

Options for Delivery of Seafarer Welfare Services: Background Paper



Background

1. Seafarer welfare in New Zealand was for many years funded from charitable sources, with delivery of welfare services being through local port welfare organisations. The Seafarer Welfare Board (SWB) has operated in New Zealand since 1964 as a national coordinating organisation.
2. The COVID-19 pandemic affected both the type of services that could be provided to seafarers, and sources of charitable funding. As a result, funding for activities that aid the New Zealand Government to meet its obligations under the Maritime Labour Convention (MLC) have been Crown funded through the SWB since 2020. For 2020/21 it was funded through the Ministry of Transport via the Government's Essential Connectivity Fund, and in 2021/22 and 2022/23 through Government funding under contracts administered by Maritime New Zealand (MNZ). During this period the SWB took over responsibility for much of the service provision at ports, in particular for the services set out in the contract between the Ministry/Maritime NZ and the SWB (although in some ports the provision of these services was carried out and resourced locally).
3. New Zealand has obligations under the MLC, which came into force in New Zealand on 1 March 2017. The MLC establishes minimum working and living standards for all seafarers, and sets obligations for seafarer welfare services. In relation to seafarer welfare, the Convention requires among other things that:
 - Seafarers have access to adequate facilities and services in ports
 - Technically competent people are employed full time in the operation of seafarers' welfare facilities and services, in addition to any voluntary workers
 - Welfare boards should be used to review the adequacy of facilities and assist and advise
 - Financial support for welfare facilities can come from a variety of sources, including public funds and levies from shipping sources
4. There is a general theme in the MLC and the guidelines issued by the International Labour Organisation, and the International Transport Workers' Federation/International Chamber of Shipping, that welfare boards (at the national, regional and port level) are intended to be advisory and coordinating, but not delivery, agencies.
5. Under a 2021 amendment to the Maritime Transport Act, seafarer welfare services can be funded out of maritime levies¹, which are administered by Maritime NZ and apply to commercial vessels operating in New Zealand waters. The Minister of Transport's announcement of this can be found at <https://www.beehive.govt.nz/release/govt-fulfilling-commitment-improve-seafarer-welfare>.
6. Maritime NZ is looking to develop a sustainable funding and delivery package for seafarer welfare to ensure that New Zealand can meet its obligations under the MLC and promote seafarer welfare. It is expected that in practice funding of services will involve resourcing from both maritime levies, and from charitable and volunteer efforts. This will involve consideration of matters such as the services that should be provided and their scope, the quantum of funding required, how the services should be provided, and how to integrate service delivery and maritime levies funding with other sources of resourcing.
7. This note discusses how seafarer welfare services funded by maritime levies should be provided. This thinking may be adjusted as Maritime NZ learns more in the consultation phase on the maritime levies. This should also not be read as directing the activities that welfare providers may undertake from their own resources.

¹ Maritime Levies are set by Order in Council under section 191 of the Maritime Transport Act. Section 191(2)(c) provides that they may provide funding for "the facilitation of, or support for, seafarer welfare services."

8. Principles for the management of funding apply both to the current Crown funding, and potential use of maritime levies.
9. The Office of the Auditor-General has noted that the public expects that public resources, including those that are derived from taxes and levies, will return value for money – they will be managed lawfully, competently, with integrity, and to good effect. A public entity has responsibilities and obligations both when it provides services, and when it devolves public funds to other organisations that provide services. The public entity still needs to ensure that for example an NGO puts the public funds it receives to good use, and that arrangements to manage the funding and the relationship between the NGO and the public entity is effective.
10. When NGOs receive public resources – most commonly through funding arrangements such as grants and contracts – it must be for the public benefit.
11. Any governance and delivery arrangement for funding from maritime levies will need to demonstrate that Maritime NZ will meet its responsibilities and obligations in the use of public funds.
12. Those responsibilities and obligations are set out as principles; which are as follows:
 - a) **Accountability:** Maritime NZ is accountable for the performance of funding recipients and is able to give complete and accurate accounts of how they have used public funds, including funds passed on to others for particular purposes. Maritime NZ has suitable governance and management arrangements in place to oversee funding arrangements and to ensure funding meets the intended outcomes for which the funding was provided.
 - b) **Openness:** Maritime NZ should be transparent in their administration of funds, both to support accountability and to promote clarity and shared understanding of respective roles and obligations between entities and any external parties entering into funding arrangements.
 - c) **Value for money:** Maritime NZ should use resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve. Where practical, this may involve considering the costs of alternative supply arrangements.
 - d) **Lawfulness:** Maritime NZ must act within the law, and meet their legal obligations.
 - e) **Fairness:** Maritime NZ has a general public law obligation to act fairly and reasonably. Maritime NZ must be, and must be seen to be, impartial in their decision-making. Maritime NZ may also at times need to consider the imbalance of power in some funding arrangements, and whether it is significant enough to require a different approach to the way they conduct the relationship.
 - f) **Integrity:** anyone who is managing public resources must do so with the utmost integrity. The standards applying to public servants and other public employees are clear, and Maritime NZ need to make clear when funding other organisations that they expect similar standards from them.

