service for the boating public of New Zealand.

Whilst Coastguard is generally supportive of these proposals, we seek confirmation that Coastguard will continue to be exempt from the Maritime Levy (as is currently the case). Payment of the Maritime Levy would place severe financial pressure on the organisation and could lead to the loss of life if we are unable to respond to emergencies due to lack of funding. An alternative may be to increase the proportion of Fuel Excise Duty (FED) funding allocated to Coastguard to cover the cost of the proposed Levy resulting in a budget-neutral effect.”

The issue here is should search and rescue vessels operated by organisations such as Coastguard New Zealand have to pay the Levy?

Recommended response

While the submission made by Coastguard New Zealand has merit, Maritime NZ considers this issue is best addressed through other means such as the alternative suggested by them.

Maritime NZ's view is that policy underpinning the Maritime Levy is that it apply to all “commercial ships” as defined under the Maritime Transport Act 1994 (MTA), including those engaged in maritime search and rescue. The existing exemption for vessels entering New Zealand waters

only for the specific purpose of providing search and rescue or emergency assistance should remain.

The contribution made by vessels routinely used in saving lives at sea and preventing minor incidents resulting in full scale search or rescue situations is well recognised. However, the Maritime Levy is not the mechanism to recognise or reward that contribution. The same conclusion applies irrespective of whether an organisation operating search and rescue vessels has charitable status.

Maritime NZ therefore supports the alternative suggested by Coastguard that “to increase the proportion of Fuel Excise Duty (FED) funding allocated to Coastguard to cover the cost of the proposed Levy resulting in a budget-neutral effect” can be considered under the Ministry of Transport’s FED funding review planned for 2019.

Rationale

Applying the Transport Regulatory System Funding Principles, the operators of commercial vessels as a group are the primary risk exacerbators that cause the need for the maritime safety regulatory system and primarily benefit from the effective operation of that system. If a commercial vessel operates in New Zealand waters then the levy liability applies.

Neither the purpose for which a vessel is operated, nor whether its operation makes a contribution to maritime safety or the prevention of harm, are factored into the assessment of who should pay the levy under the Transport Regulatory System Funding Principles.

Vessels routinely used in search and rescue and in rendering emergency assistance bring risk to the system in the same way that other vessels do. This is reflected in the fact those vessels must be operated under a documented safety system, must be surveyed, and must be crewed by certified seafarers. Also, the functions that are required to be provided by the national regulator under section 191 of the MTA still need to be funded irrespective of the purpose for these vessel operations. For levy purposes these vessels are therefore not distinguishable from any other “commercial ships”.

The Maritime Levy liability is not based on ‘ability to pay’. This is therefore not a matter that can be considered by Maritime NZ in addressing its funding arrangements. The financial viability of the search and rescue sector cannot be addressed or managed through the Maritime Levy system, but might be a matter for other funding sources under other legislation.⁸

Domestic vessels operated by organisations with charitable status

Issue

Should vessels operated by organisations with charitable status have to pay the levy?

Recommended response

The levy liability should apply to all commercial ships as defined under the Maritime Transport Act 1994, including vessels owned by organisations with charitable status.

The Maritime Levy should not be the mechanism through which an organisation’s charitable purpose is rewarded or acknowledged. Other funding sources should instead be considered to support the organisation’s charitable purpose.

⁸ For instance, under section 9(1) Land Transport Management Act 2003, FED funding up to an amount agreed by the responsible by the Minister of Transport and the Minister of Finance, that is not more than the FED estimated to have been paid by users of pleasure craft, can be allocated to: (a) search and rescue activities, whether in relation to pleasure craft or otherwise, and (b) recreational boating safety and safety awareness, and c) maritime safety services that benefit the users of pleasure craft, and (d) administration of the activities and services in (a) to (c).

Rationale

The charitable status of the *organisation* (because, for instance, it relates to activities such as environmental or historic ship conservation effort, or a local boating club offering lessons in sailing) does not change the fact that the *vessel* is part of the maritime system.

Applying the Transport Regulatory System Funding Principles, the commercial maritime sector as a group are the primary risk exacerbators that cause the need for the maritime safety regulatory system and primarily benefit from the effective operation of that system. If the organisation operates a commercial vessel that operates in New Zealand waters then levy liability applies. An organisation's charitable status is not factored into the assessment under the Transport Regulatory System Funding Principles of who should pay the levy.

Also, the Maritime Levy allocation methodology is not the appropriate mechanism to address whether the organisation:

- has the ability to pay the levy, as the levy allocation methodology is not based on ability to pay
- contributes to the wellbeing of New Zealand and New Zealanders by providing cultural, historical or environmental enrichment, which is outside of Maritime NZ's mandated purpose.

Domestic vessels operated seasonally or part-time by smaller operators

One submitter noted in his submission that:

*“The funding model does not take into consideration the modus operandi of the domestic fleet. It fails to recognise that over two thirds of all domestic passenger vessel operators operate their vessels part time or on a seasonal basis, **doing less than 60 days per year** (our emphasis). These operators while important to many local communities in support of local seasonal tourism, are effectively known as ‘Romantics’. They remain important and yet they are financially marginal operations”.*

Several other submitters referred either to the impact of increased levy liability on seasonal or part time operators or suggested that account should be taken of the part time or seasonal nature of domestic operations. This issue was also raised by a submitter who operates numerous larger tourism passenger vessels.

Issue

Should domestic operators who pay the levy on an annual basis, and who operate a vessel on a seasonal or part-time basis, have waived or be refunded for part of the levy for the months they do not operate the vessel?

Recommended response

The levy liability should apply to all vessels whether or not they operate for less than 12 months'. This is because seasonal or part-time operation has already been included in the Castalia model through the weighting that assumes domestic non-SOLAS vessels only operate, on average, 50% of the year (182 days).

Providing a waiver or refunds process for vessels operating less than 6 months (182 days) is not administratively feasible, due to costs that would be incurred.

Rationale

Under existing regulations, Maritime NZ can, on application, grant a waiver or refund in specific circumstances such as:

- the vessel being out of commission, or

- laid up for survey or repairs for a period of three consecutive months or more.

The submitters are, in effect, suggesting that this regulation be extended to domestic vessels (for which Levies are payable annually), which are operated part-time, such as those operating on a seasonal or occasional basis. They want each vessel’s utilisation rate taken into account. We note that many domestic maritime operations, particularly fishing and aquaculture based operations, operate in a seasonal or part-time manner.

Under the Castalia model, utilisation (or time on water) rates have been taken into account based on averages for each vessel category, including seasonal or part-time vessel use. The Castalia model applies a weighting that assumes domestic non-SOLAS vessels only operate, on average, 50% of the year (182 days).

The purpose of the levy is to recover the costs of Maritime NZ in providing the functions provided for under section 191 of the MTA. These functions are required to be provided for all year irrespective of the commercial choices made by some operators.

Furthermore, implementing a process to consider applications for the hundreds of part-year waivers or refunds for when vessels have been, or are intended to be, out of operation for three or more months of the year would be administratively burdensome and increase overall costs on Maritime NZ. It is also likely that the administrative cost per application would be higher in many cases than the refund sought for the vessel.

To ensure that the application processing costs are recovered it would be necessary either to charge an application fee, or be empowered to deduct from any refund granted, the cost of processing it. Another option might be to recover costs from the Maritime Levy, but this would reduce the amount available for other Maritime Levy-funded activities or would require more levy to be generated.

The example contained in the consultation document for an 8 metre domestic charter passenger boat with a Pax Cap of 14 is below. If the operator applied for a refund for the vessel not operating for 4 continuous months a year the refund applied for would be \$112.

Note that passenger vessel with a length and Pax Cap lower than the example below would pay less than this.

