

Regulatory Impact Statement

Shipping (Charges) Regulations 2000: Revised Seafarer Certification Fees

Agency Disclosure Statement

This regulatory impact statement has been prepared by Maritime New Zealand (Maritime NZ) for the Ministry of Transport.

It provides an analysis of options to meet the costs to Maritime New Zealand of processing applications for seafarer certificates and other maritime documents required under revised maritime rules governing operating requirements for commercial ships and qualifications and training of seafarers. The analysis excludes an external service delivery model.

A key dependency of the analysis is consistency with government's decision to move Maritime NZ chargeable services progressively onto a full cost recovery footing and phase out the subsidisation of these services from marine safety charges levied on shipping.

Maritime NZ has carried out a 'ground up' analysis of the effort required to process each application type, measured in hours and part hours. Application fees have been determined on the basis of the fully allocated hourly cost for directly chargeable Maritime NZ services that was established by the Maritime NZ funding review in 2011. Following consultation on proposed fees, a review of the effort analysis resulted in some fees being up to 50 percent lower than initially proposed, although most application fees will still be subject to increases that range from 57 to 222 percent.

The hourly cost established by the funding review formed the basis for increased fees for other Maritime NZ services that were implemented with effect from 1 July 2013, as part of the government decision to move Maritime NZ chargeable services progressively onto a full cost recovery footing.

Because of uncertainties around future demand, assumptions made around a phased transition to full cost recovery, and impact of new technology, the proposed fees are to be subject to review within 3 years.

The revised fees would not impair private property rights or market competition unnecessarily given the objective, and will not override fundamental common law principles.

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Executive summary

1. New Maritime Rules Parts 20, 31, 32 and 35 replace existing rules regulating operating limits and crewing requirements for commercial vessels and qualifications and training for seafarers (seafarer certification).
2. Consequential amendments to the Shipping (Charges) Regulations 2000 are necessary to ensure that fees will apply to the full range of certificates issued under the revised maritime rules.
3. Seafarer certification fees under the Shipping (Charges) Regulations 2000 are based on hourly service delivery charges that were set in 2000. Maritime NZ cost analysis shows that the fees recover significantly less than the current service provision costs incurred by Maritime NZ. If cost recovery for seafarer certification services is maintained at the current level, the effect will be an immediate \$0.418 million net deficit in levy and fee revenue relative to total costs (representing 33 percent of the costs of providing the certification service). This will rise in 2015 and following years to over \$0.985 million deficit per annum (48 percent of cost) as levy revenue is abated under the Maritime NZ future funding model adopted in 2013.
4. The fees themselves have been revised because existing fees recover significantly less than current service provision costs, based on a 'ground up' analysis of effort for processing each type of certificate and the fully allocated hourly cost of Maritime NZ directly chargeable services established by the Maritime NZ funding review in 2011 (and applied to other Maritime NZ fees under a six year transition to full cost recovery for directly chargeable services and phasing out of subsidisation of fees from the marine safety charge levied on shipping [EGI Min (13) 6/1 refers]).
5. The impact of fee increases is moderated by basing fees initially on the year two transitional hourly rate of \$166 (incl GST) applied to other Maritime NZ fees. However, the gap between current fees and costs means that most fees will rise by between 57 and 222 percent. Fees will be reviewed in 2015, when full online capability for seafarer certification has been implemented.

Status Quo and Problem Definition

Maritime New Zealand certification role

6. Maritime New Zealand (Maritime NZ) is the national maritime agency with the primary role in regulating maritime safety, security and marine environment protection. In meeting its statutory responsibility for the safety regulation of commercial maritime activity, Maritime NZ provides a range of regulatory services, including inspections, audits, approvals, exemptions, certification and licensing in relation to requirements of the Maritime Transport Act 1994 (the Act) and maritime rules.
7. A central feature of the safety regulatory regime is seafarer licensing, oversight of training, qualifications and standards, and related controls over the crewing and operating limits of commercial ships. These measures implement requirements of international maritime conventions¹, together with domestic standards for ships and seafarers that are not subject to international standards. This system is designed to ensure that ships operate within safe operational parameters for their type and size, and

¹ The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978 (STCW); the International Convention on Standards of Training, Certification and Watchkeeping for Fishing Vessel Personnel (STCW-F), 1995. International Convention for the Safety of Life at Sea, 1975

are crewed by seafarers with the capability and experience to perform essential shipboard duties and functions. Certification provides access to employment opportunities for seafarers and evidence of competence for employers.

8. The services that Maritime NZ provides in performing its seafarer certification function are typically in the form of services provided directly to individual industry participants – primarily seafarers and operators of commercial ships.
9. The Act provides for regulations to fix fees and charges to meet, or assist in meeting, costs and expenses incurred by Maritime NZ in providing services under the Act. Fees for seafarer licensing and related services are specified in the Shipping (Charges) Regulations 2000.