In developing possible options Maritime NZ has had regard to these principles and is of the view that under any of those set out alignment can be achieved. In terms of ease of alignment and effort required to ensure alignment, there is variance across the options and this is covered under the options analysis.

13. There are a number of options for the way that seafarer welfare services could be delivered in the future under more durable funding arrangements.
14. A quick survey of other countries offers no particular prevailing model, although charity and faith-based local port provision dominate². No other country has as yet a national levy based model of funding, although it is being considered (but not yet agreed) in Australia.
15. A New Zealand funding model will also need to recognise that maritime levies funding through Maritime NZ is only one of the resource sources for seafarer welfare facilities and services. Other sources are charitable funding from traditional maritime sources (such as the ITF), and faith-based organisations, and volunteer efforts, including by both faith-based organisations and maritime unions. These will vary from port to port, so any funding system will need to recognise these different sources. The delivery of the full range of services expected by the MLC will be a collaborative/joint effort between Government funding and other resources.
16. The four options for delivery on which initial analysis has been completed are:
 - Status quo (possibly adjusted) - a Maritime NZ employee manages a contract with the SWB to deliver the following: distributing funding for much of the port services delivery (including for example Wi-Fi), decisions on the level of funding for each port, liaising with local port welfare groups, managing port welfare boards, national coordination and national consistency in approach and training, and health and safety oversight of SWB employees and volunteers. The SWB governance is aligned with MLC requirements, and the SWB is responsible for accountability and reporting to Maritime NZ on the facilities and services delivered.
 - Modified status quo – Maritime NZ would continue to contract with the SWB, but with funding to each port determined by an Maritime NZ-driven formula (for example, using the number of ship visits, number of crew on ships, or a combination). Decisions on the funding of each specific service at each port could be by the local port welfare board. The SWB would be responsible for national consistency of approach and training, and provide a national voice to Maritime NZ on seafarer welfare issues. Local port welfare providers would be responsible for the delivery of services from this funding. Accountability for the effectiveness of the delivery would in the first instance lie with the SWB (as ‘holder’ of the Maritime NZ contract, and developer of national consistency), but in many respects there would be a devolved responsibility to local port welfare groups and port welfare boards. Local port welfare boards would also provide advice at a local level. The Maritime NZ formula would need to recognise alternative resources available at each port.
 - Grants model – Maritime NZ would provide grants to a national organisation to deliver a particular service nationally, and/or provide grants to different group(s) at each port. This might also involve grants for particular services where specialisation offers benefits. The SWB would provide national-level advice to Maritime NZ on the services that should be funded, and their priority, grants adequacy, and overall system performance (meeting the “review” requirement in the MLC). The SWB or Maritime NZ could carry out a national coordination and consistency role. To be consistent with the MLC, the grants would need to go to voluntary organisations, or ship owners’ and seafarers’ organisations under collective agreements or other agreed arrangements. Where more than one qualifying organisation expressed an interest in carrying out the services, this could be done through separate grants, or a contestable process, or a coordinated approach negotiated with those groups. The provision of grants would need to occur within a system that recognised other sources of resource for seafarer welfare.
 - Maritime NZ responsibility – Maritime NZ would take responsibility for organising and providing seafarer welfare, including through funding, and coordinating volunteer efforts with port welfare organisations. It would do so on a port-by-port basis but within a nationally consistent framework. The SWB would be a MLC-consistent advisory body to Maritime NZ (the MLC says that there should be welfare boards at the