Vessel type	2018/19 current model Maritime Levy based on \$22.4 million revenue	2019/20 proposed model Maritime Levy based on \$22.4 million revenue	2019/20 proposed model (indicative) Maritime Levy based on \$32.4 million revenue – includes fee-able activities moved to Maritime Levy)	Total variance from 2018/19 current model at \$22.4 million to proposed model at \$32.4 million
				Green decrease Red increase
 Domestic Charter Passenger Boat (Non SOLAS) Length 8 metres PAX 14 DWT 0	\$137 annually	\$232 annually	\$336 annually	\$199 (increase)

Proposal 1: Other issues

There is one other issue raised in submissions that is not covered by the general themes analysis or above. This is the suggestion that the levy should be calculated per operation rather than per vessel. The argument is that audits against a Maritime Operator Safety Plan (MTO) (which covers the operation of all vessels in an operation) are not conducted or charged per vessel and nor should the levy be charged per vessel.

This issue is not able to be addressed in this funding review because it would require legislative changes that would need substantial policy work, public consultation and consideration by Parliament. This is because the law currently treats the “whole of operation” issue in a variety of

ways which means not all levy payer groups are dealt with in this way. For example, all ships operating under the SOLAS Convention are certificated individually.

The certification and auditing of operator safety systems is not analogous to the levying context because it has always been based on ships. And under the Maritime Transport Act 1994 it must be. Section 191 of the MTA enables *“the making of regulations providing for the payment of maritime levies in respect of ships ...and prescribing the amount of those levies”*.

Proposal 2: Fee-able activities hourly rate (changing from multiple to a single hourly rate of \$245 for all fee-able activity – and the basis for setting fixed fees)

The majority of those who made online submissions supported this proposal and there was also express support for it among emailed submissions (including KiwiRail and Aquaculture New Zealand).

The objections to it have been substantively captured in the themes analysis under the theme of Maritime NZ compliance costs and costs relative to other regulators. But there were other issues raised, which are set out below.

Proposal 2: Issues

A number of submitters (including F.D. Godbert, Paul Wilson, Don, John Milburn, Andrew Hughes, and D J McIntosh) either commented on the proposed rate on an understanding that it is the hourly rate paid to Maritime NZ staff or suggested that there should not be a single hourly rate.

The NZRMSA supported the single rate, but suggested there should be a cap on the maximum number of hours that can be charged for a particular activity. We will respond to these matters in turn.

The proposed hourly rate is not the rate paid to any Maritime NZ staff member and has no direct relationship to the pay rate of the person conducting the fee-able activity. The hourly rate has been set to reflect the range of costs, activities and tasks involved in delivery the service or activity. This includes direct overhead costs associated with these services or activities. This is set out on page 26 of the consultation document.

Suggestions for different hourly rates included a higher rate of \$350 and a lower rate of \$150 or a sliding scale based on performance or risk.

In respect to the multiple hourly rates suggestion, prior to July 2013 the Shipping (Charges) Regulations included different hourly rates depending on the function of the person conducting the fee-able activity. In effect, administrative staff had a lower rate than technical staff and decision-making staff had the highest rate.

The 2011/12 Maritime NZ Funding Review included a detailed analysis of the hourly rate issue and determined that the model was not transparent or simple. A decision was made then to have just one base rate, irrespective of who was conducting the activity, with an offsite hourly that has loadings for travel time and cost and IT (for MOSS and SeaCert).

As noted in the consultation document, over time various other rates have been introduced, but they all start from a single base rate. If a higher and lower rate was introduced there would need to be good grounds for that approach. On what basis would some activities be charged at more than double other activities? And if different rates could be applied to the same activity, Maritime NZ could be confident that applicants for certificates would object to the higher rate applying.

Multiple rates go against simplicity, transparency, and the internal cost of administration. That is why a single hourly rate for all and any fee-able activities is proposed.

The submissions for a scaled hourly rate based on performance or rates based on risk are noted but not accepted. At the very least such an approach goes against transparency and simplicity, but more importantly it would mix up what it costs Maritime NZ to perform fee-able activities (a quantitative measure) with what Maritime NZ should charge individuals for whom fee-able activities are performed (a qualitative measure).

Irrespective of whether an applicant for a certificate has a good or poor compliance record the hourly cost to Maritime NZ in processing the application does not change. And the auditing of an operator costs the same per hour no matter what their risk profile. The OAG and Treasury guidelines do not allow fees to be used to create incentives. They can only recover the direct costs of the activity. A fees structure is not the appropriate mechanism to have built-in reward or cost imposition mechanisms such as scaled rates for performance or risk.

Proposal 3: Audits and inspections (routine audit and inspection costs recovered from the Maritime Levy and follow-up visits charged at the proposed new hourly rate)

This proposal received a high level of support from those who made online submissions with 30 submitters supporting both elements of it. However, there were a number of other submitters opposed to one or both elements.

Proposal 3: Issues

Those who support the proposal submitted as follows.

Avinash Figueriedo, Carey Mclvor and Max Neate suggested the cost of follow-up visits for an audit should also be recovered through the levy.

The New Zealand Shipping Federation supported the proposal as it incentivises good preparation on the part of the audited operator.

Keith Ingram supported the proposal as it aligns with the recovery of audits costs for Port State Control inspections for foreign vessels.

Those who did not support the proposal raised the following issues:

Cruise Lines International Association (CLIA), Paul Wilson, and Talley's submit that they believe the approach will lead to 'cross-subsidisation'.

CLIA submits that it disadvantages a small subsector such as cruise operators.

Peter Renshaw submits that operators with less safe operations will 'use up' more levy funds than others.

Jane-Maree Holmes submits that it provides less transparency than the current fee for audit system which encourages efficiency on the part of operators.

Mark Beaumont Burnaby submits that it does not incentivise reduced audit time (as does the fees for audit regime).

Belaire Ferries submits that it does not incentivise good behaviour on the part of audited operators.

Bill Chisholm submits that it will incentivise Maritime NZ to increase the rate of follow-up audits and increase the costs of the same.

Proposal 3: Response to issues

The basis for this proposal is set out in pages 32-33 of the consultation document. In summary it:

- addresses long-standing industry concerns about the cost of compliance created by fees (including audit fees paid by domestic operators) and the suspicion by many operators that Maritime NZ's audit activity is driven by revenue motivations not safety.
- improves compliance incentives and matches funding source with the modern regulator approach (encouraging operators to engage with the auditor rather than being focussed on the cost of the audit or the transactional elements)
- aligns with how audits and inspections are funded in other domestic regulatory systems (including CAA, WorkSafe, MPI and Customs) and within the maritime system for foreign vessels Port State Control Inspections
- aligns with the Ministry of Transport Funding Principles for transport sector agencies. Specifically:

“Whether the funding model creates the right incentives. For example, a service audit could be attributed to an individual operator and charged as a fee for service. However, an audit fee imposed on individual operators based on regulator time creates incentives for operators to seek to avoid audits or push for them to be undertaken quickly. This pushes against an objective of an audit, which is to provide an opportunity for the regulator and the operator to work on what “good” looks like for that operator. In this circumstance, the cost may be better treated as a levy funded club good.”

Cross-subsidisation

Maritime NZ does not accept that the proposal will incentivise cross-subsidisation. ‘Cross-subsidisation’ is when funding derived for one purpose is used to fund or subsidise the cost of another. The proposal is explicit in seeking to recover the cost of routine audits through the levy so it would not be a case of levying for purpose A and using the funds for purpose B.

Maritime NZ has forecast routine audit activity each year over the six years from 2019/20 and has factored the cost of this into the forecast levy revenue. Routine audit effort (and cost) will be tracked through staff time recording and monitored through Crown entity performance measures and financial reporting.

Disadvantaging the foreign cruise sector

This concern goes more to the levy application methodology, the quantum of additional levy funding sought, and the impact on that sector. This is addressed in the analysis of responses to Proposal 1.

‘Using up’ of levy funds by those with less safe operations

The concern about the ‘using up’ of levy funds by those with less safe operations (that is, operations subject to a higher frequency of audits) is not founded. The proposal expressly retains the direct fee approach for any operator requiring a follow-up visit to address this specific concern.

Our forecast audit activity takes into account the audit frequency for current maritime operators, and the time taken for those (which if anything, would reduce on average with the proposed removal of audit fees). Maritime NZ does not anticipate an upsurge in audits such as would ‘over prescribe’ the levy revenue sought for this purpose, but will monitor this.

Transparency

The concern about ‘transparency’ is not one that applies to individual maritime transport operators. Certainly the fees for audit and the associated invoicing system makes clear the hours spent and the cost, but under the proposal the ‘cost’ of routine audits will be recorded through staff time recording, not on an individual basis, visible or relevant to the operator.

Does not incentivise reduced audit time

In respect to Mark Beaumont Burnaby's concern that the proposal does not incentivise reduced audit time, that incentive is currently faced by operators, who are charged by the hour. It leads to operators wanting to minimise contact time with the auditor and as a consequence the assisted compliance element of an auditor's visit is not made best advantage of.

We also note that an audit is not costless to the operator where fees are not payable. Operators are incentivised to properly prepare for audits to reduce the time spent by them and vessel downtime in having the audit done.

The proposal will not incentivise reduced audit time on the part of Maritime Officers (MOs), but nor will it, as part of good business practice and efficiency, incentivise MOs to have no regard to the time spent on audits. Audits are not the only activities MOs do. Also, under the proposal on systemic risk activities MOs will be doing more activities such as targeted campaigns, sector education and guidance, and identification of trends in risk to better target interventions.

Will not incentivise good behaviour on the part of audited domestic operators

The concern that the proposal will not incentivise good behaviour on the part of audited operators assumes that if operators are not paying for audits they will not care how many they have, and they will not operate in a way that maintains or reduces their current audit frequency.

The consequence of bad (as opposed to 'good' behaviour) extends well beyond more frequent audits (which involve preparation, effort, and not operating during the course of the audit as noted above) and can bear costs to an operator including suspension of operation and loss of income.

Further, if an operator fails a routine audit they will receive a follow-up visit – for which they will continue to be charged at the applicable hourly rate for the actual time taken excluding travel time. This proposed policy is a disincentive for operators to not prepare for audits or not work to ensure they pass them.

Maritime NZ does not expect that operators will take a cavalier approach to compliance or to audit frequency if they don't have routine audit fees.

Chatham Island costs

The submission from Bill Chisholm (Chatham Islands Finfish Association) is that the proposal could seriously harm the industry he represents. He submits that as audits are done in a 'batch' those who fail routine audits will have to pay significantly more or wait until the next batch.

How Maritime NZ manages follow-up visits in the Chatham Islands is not affected by the proposal as there is another proposal to not charge for travel time and costs for routine audits and follow-up visits of domestic operators with vessels in New Zealand.

Mr Chisholm has also submitted that *"we would expect the first-inspection failure rate to not change, but the suspicion remains that the audit failure rate will increase as part of a cynical make-work scheme for otherwise-unemployed bureaucrats"*. This is a concern that goes not to the proposal per se but to a view that Maritime NZ conducts audits unnecessarily to keep MOs occupied. That is not the case. It is expected that follow-up audits will continue to be required for a relatively small percentage of operators, as is currently the case.

Maritime Levy revenue wrongly includes all routine audit costs each year, not just those scheduled

Keith Ingram, who we have noted as supporting the proposal, also submitted that *"we do not support the recovery of first audits being absorbed as an annual increased cost, when an audit*

may only occur three times in the 10-year period". This 'straddles' proposals 1 and 3 but we will respond to it here.

The routine audits are scheduled for an operator to occur every three years and the cost of those is included into the increased Maritime Levy sought. It is not forecast as if all audits happen every year.

The audits of all operators in the system are not all done in the same year. They are spread across all years, which means that every year in the six years the full funding review proposals cover there will be hundreds of audits and the cost of those each year will be spread across all levy payers. The annualised levy (which for some, but not all, will increase if all the proposals are adopted) has no relationship to frequency of audits for individual operators.

We have considered the concerns raised in respect to this proposal, and for the reasons set out above, do not recommend a change to it.

Proposal 4: Seafarer certificates and endorsements (a fixed fee for all of \$368 with any balance of costs recovered from the Maritime Levy)

This proposal was well received by those who made online submissions with few objecting to it. It was also expressly supported by some of those who made emailed submissions. It was noted as being beneficial to move to a single and lower fixed fee and as going toward addressing concerns raised by industry about the cost of becoming a seafarer.

Some submitters did not support the cost being subsidised through the Maritime Levy or 'shifting costs to operators' and that is covered generally in the themes analysis. Two other substantive issues were raised in submissions and these are set out below.

Proposal 4: Issues

Blair Ballard raised the issue of transitional arrangements; specifically *"that there are interim or transitional measures in place to ensure those who need to revalidate their certificates in the few months ahead of 1 July 2019 are refunded a portion of their fee"*.

Maritime NZ is aware of the issues that arise when a fee for an activity is decreased from a particular date. These include affected parties being justifiably incentivised to delay applications or seek extensions to certificate renewal dates so they pay a lower fee. If this proposal (and any of the other proposals resulting in reduced fees) is adopted, Maritime NZ will consider if and how accommodation should be made for those requiring the affected fee-able services in the period immediately preceding the date of fee changes.

Another submitter commented that: *"The consultation document assumes SeaCert costs are paid for by operators / companies but in most cases individual seafarers pay for their own certificate. Feedback from the few large companies (less than 10) suggest that while they contribute to training, very few pay for renewal of certificates. Those few that do fund these costs, do so with the proviso that if you do not pass, the seafarer pays the cost"*.

We understand that these comments go to the two operator impact scenarios on page 16 of the consultation document, which assume that the hypothetical operators pay for the certificates of their staff. Advice we have received from industry is that that is not uncommon and that the proposal will make a positive difference to seafarers or to those who employ them. We also note that irrespective of whether an employer pays for their employee's certificates or the employees pay for their own it does not affect Maritime NZ's cost or revenue forecasts for seafarer certification activities.

The proposal to reduce seafarer fees was also made in response to advice provided to the Funding Review team that the current seafarer fees are a barrier to entry for new seafarers.

There was also a submission that “*there is general concern that the budgeted income for seafarer certification shown is not accurate and may lead to significant shortfalls in years to come*”. In response to this we note that Maritime NZ did a 15 month organisation-wide assessment of its fee-able activities to forecast its likely costs over the next six years. The overall proposals for funding Maritime NZ reflect those forecasts. A midpoint review can be undertaken if forecasts are significantly short of actuals.

Further, the fact that ring-fenced certificate holders will not require renewals (that is, they will not have reduced certificate costs but no such costs) has been factored into Maritime NZ’s forecast activity modelling.

Proposal 5: [Travel time and costs \(recovered from the Maritime Levy\)](#)

Proposal 5: Issues

Few submitters commented on this specific proposal, but it was generally well supported among those who made online submissions.

Jane-Maree Holmes submits that retaining this as a fee-able cost would incentivise people to take their vessels to the closest port for inspections. She suggested that the levy should not subsidise those who are not prepared to make that effort.

The rationale for this proposal is set out on page 37 of the consultation document and includes that not charging individual operators for travel time and costs deals with the compliance cost inequity that exists for operators in locations at furthest distance from Maritime NZ offices.

There is no sound basis for assuming that removing the travel time and cost element for activities undertaken away from Maritime NZ offices will motivate operators to change their behaviour. We trust that those for whom it is practical and appropriate to have audits undertaken at the closest port will continue that practice, and those who cannot relocate for that purpose will continue not to do so.

Proposal 6: [Pre-assessment service fee \(recovering pre-assessment costs from the Maritime Levy and not having ‘with’ and ‘without’ pre-assessment application fees for seafarer certificates and endorsements\)](#)

Proposal 6: Issue

There were no substantive comments on this proposal. It was generally well supported among online form submitters with those opposing it not setting out their grounds. It was impliedly captured in objections to increased Maritime Levy revenue and in submissions raising concerns about foreign vessel operators contributing to the cost of regulating the domestic sector. Both of those matters are covered in the themes analysis.