² A 2017 North American Maritime Ministry Association report found that in the USA support for seafarers’ welfare is provided on a voluntary basis in all US ports, and only one Canadian port had welfare support mandatory for shipping. Some US ports (approx. 45%) charge port levies – others do not. Budget coverage of welfare contributions ranges from 1% to 75% of costs. In the UK, the Merchant Navy Welfare Board is an umbrella organisation for a large range of port-based and faith-based members, as well part-charity, part delivery organisations like Trinity House. They tend to be self-funded although some ports have voluntary levies on shipping lines.

In Australia, the Australian Seafarers Welfare Council (including AMSA) ‘ensures the adequacy of existing welfare facilities’ and assists ‘in the coordination of port/regional welfare committees’. AMSA is to review how seafarer welfare is delivered and funded.

In the Netherlands, NZC is an umbrella organisation for port-based and faith-based organisations. At a local level, services are provided by a range of organisations at the same port – the Port of Rotterdam for example has over 20 welfare organisations. The NZC has recently lobbied the Dutch government for more sustainable funding.

In Germany, separate Protestant and Catholic seafarer welfare organisations provide services at ports, funded by donations, grants, and the federal government.

national, regional and port levels, as appropriate) for the purposes of advising Maritime NZ on the adequacy of welfare facilities, national issues, good coordination etc. Maritime NZ would be responsible for ensuring that there are (MLC-consistent) port welfare boards, where appropriate. This could also include Maritime NZ administration, secretarial services etc. for those boards.

17. Note that the above options are not mutually exclusive – elements of some could be appropriate to one or more of the others. For example, Maritime NZ responsibility could include elements of the grants model for some ports, if appropriate.
18. Other options considered but not favoured include:
 - Using another Government organisation whose core role includes providing and funding the delivery of social services. This is the option being explored in Australia by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts, with the Department of Social Services being the favoured funding avenue. There are however clear links between the provision of seafarer welfare services and other obligations under the MLC and maritime safety generally that Maritime New Zealand has responsibility for. An integrated approach to them is desirable. In addition, Maritime NZ has experience in providing public good grants, and can leverage off that expertise. Other public organisations are unlikely to want to administer and monitor such contracts.
 - A tender for commercial providers to deliver the services. The MLC does not envisage this – it states that delivery of the services should be by public authorities; ship owners' and seafarers' organisations under collective agreements or other agreed arrangements; or voluntary organisations. (Note that a tender for grant funding is envisaged in one of the options, but not to commercial organisations)³
19. The four options are assessed in the table below. Note that at this stage no particular weightings have been given to each of the pros, cons and risks.

³ Note that it is inevitable that the actual provider of services will in some occasions be a commercial provider – for example, Wi-Fi services will actually be provided by a telecoms company; money exchange will be done by commercial banks. What is important is who is setting the expectations, delivery standards and contracts for those providers.