Proposal 7: [International engagement \(recovering the cost from the Maritime Levy\)](#)

Proposal 7: Issues

Submissions made on this proposal went primarily to two matters: the basis on which this is a club good given that only some members of the club that is commercial vessel operators benefit from this engagement occurring. For example:

- Belaire Ferries submitted that “international engagement is not relevant to the domestic sector”
- Tourism Industry Aotearoa (TIA) conversely submitted that “*a number of international conventions Maritime NZ plan to consider might affect the domestic sector and those*

operating internationally argue that New Zealand's work on this isn't to the benefit of international operators".

Both submitters have suggested that an alternative funding source (the Crown in the view of the TIA) should be found for this activity.

The New Zealand Association of Ship Owners and Agents asked why industry is being asked to fund international engagement given as *"as an island nation reliant on shipping surely such engagement is in the public interest and should be government funded"*.

Keith Ingram submitted that Crown funding for international engagement is enough. He also questions what influence New Zealand might have and whether *"this engagement and its associated costs directly benefit our maritime industry, and in particular the domestic fleet"*. He has also submitted that if international engagement is something that will only apply benefits to SOLAS ships and operators, then the cost should be carried by this sector.

In summary the submissions suggest that only some members of the 'club' should pay, that there are different views on who those paying members should be, the Crown should cover this cost, and the Crown contributes enough.

These issues of 'who should pay' have been responded to in our themes analysis. Maritime NZ can only add that international conventions are not limited or only applicable to foreign shipping. A significant number of domestic regulatory requirements all arise from international standards provided for in international conventions, including rules relating to vessel navigation and speed, hydrography and marine notices, aids to navigation, and certain construction and safety equipment requirements. International engagement by Maritime NZ at for a like the IMO are focused on ensuring that New Zealand's interests (including those of domestic shipping) are protected when new international requirements are being proposed by other States.

Proposal 8: Regulatory reform (recovering some of the cost of regulatory reform activities from the Maritime Levy)

Proposal 8: Issues

CLIA submitted that *"Maritime NZ's focus on regulatory reform is considered to be caused by, and for the benefit of, the maritime sector (and thus a club good) because it will apparently reduce regulatory burden, even though Maritime NZ later states that they cannot know in advance the specific requirements that may follow from a new rule."*

New Zealand Shipping Federation submitted that *"Influencing the policy environment for the maritime sector"* (which is the output class this activity falls within) should be totally funded by the Government. They also submitted that *"It is in effect picking up the policy work that would otherwise be done by the Ministry of Transport and funded from the consolidated fund. It appears to be 25% funded by the Maritime Levy."*

KiwiRail submitted that *"the unnecessarily bureaucratic approach to implementing international regulations is prolonged and inefficient and leads to discrepancies between New Zealand rules and international rules for SOLAS vessels."* KiwiRail would prefer that SOLAS vessels applied IMO regulations as amended without the delays and complexity of trying to legislate into national law and provide specific guidance.

The issue raised by KiwiRail identifies numerous aspects and complexities that are the result of being part of a uniform global shipping regulatory regime. As noted earlier, Maritime NZ's engagement in fora like the IMO is aimed at ensuring that New Zealand's interests are protected and advanced when routine and regular changes are proposed to the existing international frameworks. Not all changes to international rules are appropriate for New Zealand and due regard must be given to each before being adopted into law. While Maritime NZ always seeks to

achieve increased efficiencies to achieving this, the existing principles of State Sovereignty must be adhered to in implementing international changes.

Proposal 9: General areas of system risk activities (recovering the cost from the Maritime Levy)

Proposal 9: Issues

There were very few submissions that included specific or detailed comment on this proposal.

There was a submission that current levels of systemic risk activities are sufficient and another that systemic risk activities should be government funded rather than recovered through the Maritime Levy.

Maritime NZ considers the need for increased investment in this area to be particularly important to support its ability to be an effective regulator.

Proposal 10: Port and Harbour Marine Safety Code (recovering the cost of Maritime NZ support from the Maritime Levy)

Proposal 10: Issues

This proposal received mixed support in online and written submissions but on balance, of those who responded to it, most were not in favour. Most comments made on this proposal were from those who did not support it on the grounds that port companies or regional councils, not the maritime industry, should fund Maritime NZ support. Several submitters noted that they could not respond to the proposal in the absence of information on its cost.

For the reasons set out below, Maritime NZ remains of the view that:

- investment in its Code activities materially promotes maritime safety and effective regulatory oversight
- the Maritime Levy is the appropriate funding source for Maritime NZ's costs in Code participation and support.

Response to Proposal 10 issues

Maritime NZ's work on the Code is assisted compliance so should be levy funded

While adherence to the Port and Harbour Marine Safety Code is voluntary for Port operators, the framework is supported by specific legislative obligations including specific provisions under the MTA. The voluntary nature of the Code merely provides a collaborative framework within which navigation safety in Ports can be systemically addressed.

In the same way that assisted compliance for MOSS and other maritime operators has been treated as a club good (it is funded from the Maritime Levy), it is proposed that assisted compliance for Code participants is also levy funded.

Vessels of port companies and regional councils are levied

The Code activity relates to regulatory services and functions needed to address risks posed by ship navigation activities in Ports. Ship operations are therefore identified as the primary risk exacerbators of the activity. It is noted that the vessels of port companies and regional councils are currently levied and will continue to be under the proposed levy allocation methodology. Those entities therefore contribute to the cost of assisted compliance for maritime transport operators (a group they are also part of given they operate commercial ships). This means that if proposal 3 is adopted they would also be contributing (through levies) to the funding of the safety

regulatory functions performed by Maritime NZ in accordance with section 191 of the MTA in this context.

If there was no Code/Tripartite arrangement, the levy would need to recover the full cost of regulatory and compliance safety work in Ports and Harbours. The Code represents the ports and regional councils voluntarily picking up costs that would otherwise be in the levy.

Proposal 11: *Surveyor standards of performance (recovering the cost of developing these through the Maritime Levy)*

Proposal 11: Issues

The majority of those who made online submissions (and who responded to this proposal) were in support of it. There was proportionately less support among those who made written submissions with the main grounds for opposition being the funding source rather than the need for such standards.

KiwiRail and CLIA submitted that these standards are not a 'club good' because SOLAS and foreign vessels respectively will not benefit from them.

KiwiRail also suggested that this activity should be Crown funded.

Tom Clark submitted that the costs should be recovered from that sector of maritime operators who are required to pay for vessel surveys under MOSS and that the development of these standards should have been part of the implementation of MOSS.

Peter Renshaw suggested that recreational vessel users should contribute to funding the cost of Maritime NZ activities through compulsory training or boat registration with foreign vessels operating in New Zealand making up the shortfall.

New Zealand Recognised Marine Surveyors Association (NZRMSA) submitted that this work should be funded by the wider industry (as proposed) and at no cost to NZRMSA members.

Response to Proposal 11 issues

Surveyor performance standards require constant monitoring, review and updating

The development of surveyor performance standards was implemented as part of the MOSS regime change and reflects an alignment of approach with the development of similar standards undertaken by Classification Societies for international shipping on behalf of Member States.

In response to the point made by Tom Clark it is noted that the dynamic nature of shipping and continuous technological advancement means that these standards will never be static and final. They will require constant monitoring, review and updating – in exactly the same way as is done in the international context. The only difference is that the survey of domestic ships is done to different requirements.

In respect to the suggestions that those who 'use' a service or good should pay for it, and the submissions that applying the 'club good' analysis is not appropriate, those are responded to more generally in the themes analysis under theme 1.

Alternative option considered

In light of the opposition to the proposal and the more general concerns about the quantum of increased levy revenue proposed, we have considered another option.

This option is to:

- delay developing the standards until after the completion of the '40 series review', and

- rely on the proposed regulatory reform additional funding for implementation of regulatory changes in 2021 /22.

Removing the review of these standards is in our view untenable given that industry has raised regular concerns with Maritime NZ about inconsistency of approach by recognised surveyors and the significant costs this imposes on them.

Delaying the development of the standards until after the completion of the 40 series review will not address these concerns and will not maximise the efficiency gains identified in developing the standards in tandem with the regulatory reform being undertaken in the 40 series review.

In respect to the suggestion made by Peter Renshaw that recreational vessel users should contribute to the costs of Maritime NZ (including this cost), Maritime NZ has responded to that, and similar suggestions made, under the themes analysis.

Proposal 12: [ICT systems integration, data, analytics and mobility \(recovering the cost through the Maritime Levy\)](#)

The few comments made on this specific proposal related to how this activity should be funded and is captured in the themes analysis.

Proposal 13: [Ballast Water Management Convention \(supporting full implementation and some ongoing costs of inspection from the Maritime Levy\)](#)

Proposal 13: Issues

Of the online submissions received that included a response to this proposal, close to half did not support it.

Among the written submissions there was both specific and implied objection.

The proposal was not however without support, with 30 submitters agreeing to it while close to 60 submitters did not respond on it at all.

The primary basis for opposing the proposal was that:

- users should pay or that those who carry ballast water should pay (that is, predominantly foreign vessels and a small number of domestic vessels)
- ballast water management is not a club good.

A submitter representing a number of inshore fishing organisations submitted that the beneficiaries of clean ballast water go much wider than ‘the maritime industry users of the maritime space’ and that the national interest as a whole, tourists, and all water users benefit from ballast water management activities. He submits that the costs should be met by the Crown or within the fee structure, but not from the levy.

Another submitter noted that the absence of costs for this proposal prevented a full assessment, but questioned why the proposal requires a permanent increase in levy.

Response to Proposal 13 issues

Our response is that in applying the Transport Regulatory System Funding Principles the:

- the national interest as a whole, tourists, and all water users receive spillover benefits (secondary), whereas as the maritime sector is the primary risk exacerbator of the activity – if there wasn't shipping, it would not be needed

- the Maritime Levy can be used permanently for these costs because other foreign vessel inspections (such as Port State Control) are funded by the Maritime Levy and audits and inspections of the domestic operators are proposed to be funded that way. This is because audits and inspections are done system-wide not just for some operators. Therefore, ballast water management inspections fall within a function that is for the purpose of an effective regulatory system for maritime safety, security and protection of the marine environment
- activities the proposal seeks to fund are administrative and infrastructural (training of maritime officers, testing kits, and a testing methodology) and cannot therefore be funded through fees as they are not a service provided to directly to an individual or organisation such as detailed inspections, or the testing of a ship's ballast water, that are proposed to be funded by fees
- the Crown has already paid for the costs associated with the international engagement on and legislative development for this Convention. The implementation costs are therefore more appropriately recovered as part of the Maritime Levy. Furthermore, implementation costs cannot be recovered by fees as a fee can only be charged for a service provided to directly to an individual or organisation, which implementation is not.

In respect to other the 'club good' arguments, these are covered off above and generally in the submissions themes analysis.

Proposal 14: Aids to navigation maintenance (recovering part of the cost from the Maritime Levy)

Proposal 14: Issues

J.D Godbert expressed some reservations as there are excessive aids in some areas.

Archibald McTavish noted that all boat owners should contribute by way of a licencing system. All private vessels should be registered.

Don Salthouse argued that this should be funded by the government – like roads – and paid for by tax collected.

Peter Renshaw noted that they use the aids in their local area that are funded by Council and shouldn't be subsidising the Aids to Navigation (AtoNs) in other areas.

Mark Beaumont Burnaby who operates in the Abel Tasman National Park, which he believes has only a couple of Maritime NZ navigational aids, made a similar submission.

Jane-Maree Holmes argued that this should be Crown funded because AtoNs are used beyond the commercial sector.

KiwiRail supported costs to maintain AtoNs being levy funded.

Proposal 14: Response to issues

The cost of providing for AtoNs is specifically listed under section 191 of the MTA as being recoverable from the Maritime Levy. This function is necessary around the country irrespective of whether some are installed and maintained locally. Maritime NZ and its Director have specific statutory responsibilities under section 200 of the MTA for the management and approval of the placement or removal of navigation aids. The cost of these activities are therefore appropriately categorised a club goods.

It is important to note that the cost of maintaining classic (historic) lighthouse aspects of AtoNs is a separate proposal that relates to Crown funding.

In response to the suggestion that AtoNs should be funded by the government like roads and paid for by tax collected, the maintenance costs of roads are not met from general taxation received by central government. Roads are largely paid for through the Road User Charge and Fuel Excise Duty paid by road users, with the costs of regional roads contributed to by Local Authorities.

Proposal 15: [Maritime distress and safety communications \(recovering part of the cost from the Maritime Levy\)](#)

Proposal 15: Issues

The submitters who commented on this proposal did so only in respect to who should pay.

Peter Renshaw, Archibald McTainsh and Andrew Price all argued that the recreational boating community should pay.

Don Salthouse suggested that the Government should fund this activity and that commercial operators should not pay for recreational / private activities.

Mark Beaumont Burnaby suggested Crown funding or that the Governments of other island nations within the SAR area should pay or contribute.

KiwiRail argued that the benefits of this proposal suggest it should be funded by the Crown or through FED. In support of this KiwiRail submitted that maritime distress and safety communications support recreational users and all shipping in New Zealand's SAR zone even though most of those vessels will not call at a New Zealand port.

Response to Proposal 15 issues

The cost of maritime distress and safety communications is specifically listed under section 191 of the MTA as being recoverable from the Maritime Levy. The provision of this activity primarily benefits all commercial operators and it must be provided for by Maritime NZ irrespective of whether any operators seek to rely on it in any given year.

Proposal 16: [General business cost pressures \(recovering cost pressures relating to activities funded from the Maritime Levy\)](#)

Proposal 16: Issues

This proposal was well supported by those who made online submissions, but few submitters in that group or in the emailed submissions group responded specifically to it.

The view that came through in the few comments was that the levy payers contribute enough and cost pressures on Maritime NZ should be met by the Crown, FED or through the HSWA Levy.

Response to Proposal 16 issues

The cost pressures set out in this proposal are only those attributable to activities and services provided by Maritime NZ under section 191 of the MTA. They exclude the cost pressures arising from activities which would be funded by FED or the HSWA levy. It is appropriate therefore that they are recognised as club goods in accordance with the Transport Regulatory System Funding Principles.

PART 4

Other issues raised

Seafarers Welfare Board funding

While not consulted on, 19 submissions were received from people involved in seafarer welfare services concerned that the proposal to raise additional funding from the Maritime Levy does not include the raising of funds for seafarer welfare services.

A concern was raised that an increase in the Maritime Levy will affect the conditions of seafarers. Suggestions were also made that there should either be a higher Maritime Levy imposed on visiting ships to fund seafarer welfare services or a specific 'welfare' levy per foreign vessel of \$50 or \$100 per visit to raise funds for that purpose.

As these submissions do not go specifically to the proposals in the Funding Review, and as giving effect to the 'welfare' levy proposed in a number of these submissions would require legislative amendment, they have been noted but not included in the full analysis.

The concerns raised in respect to the funding for seafarer welfare services have been referred to the Ministry of Transport which is leading the consideration of seafarer welfare services funding as a policy issue.

The Crown needs to pay more

New Zealand Shipping Federation raised a concern that the Government is not paying its share of the costs of Maritime NZ and that at the cost of the taxpayer, Maritime NZ is stepping into a gap left by the Ministry of Transport.

The Federation suggested that investigations and prosecutions, engagement with the IMO and 'influencing the policy environment for the maritime sector' should all be fully funded by the Government. These are not suggestions or comments that go specifically to any of the proposals but have been referred to the Ministry of Transport for consideration.