	Pros	Cons	Risks
Option 1: Status Quo (but with the potential for funding of additional services and/or groups)	<ul style="list-style-type: none"> An existing system, knowledge base, set of relationships, and set of institutions upon which to base a more durable funding model. National coordination including health and safety, training, ship visits common currency conversion rates. A single point of accountability for Maritime NZ (although experience has shown that liaison and engagement with some local port organisations is still required). Provides ship owners on the SWB at least theoretically with an ability to review the value for money of costs that they are funding through the maritime levy. 	<ul style="list-style-type: none"> Current governance and accountability arrangements are not yet satisfactory. It is not clear that the SWB and local port welfare boards all meet MLC requirements about their representation and there is an apparent lack of clarity and agreement around roles in relation to MLC. There is the potential for two sets of administrative and accountability mechanisms to overlap – MNZ/SWB; and SWB/local ports. This will use resources and may not help meet the value for money principle. One interpretation of the wording of the MLC is that the role of welfare boards is to advise, finance and monitor, not provide.⁴ There are conflicts of interest inherent in this model – through SWB operations and membership to Maritime NZ being both funder and being a Board member of the SWB. 	<ul style="list-style-type: none"> Lack of clarity about accountability and value for money. The current contract for example just lists a set of services for national funding, but with no indication about the quantity or quality expected for each activity. Health and safety compliance and knowledge by port welfare organisations (both on-wharf and on-ship) is a risk for Maritime NZ as it ultimately funds the services. Maritime NZ representation on the SWB (and port welfare boards) could be seen as a conflict of interest as it is both funder and has a governance role on the provider. While efforts could continue to improve the quality of governance and accountability, there is a risk that it might take some time, with the expenditure being under greater sectoral scrutiny because it will be levy funded. There is a risk if there is disagreement between the SWB and local port welfare organisations over service provision and governance that the level of coordination needed in larger ports might break down, resulting in a worse set of services and facilities to seafarers.
Option 1 OAG principles analysis	<p>This reflects the original model for the distribution of seafarer welfare funding and was produced with regard to the principles. While there are currently issues arising from governance and accountability arrangements, these can be remedied through improved processes and the resolution of outstanding conflicts between the SWB and some of the welfare organisations funded. However, in having what is a three tiered approach (MNZ/ SWB/ service providers) with oversight and administrative effort and cost at each level, strong alignment with the 'value for money' principle is questionable.</p>		
Option 2: Modified Status Quo <i>(Maritime NZ would continue to contract with the SWB, but with funding to each port determined by a Maritime NZ-driven formula, rather than through SWB decision. SWB would need to develop a funding</i>	<ul style="list-style-type: none"> Theoretically, a type of bulk funding from the SWB would allow local port welfare organisations more local control over how resources are used. Depending on the funding agreement, may continue to allow for national coordination and consistency. May reduce tension between the SWB and port welfare organisations and provide certainty at a port level. 	<ul style="list-style-type: none"> The level of local autonomy over the use of Crown funding might be more illusory than real – there would still be a Maritime NZ-driven set of activities that would need to be provided. There will be a distant contractual relationship between Maritime NZ (as the overall funder) and the local port welfare providers (Maritime NZ's contract will be with the SWB, but port welfare boards and providers would also be part of the funding and delivery 'chain'). Accountability and national consistency may not be clear. Accountability between local ports and the SWB would be difficult – the SWB would be accountable to 	<ul style="list-style-type: none"> Health and safety compliance by port welfare organisations (both on-wharf and on-ship) and its implications for Maritime NZ. Maritime NZ could still have a perceived conflict of interest. There is a risk of over-promising the level of port-by-port independence, leading to continued tensions. Reduced SWB role could lead to it being viewed as a largely figurehead organisation with little substantive role.

⁴ The MLC (Guideline B4.4.3) states that welfare boards' functions should include " (a) keeping under review the adequacy of existing welfare facilities and monitoring the need for the provision of additional facilities or the withdrawal of underutilized facilities; and (b) assisting and advising those responsible for providing welfare facilities and ensuring coordination between them.

	Pros	Cons	Risks
<i>formula for ports with more than one provider, or rely on port welfare boards to do so)</i>		<ul style="list-style-type: none"> Maritime NZ but would have limited ability to influence local performance. Existing governance issues still need to be rectified. At some (smaller) ports there may not be port welfare boards that could distribute funds. Does not eliminate inherent conflicts of interest. 	<ul style="list-style-type: none"> Maritime NZ will need to ensure that the governance of all port welfare boards is consistent with the expectations of the MLC.
Option 2 OAG principles analysis	This option does not have any <i>inherent</i> misalignment with the principles and the ease of alignment is greater than under Option 1, but it is more expensive option than Option 3 (because more parties are involved, and there is more administrative effort), and is more complex than both Options 3 or 4. Complexity requires particular attention to the principle of accountability.		
Option 3: Grants funding	<ul style="list-style-type: none"> Maritime NZ has experience of this – it already provides grants funding for public benefit outcomes – e.g. the safer boating grant. Allows Maritime NZ a greater and more direct relationship with port welfare organisations who would be the recipients of the grants funding, and providers of the services. Compared to the above options, improves transparency and accountability between Maritime NZ and on-ground providers. 	<ul style="list-style-type: none"> Will increase administration and transaction costs for Maritime NZ, with separate grants to each port welfare organisation having to be negotiated and monitored. However, this could be reduced if Maritime NZ leverages off existing grant funding capacity. Even with an advisory capacity, the role of the SWB will be diminished. The SWB provides the only direct link that ship owners (payers of the levy) have with how the levy is spent on welfare. It is possible that there will be a perception of less transparency about levy spend on welfare facilities as ship owners can be represented on the SWB (but not the Maritime NZ Board). Reduces but does not eliminate conflicts of interest. 	<ul style="list-style-type: none"> The MLC provides that port welfare boards can review the adequacy of existing facilities and assist/provide/coordinate provision of services. This could occur if grants go to each port welfare organisation but clarity will be needed about the role of boards and welfare organisations. How the grants system interacts with volunteer efforts and other funding sources is not clear and will need to be worked through with welfare organisations at each port. Maritime NZ will need to take responsibility for national coordination (although could fund the SWB to provide it). Maritime NZ administration costs will need to be transparent to the SWB and port welfare organisations. Maritime NZ will also need to determine (possibly on a port by port basis and with a set of criteria) how it will fund more than one port welfare organisation at ports where there are multiple providers. Will need to develop protocols to better manage conflicts of interest.
Option 3 OAG principles analysis	This option arguably supports the closest and easiest alignment with the principles. With the exception of the grants administration cost (which would be recovered through seafarer welfare funding) it would carry no other cost and would therefore optimize the funding available for grants. In there being a single and simple governance and oversight framework the transactional and management costs would also be kept to a minimum. Assuming that grants criterion and grants decisions are published, it would provide for optimal openness. Grants recipients would be accountable for the expenditure of grants funding through reporting requirements, and as administrator of the funds, Maritime NZ would be accountable through its financial reporting obligations. As a Crown agent, Maritime NZ must act in the spirit of the public service and be fair, lawful and act with integrity. It would bring this conduct to the performance of a grants administration function.		
Option 4: Maritime NZ responsibility	<ul style="list-style-type: none"> Allows Maritime NZ to more directly control and be accountable for the use of public funds, and more directly control fairness and integrity matters. 	<ul style="list-style-type: none"> Maritime NZ role as both regulator and provider could be seen to be a conflict of interest. Would require an expansion of Maritime NZ core competencies as it could need to employ welfare 	<ul style="list-style-type: none"> Potential for volunteers and volunteer groups to become alienated through a move away from a charitably administered scheme.

	Pros	Cons	Risks
	<ul style="list-style-type: none"> • Is within the scope of the MLC (as a 'public authority'). • Maritime NZ already has a presence in most ports, and already has an institutional capacity to deal with voluntary organisations (e.g. in the small boat safety area). • Maritime NZ is able to more directly carry out MLC Member responsibilities e.g. promotes the development of welfare facilities; (after consultation) which ports should have welfare facilities; encourage establishment of welfare boards; ensure technically competent people are employed fulltime in addition to voluntary workers. • Maritime NZ will be able to more directly monitor health and safety issues for port welfare workers and volunteers. • Maritime NZ has a set of current relationships with ship owners' representatives that might provide an avenue for transparency around the use of maritime levies for welfare purposes. • Could lead to greater 'professionalisation' of seafarer welfare services. 	<p>providers, and liaise with welfare volunteers and their organisations.</p> <ul style="list-style-type: none"> • Maritime NZ would have to employ more people – this could not be done by existing resources. The reaction of the sector (welfare providers and the broader maritime sector) is not clear. Maritime NZ could be criticized by the SWB (and others) for not acting openly and fairly. • There may be an expectation that Maritime NZ will take on responsibility (and control/ownership?) of seafarer welfare facilities that are currently managed locally. • It is possible that there will be a perception of less transparency about levy spend on welfare facilities as ship owners can be represented on the SWB (but not the Maritime NZ Board). 	<ul style="list-style-type: none"> • Can't assume that existing tensions between local port autonomy and national control will be resolved. • Sources of charitable funding that the SWB (and possibly port welfare organisations get), and volunteer enthusiasm could dry up as Maritime NZ will be seen to have 'deep pockets'. • There is a risk that (some) seafarer welfare facilities controlled by local port organisations may not be available to Maritime NZ.
<p>Option 4 OAG principles analysis</p>	<p>This option has the same hallmarks of Option 3 in terms of alignment with the principles but in placing Maritime NZ in the role of provider of services for crew <i>and</i> regulator of the operation in which those crew were employed, potential conflicts arise. There would therefore need to be considerable effort put in to ensuring the principles of 'openness' and 'accountability' are met.</p>		