Surveyor costs

Archibald McTainsh, Margaret Wind, and Keith Ingram submitted that the increase in the cost of surveyors as a consequence of MOSS needs to be addressed.

Keith Ingram made a strong recommendation that both Maritime NZ and the Ministry of Transport take a serious look at bringing surveyors back in-house. To employ both surveyors and naval architects directly and thereby once again take control.

The regulatory framework providing for the conduct of survey of domestic vessels is not within the scope of this funding review. The points raised have been noted by Maritime NZ and will be considered as part of the evaluation of MOSS and any subsequent revision of that regime as is recommended following substantive policy analysis.

River rafting

Norm Brown of Mohaka Rafting submits that Maritime NZ should get out of auditing commercial river rafting. He suggested that "fragmenting auditing and training and activity processes is wasteful and unacceptable".

Maritime NZ understands that Mr Brown's comments go to the dual regulatory regimes that apply to river rafting operators who provide other adventure activities. Where a rafting operator also provides, for instance, rock jumping, that activity must be registered with WorkSafe as an adventure activity under the Health and Safety at Work (Adventure Activities) Regulations. In

such circumstances an operator's river rafting activities are audited under the maritime safety regime and the rock jumping is separately audited under the adventure activities regime.

A proposal to revoke Rules Part 81: Commercial River Rafting and have those operators regulated under the adventure activities regulations (thus avoiding this dual situation for those who do not only provide river rafting) has been widely consulted and a policy decision has been made by the Associate Minister of Transport to revoke the rules.

Appendix 1: Industry meetings during the consultation period

The following is a summary of the meetings or conversations held with industry and other interested parties during the consultation period.

Auckland Industry Meeting (by open invitation) held on 26 November 2018

Attended by: Harbour masters, Maritime Transport Association, Coastguard New Zealand, several passenger ferry operators, the Mission to Seafarers and Mercy Ships, New Zealand Cruise Association and a foreign cargo vessel operator

Matters raised:

- the true costs of the proposals is not evident in the consultation document as the scenarios assume single vessel operations
- question about levy liability for Coastguard vessels
- comments made about compliance costs driving people out of the system and motivating them to operate illegally (thus increasing the contribution needed from and Maritime NZ focus on legitimate operators)
- comments about the large number of part time operators who struggle to cover costs
- concerns raised about the cost of vessel surveys under MOSS
- comment that cruise ships pay a disproportionate amount of the Maritime Levy
- discussion on the overall impact of all levies paid to different Government agencies
- concern raised that submissions are not 'listened to'
- the suggestion that industry and Maritime NZ need to work collaboratively to ensure the health of the maritime industry
- suggestion that it is unfair to not levy the recreational sector
- suggestion that the domestic non-SOLAS sector is being 'milked' by Maritime NZ for little gain
- comment that industry is paying for a 'good service' that Maritime NZ is not providing
- Maritime NZ is not providing a good service (including not dealing with the 'rogue' operators)
- questions about when new rates would come into effect and concern at the short notice on a 'big increase'
- suggestion of reduced levy liability for vessels operated for only part of the year
- comment that 'rogue' operators not paying the Maritime Levy are able to undercut compliant operators, so Maritime NZ needs to do more monitoring of ports to find and prosecute them
- queries about how to calculate levy liability for particular vessels.

Wellington Industry Meeting (by open invitation) held on 27 November 2018

Attended by: Seafarers Welfare Board, Holcim New Zealand, ISS-McKay Shipping New Zealand, New Zealand Shipping Federation, PEPANZ, TIA, NZMSG, and a maritime operator

Matters raised:

- comments made about Maritime NZ's lack of efficiency and the point at which efficiency gains will result in fewer staff
- comment that the Maritime Levy increase is out of step with inflation
- question on whether Maritime NZ has tested operators' ability to pay
- request for examples of Maritime NZ efficiency gains
- comments that Maritime NZ is not 'slick'
- questions about the relationship between the funding review proposals and the OPL consultation (and between the OPL and the Maritime Levy – including methodologies)
- queries about the vessel and operator payment amounts examples in the consultation document and how to calculate levy liability for particular vessels
- comment that Maritime NZ needs to 'do stuff properly'
- questions about cumulative costs for operators who pay multiple government levies.

Nelson Industry Meeting (by open invitation) held on 12 December 2018

Attended by: surveyors, the New Zealand Federation of Commercial Fishermen, a fishing operator, sailing charterers and a MOSS (activity unspecified) operator.

Matters raised:

- the consultation document is complicated and hard to understand
- questions raised about the proposed hourly rate
- concerns that with the levy covering costs rather than fees, costs will get 'out of control'
- suggestion that greater efficiency should result in fewer staff (reduced Maritime NZ costs)
- discussion about the overall cost of becoming a certified seafarer
- questions on how seasonality and those that do not operate full time are accounted for in levy liability
- comments about the cost of other regulators and the cumulative impact
- questions about Maritime NZ 'accountability' and efficiency
- extensive discussion on how to calculate levy liability and how the proposed methodology works.

Invercargill Industry Meeting (by open invitation) held on 14 December 2018

Attended by: Real Journeys, Chatham Islands Finfish Association and BLO5 Association.

Matters raised:

- the cumulative effect of Government charges
- confusion about the impact of the proposed levy revenue increases and how the new levy rates are calculated
- suggestion that if industry is asked to pay more, so too should the Crown
- concern about the Maritime Levy paying for additional Maritime NZ requirements
- questions about the proposed new levy methodology and why it is not based on the insurance premiums model (less risk lower premium)
- concern about 'increase in audits' because paid for by the levy not fees.

Phone conversation with Cruise Lines International Association (CLIA) and Carnival 2.40pm to 3pm on 11 December 2018

Matters raised:

- did Maritime NZ look at what services were provided to the international cruise industry in setting the levy and that cruise is safer than other parts of the sector?
- concerned about the combined impact of levies being applied to the sector in other areas
- they thought international engagement benefited New Zealand not cruise businesses
- concerned they are cross-subsidising other parts of the sector, e.g. they don't pay seafarer fees in NZ so moving the cost to the levy didn't seem far to them.
- they were confused as to why they pay so much of the levy because they had insurance that covered the consequence of harm
- did Maritime NZ look at other regulators to compare our proposed levy method as the CLIAs international office thought our method was unique internationally?

Meeting with Steve Hanrahan: Tourism Industry Aotearoa held on 19 December 2018

Matters raised:

- why is the Maritime Levy increasing?
- where will the increased funding be spent?
- questions on the Maritime Levy allocation methodology and the impact of the increases on maritime tourism operators
- questions about the levy allocation model being based on the value of what is placed at risk (unmitigated risk of categories) rather than the safety record or risk of individual operators.

Appendix 2: Submitters

	Name	Organisation / sector	Matters covered (summary)
1	Jess Armstrong	Lyttelton Seafarers Centre	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
2	Rev. Lance Lukin	The Mission to Seafarers Wellington	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
3	Captain Christopher Barradale	Mission to Seafarers Auckland & Auckland International Seafarers Centre	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
4	Jeff Drane	Apostles of the Sea	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
5	Jenny McPhee	Lyttelton Seafarers Centre	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
6	Annabel Young	NZ Shipping Federation	Concerns re: cost increases at Maritime NZ; underinvestment by central Government; proposed maritime levies methodology. Support for proposals 3 and 4 (with caveats)
7	Matthew Horder	Pure Cruise Ltd	On-line submission supporting all proposals
8	Timothy Grant Asher	Seafarer	On-line submission supporting all proposals except #16
9	David James Walmsley	Skipper / vessel owner	On-line submission supporting proposals 2, 5, 6, 9, 10, 11, 12 and 15. Supporting #7 in principle with proviso. Not supporting #1 or #16.
10	Lukas Wiedemeier	n/a	On-line submission supporting all proposals except #9 and elements of #6
11	Brook	Self employed	On-line submission supporting all proposals except #13
12	David	Master	On-line submission supporting all proposals
13	Jeffery Jones	Trout fishing guide	On-line submission only supporting proposals 9, 14 and 15
14	F. D. Godbert	Commercial launch master	On-line submission supporting proposals except 2, 9, 10, 13 and 16
15	Andrew	Mariner	On-line submission supporting proposals 8, 9, 12, 14, and 16. Not supporting the balance but no response to proposal 13.
16	Norm Brown	Owner	On-line submission supporting none of the proposals.