Discussion

20. All of the four options carry advantages, disadvantages and risks and all variously rely for their success on the detail and rigour of processes, and sound administrative and governance arrangements. They also all implicitly meet or have the clear capacity to meet the OAG principles and there are none that are untenable. On initial analysis however, Option 3: the grants model, is favoured. The rationale for this position is set out below.
21. The status quo option is advantaged by having been in place for three years (with arrangements, processes, and systems embedded) but has also been exposed in practice to carry a number of systemic issues. Principally, the location of the SWB between Maritime NZ as initial funding recipient and the various service providers as end recipients, and apparent tensions between some providers and the SWB. This tension appears to be largely related to issues of national and local control of service delivery. The model works, but a critical assessment of it suggests that it does not work well (in terms of all parties being satisfied by it).
22. The second option is essentially the status quo but with more Maritime NZ input to the basis on which the SWB will make funding distribution decisions. This retains the SWB as central and operating under contract to Maritime NZ. It could go some way to attending to tensions and enhancing accountability but it is the same three tier system with associated levels of effort.
23. The grants model (Option 3) is a departure from the SWB as *central* model; it creates a direct relationship between Maritime NZ and service providers, and it provides transparency of accountabilities: Maritime NZ as distributor of funding, and service providers directly accountable (to Maritime NZ) for the use of funding received. It is consistent with the approach used for Fuel Excise Duty funding for recreational craft safety, and with the direction on delivery provided by the MLC. It also allows local port welfare organisations to make applications for funding that are particular to the nature and scale of services needed at their port. It allows for choice in that ports would be able to continue to use the SWB as their provider. In the round, this is the preferred option.
24. Option 4, which would see Maritime NZ assume the function of seafarer welfare services provider is apparently strong in terms of accountability and openness. However, in also being a regulator of the same sector where those to whom services provided are located (read, employed), there is a potential for conflict of interest. Being and being seen to be without such conflict is critical to confidence in Maritime NZ as regulator (and potentially, as seafarer welfare service provider) and it is difficult to see how this can be managed.

Governance and Employment arrangements

25. In relation to all options, it is difficult at this stage to set out a definitive set of governance and employment arrangements that should apply at every port. Differences at ports will be attributable to a range of factors:
 - Scale – there will be different requirements at larger ports (for example, Auckland, Tauranga) and smaller ones (such as Picton). At Tauranga for example there is a well-established network of permanent and volunteer staff that provide welfare services. At Picton, seafarer welfare services are currently provided only on a voluntary basis. At some small ports, a port welfare board may not exist.
 - Welfare centres – there are varying arrangements for the provision of welfare centres at different ports. The current contract between Maritime NZ and the SWB does not include the provision of welfare facilities and the demand for and facilities available at welfare centres will vary.
 - Use of volunteers – the extent to which existing volunteers will continue to be a part of service delivery is important. The intention behind maritime levies funding is not to pay for all facilities and services – volunteers should continue to be an important part of service delivery, but their numbers, precise role, training needs, and availability need to be worked through on a port-by-port basis so they are well integrated with maritime levy funded resources. In larger ports, the role of port welfare boards should be valuable sources of coordination.
 - Other services – the provision and funding of different services can differ from port to port – for example, Wi-Fi services.
26. Maritime NZ will need to work with the SWB, port welfare boards, and possible providers, to arrive at the best mix of funding for each port.