17	Joe Burke	Inshore launchmaster	On-line submission supporting proposals 1, 2, 3, 5, 6 and 9. Opposed to proposal 4. No response to the other proposals.
18	Adriaan Bosch	Skipper	On-line submission supporting all proposals
19	Craig Ryburn	Manager	On-line submission supporting proposals 1-5 and 11. No response to the other proposals.
20	Paul Gardiner	Owner / operator	On-line submission supporting proposals 1, 3, 4, 5, 11, 12, and 16. The balance of the proposals not supported.
21	Carey McIvor	Owner/operator	On-line submission supporting all proposals except 2, 4, 9 and 11. No comment on proposals 12 and 13.
22	Stuart John Dever	Owner/operator	On-line submission supporting all proposals Subsequent email sent: Written submission not responding to specific proposals but raising concerns about the level of maritime charges.
23	Mark Thompson	GM	On-line submission supporting proposals 1, 2, 3,4,9,10,14 and 15. Balance of proposals not supported.
24	William John Daubeny	Skipper and owner	On-line submission supporting proposals 1, 2, 3,5,6,7,9,14, and 15. Balance of proposals not supported.
25	Paul Vernel	Director	On-line submission supporting all but two proposals: 7 and 13.
26	Michael Baker	Skipper	On-line submission supporting all proposals.
27	Todd Wells	First Officer	On-line submission supporting all proposals except 1,10, and 11
28	Patrick Lewis	n/a	On-line submission supporting all proposals.
29	Avinash Figueriedo	Master	On-line submission supporting all proposals except an element of 3, 5, 10 and 13.
30	Duncan Fyfe	PNL Marine Department	On-line submission supporting all proposals
31	Kerry Thomas	Mate / Master	On-line submission supporting all proposals except #6.
32	Rob McKnight	Master	On-line submission supports all proposals except for 9,10 and 16 (no response)
33	Peter Watson	Marine mechanic	On-line submission supporting proposals 2, an element of 3, 5, and 7. Balance of proposals not supported.
34	Simon Irvine	Marine engineer	On-line submission supporting proposals

			1, 2, 4, 6, 7, 8, 11 and 12. Balance of proposals not supported.
35	Sean Bolt	GM Marine and Infrastructure	On-line submission supporting all proposals except 13. Subsequent email sent: Written submission in favour of the 'key proposals' (1, 2, 3 and 4)
36	Richard Allen	Maritime lawyer	On-line submission supporting all proposals except 1, 2 and 3 in part.
37	Andrew McEwing	Seafarer	On-line submission supporting all proposals
38	Max Neate	GP examiner	On-line submission supporting all proposals except 1, elements of 2 and 3, and 13.
39	Andy Smith	Operations manager for Talleys	On-line and written submission. On-line submission supporting most proposals (excluding 1, 2, 6 and 8). Written submission advised no proposals are supported as they stand. Concerns re 'subsidisation' of fees with levy; consideration not being given to the contribution of the recreational sector; and the basis for and effect of the proposed maritime levy methodology.
40	Archibald McTainsh	Vessel master	On-line submission opposed to all proposals.
41	Andrew Price	Owner/operator	On-line submission opposed to all proposals except 14 and 15.
42	Charles Parker	General Manager	On-line submission supporting proposals 2, 4, 9, 12 and 16. Opposed to proposals 1, 10, 11, and 15. No response to the balance of proposals.
43	Tim Cuthbertson	Operator	On-line submission supporting all proposals
44	Don Salthouse	Marine broker and offshore skipper	On-line submission opposed to proposals 1, elements of 2, 10, 14, 15 and 16. Supporting elements of 2, 4, and 8. No response to balance of proposals.
45	Patrick Holmes	CEO Coastguard NZ	On-line submission supporting all proposals but raising a question re Levy liability for Coastguard vessels
46	Peter Renshaw	Skipper and maritime operations assistant	On-line submission supporting proposals 2, elements of 3,6,8,11,12, and 16. All other proposals opposed (except 10 – no response).
47	Jane-Maree Holmes	Owner / Director	On-line and written submission opposed to proposals 1, elements of 3, 5, 8, 9, 10, 13, 15 and 16. Supporting the balance of proposals (except 11 – no response).

			Written submission focused on the impact of the proposed maritime levy on her business and concern that it is not 'transparent or fair'. Subsequent submission - On-line submission responding only to proposals 1 and 14 and supporting neither.
48	Roy Pearson	Seafarer	On-line submission opposed to proposals 2 (in part), 5, and 6. Supporting proposals 1, 4, and 7. No response to the balance of proposals.
49	Sally Cox	Company Director	On-line submission supporting all proposals.
50	Clinton Brown	Deck officers / mate	On-line submission supporting all proposals except 11, 13 and 14.
51	Scott	Possible boat owner	On-line submission opposed to all proposals except 3 (in part), 9, 14 and 15.
52	Michael Rossouw	Owner / skipper	On-line submission opposed to proposals 1-8 and 14. Supporting the balance of proposals.
53	Joshua Pudney	3/O Silver Fern	On-line submission supporting all proposals
54	Blair Ballard	MEC2 engineer	On-line submission supporting all proposals except elements of 3, 5 and 13.
55	Aaron Martin	Master foreign going	On-line submission supporting all proposals except elements of 3 and 16.
56	Jonathan Greener	MTOC holder/owner	On-line submission supporting all proposals except 6, 13, 14 and 15.
57	Adrian Percival	Recreational boater	On-line submission supporting elements of proposal 2. No response to the balance of proposals.
58	Jeff Law	Galilee Mission to Seafarers, Mt Maunganui	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
59	Rev Fr Daniel J Doyle	Trustee of Lyttleton Seafarers Centre	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
60	Clark Houltram	Chairman of Mission to Seafarers Tauranga	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
61	Gerard Glubb	Volunteer at Lyttleton Seafarers Centre	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
62	Julia Pringle	Volunteer at Lyttleton Seafarers Centre	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
63	D. J. McIntosh	n/a	Written submission raising concerns

			about proposal 2.
64	Herb	n/a	Written submission raising concerns about proposal 2. No other proposals responded to.
65	Jonathan Large	President: Marine Farming Association	Written submission indicating general support for all proposals and specifically supporting proposals 4, 13, 14 and 15.
66	Rebecca Clarkson	Environmental Manager: Aquaculture New Zealand	Written submission indicating general support for the proposals and specifically supporting proposals 2 and 4. Raising concerns about the consistent application of fees charges at an hourly rate and proposing a registration requirement for recreational vessels.
67	E.T. Nobbs	Chairman: Sailors Society New Zealand	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
68	Rodney Lawson Davidson	n/a	Written submission not responding to specific proposals but expressing concern about the costs of Maritime NZ and dissatisfaction with the organization.
69	John Milburn	n/a	Written submission not responding to specific proposals but suggesting a sliding levies and fees scale based on operator performance.
70	Samuela Bulimetuira	n/a	Written submission advising support for all the proposals.
71	Greg Taylor	n/a	Written submission advising support for proposal 4. No other proposals were responded to.
72	Milo Coldren	Charter operator	Written submission raising concerns about proposal 1: specifically the levy on passengers. Asked that factors such as size and duration of operation are factored into the passenger element of the levy.
73	Philip Clow	Owner operator and president of Whitianga/Coromandel Peninsular Commercial Fishermans Association	Written submission supporting proposal 4 but raising concerns about the inability of those in his sector to pass on increasing costs arising from increased MNZ funding requirements.
74	Bruce Robertson	n/a	Written submission not responding to specific proposals but raising concern about the effect of MNZ fees on small operators.
75	Vic Curtis	Curtis Consultants	Written submission that all of the proposals are sensible.
76	David Chadfield	Chaddy's Charters	Written submission raising concerns about the negative effect increased Levies

			will have on for small domestic charter operators.
77	Kauahi Ngapora	GM Whale Watch Kaikoura	Written submission raising concerns about proposal 1. Submitted that the significant increase in maritime levy is unjustified and the review is not supported. Recommends the withdrawal of the Consultation Document
78	Pam Richardson	Chairperson: Banks Peninsula Community Board	Written submission that a legal mechanism needs to be in place to Levy foreign vessels to raise seafarer welfare servicing funding.
79	David Walker	n/a	Email 'offering thoughts' on a number of matters relating to the commercial maritime sector and the role and costs of MNZ. No response to specific proposals but questions about the basis for the proposed hourly rate.
80	Alan	n/a	Email setting out a range of views and suggestions re the maritime industry and system but no response to specific proposals.
81	Peter Wells	KiwiRail	Written submission not supporting proposal 1, the increase in Levy funding proposed, or the recovery of up to \$13m solely through the Levy and not through Crown or other funding sources. Supporting proposals 2-6, and supporting in principle the activities giving rise to some other proposals but not the proposed funding source (Levy). Advised a number of proposals could not be fully assessed in the absence of confirmed costings or the budgetary impact information.
82	Simon Littlejohns	Volunteer at Lyttelton Seafarer's Centre	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
83	Pam Stevens	Chairperson: Friends of the Matakoho- Limestone island Society	Written submission that does not respond to specific proposals but seeks consideration of a rebate or reduction in fees charged to charitable trusts such as the Society.
84	Trustees of the Lyttelton Seafarers Centre Charitable Trust	Lyttelton Seafarers Centre Trustees	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers and that the proposed increase in Levy funding will prejudice discussions on a welfare levy.
85	Scott Lewis	GM Taharoa Ironsands Ltd	Written submission expressing 'considered reservation' about proposal 1

			and suggesting a scaled Levy based on risk profile. No other proposals responded to.
86	Bill Chisholm	Manager: Specialty and Emerging Fisheries Group	Written submission raising concerns about the fairness and effect of vessels in his sector being levied annually. Questions the basis for the proposed increase in Levy revenue and submitting that it is not clear from the Consultation Document.
87	Kevin O'Sullivan	CEO: Cruise NZ Association	Written submission raising serious concerns about the impact of proposal 1 and the basis for the 'disproportionate' levy liability it generates for the cruise industry. Suggests immediate postponement of this proposed change.
88	Bill Chisholm	Secretary : Chatham Islands Finfish Association	Written submission raising concerns about the impact of proposal 3 on fishing operators in the Chatham Islands.
89	Steve Hanrahan	Advocacy Manager: Tourism Industry Aotearoa	Written submission raising concerns about the impact of proposal 1 and proposed increase in Levy funding on the maritime tourism sector. Suggests this increase is not justified. Asks that the consultation process is halted and the Consultation Document is withdrawn and a series of alternative options developed.
90	Revd John Mclister	Seafarers Welfare Board for New Zealand	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
91	Revd John Mclister	Anglican Parish of Lyttelton	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
92	Greg Knapp	Marine Director and Head Skipper - Seashuttle	On-line submission opposed to all proposals except, 6, 8, 9, 12 and elements of 3. No response to proposal 10.
93	Anne Nicolls	Volunteer: Lyttelton Seafarers Centre	Written submission raising concerns that provision has not been made for the funding of welfare services for seafarers
94	Revd Jim Consedine	Chair: Apostles of the Sea Committee Lyttelton	Written submission suggesting an additional levy of \$100 a day for visiting ships for the funding of welfare services for seafarers
95	Mark Beaumont Burnaby	Manager: Able Tasman Sea Shuttles	On-line submission supporting no proposals except 2 and 9.
96	Paul Wilson	n/a	On-line submission opposing all proposals except 10, 13, 14 and 15.
97	Billy Preston	President: NZ Association of Ship Owners and Agents	Written submission responding specifically to proposal 7 (not supported)

			and raising concerns about MNZ costs, the level of government funding provided, and the use of the term 'risk' in the levies allocation methodology under proposal 1.
98	Sandy Olsen	VP Corporate Affairs: Carnival Australia	Written submission raising significant concerns about and objections to proposal 1; specifically that it is unfair, unreasonable, and does not take into account relevant considerations.
99	Andrew Hughes	Seafarer	On-line submission supporting proposals 1 (if no Levy increase results), 5 (with provisos), 8, 9, 11, 12, 14 and 15. Balance of proposals not supported.
100	Andrew Candler	President: NZ Recognised Marine Surveyors Association	Written submission on proposals 2 (supported with caveats) and 11 (supported).
101	Adam Tallentire	MD: Belaire Ferries Ltd	Written submission supporting all proposals except 1, 3 (in part), 7 and 13. The submission focusses on proposal 3 and is concerned that it does not incentivise good behaviour.
102	David Plester	n/a	On-line submission supporting all proposals.
103	Joel Katz	MD: Cruise Lines International Association Australasia	Written submission focused on proposal 1 and the impact on the international passenger sector. Submits that the proposed methodology (and the overall levy increase proposed) results in disproportionate Levy liability for foreign passenger vessels. Does not support the methodology basis or the relevance of the 'club good' analysis (for the foreign cruise sector) to moving some fee-able activities for domestic operators to the Levy. Submits that the proposed Levy increase is not driven by the maritime sector but by Government expectations of good regulatory stewardship and public perception.
104	Keith Ingram	Publisher / Editor of Professional Skipper	Written submission raising concerns about the impact of the proposals on the domestic maritime industry including on the 'romantics'. Questions how unsafe the maritime sector is to warrant the high level of increased costs imposed (currently under MOSS and by surveyors) and proposed. Comments on and raises concerns regarding specific proposals (1, 3, 4, 7). Submits that Maritime NZ has failed to present an accurate and transparent business case to support proposed cost increases to the maritime

			sector it serves.
105	Joe Fleetwood	National Secretary: Maritime Union of New Zealand	Written submission supporting proposal 4 and submitting that maritime levies should fund seafarer welfare services
106	Margaret Wind	NZ Marine Transport Association	Written submission supporting all proposals except 3, 7, 9, 13, 14 and 16. Proposal 1 is supported but not the proposed levy rates. Submits that the majority of operators will face significant increases under the proposed increase in Levy revenue and this is not acceptable or sustainable.
107	Paul Norris	Real Journeys	Written submission finding unacceptable the proposed increase in Maritime Levy revenue and the passenger capacity element of the proposed ML allocation methodology. The submission opposes proposals 3, 4, 7, 10, 12, 13, 15 and 16.
108	Alistair Thompson	GM Fullers Group	Written submission finding 'excessive and unjustified' the proposed increase in Maritime Levy revenue. Raises concerns about and objections to the proposed allocation methodology and the impact on domestic passenger vessels. Specifically does not support proposals 1, 7 and 13.
109	Tom Clark	Representing: Deepwater Group Ltd, Fisheries Inshore NZ, Paua Industry Council, NZ Federation of Commercial Fishermen, NZ Rock Lobster Council.	Written submission that there is a lack of financial transparency in the consultation document, and that the rationale for a number of the proposals is simplistic, unjustified and incomplete. Submits that the proposals are inconsistent with the Government guidelines and does not support their adoption.
110	Daryl Skyes	Power Squadron Marine Management	Emailed submission received after the closing period. This submission has not been included in the submissions analysis. The submitter does not support the proposed options. Submits that the consultation document is misleading and that the review itself is selective, incomplete and superficial.