Maritime NZ funding review

10. In 2011, the Maritime NZ funding review examined the relationship between Maritime NZ functions, funding sources and expenditure, and between the actual cost of Maritime chargeable services and the fees specified in the relevant fees and charges regulations.
11. Seafarer certification and related fees were excluded from the Maritime NZ funding review because revised maritime rules to implement a new certification and operating limits framework were still under development, stakeholders were yet to be consulted, and costs specific to the new framework were still being modelled
12. The review found that the average hourly rate of \$104 (GST incl) for chargeable services, on which fees were based, fell far short of fully-allocated service provision costs of \$235 (GST incl) per hour. The shortfall between the actual costs of chargeable services and fee revenue is met from the marine safety charge levied on commercial ships to pay for safety services to shipping, such as radio services and aids to navigation (club goods), that are not amenable to direct user charges.
13. Following the funding review, Cabinet agreed in early 2013 to a future funding scheme for Maritime NZ to achieve a transition to full recovery for directly chargeable services, to be matched by a corresponding reduction in the marine safety charge². Revised fees and levies based on the review data have been implemented with effect from 1 July 2013 for maritime operations, marine environment protection and ship registration³. The fee increase is being phased over six years to progressively remove the cross subsidy from levies and mitigate the impact of fee increases for fee payers. Fees recovering the full \$235 (GST incl service provision cost will not take effect until 2018/19).

Sea certification costs and fees

14. Consultation, rule development, and implementation planning for the new seafarer certification framework have been completed. New Maritime Rules Parts 20, 31, 32 and 35 will replace existing rules regulating operating limits and crewing requirements for commercial vessels and qualifications and training for seafarers (seafarer certification).
15. Maritime NZ has carried out 'ground up' modelling of the time and effort required to process each type of application for a certificate or endorsement under the new maritime rules. Base times were established for processing each type of application. The volumes

² <http://www.transport.govt.nz/assets/Import/Documents/RIS-Future-funding-of-Maritime-New-Zealand-Proposal-for-revised-third-party-changes.pdf>

³ Shipping (Charges) Amendment Regulations 2013, Ship Registration (Fees) Regulations 2013, Marine Safety Charges Amendment Regulations 2013

of transactions over the preceding five years were reviewed, and any trends or other factors likely to influence future demand were taken into account. Efficiency factors were taken into account, including the 'future state' impacts of a transition to new technology and systems, an expected rise in the number of general queries, and the effect of staff turnover, experience levels and training requirements on productivity. The approximately 70 different types of application have been grouped into six bands, based on the degree of effort, measured in hours, required to process each application type.

16. The funding review's analysis of the fully-allocated hourly cost of Maritime NZ chargeable services is equally relevant to the costing of seafarer certification services, and Maritime NZ has developed a fee structure based on the review's cost analysis and its analysis of effort for certification services.

Problem statement

17. The problem has two dimensions:
 - a. Maritime NZ's cost analysis shows that seafarer certification fees under the Shipping (Charges) Regulations 2000 recover significantly less than the current service provision costs incurred by Maritime NZ
 - b. Many of the certificates and endorsements that will be required under the revised sea certification rules are not named in the Regulations, so no fees would apply to them
18. While the under-recovery of costs is advantageous to applicants for certificates, unrecovered costs are subsidised by marine safety charges on commercial ships to pay for safety services to shipping.
19. This situation is inconsistent with Cabinet's decision to phase out subsidisation of directly chargeable Maritime NZ services from marine safety charge revenue, over a six year period. Under that decision, levy revenue will decrease, with a corresponding increase in fee revenue. During the transition, the levy will fund the diminishing difference between fee revenue and actual service provision costs.
20. Current seafarer certification fee revenue is \$0.418 million a year less than service provision costs, after taking into account the diminishing levy funding of direct cost recovery shortfalls.
21. If cost recovery for seafarer certification services is maintained at the current level, the effect, in combination with decreasing levy revenue, will be an immediate \$0.418 million net deficit in levy and fee revenue relative to total costs (representing 33 percent of the costs of providing the certification service). This will rise in 2015 and following years to over \$0.985 million deficit per annum (48 percent of cost) as levy revenue is abated under the Maritime NZ future funding model adopted in 2013.
22. The under-recovery of costs will be exacerbated if the number and descriptions of certificates specified by the fee regulations are not aligned with the certificates under the revised maritime rules because no fees would apply to new or renamed certificates. This is estimated to add to the deficit by at least \$0.610 million per annum, resulting in overall annual deficit of \$1.028 million in year one (81 percent of cost) rising to \$1.595 million per annum from 2015 (75 percent of cost).
23. The absence of a fee will also create an incentive to take advantage of 'free' applications for certificates, which would artificially stimulate demand for a number of widely-used

certificates. This would increase workload and costs for Maritime NZ, and would compromise the agency's ability to meet customer service expectations.

24. A scenario where some applicants must pay a fee while others receive an equivalent service at no cost would be inequitable (all the more so if the ability to meet customer service expectations was compromised by demand for free certificates).

Objective

25. The objective of the proposal is to ensure sustainable, efficient, equitable funding of seafarer certification services provided in accordance with the Maritime Transport Act 1994, maritime rules and New Zealand obligations under international maritime conventions.

Options and Impact analysis

26. Non-regulatory and regulatory options were considered as potential responses to the problem. The two non-regulatory options identified below are not considered feasible options, and are not included in the options analysis.

External service delivery

27. The Maritime Transport Act 1994 provides for contracting out or delegation of functions to an alternative service provider after a competitive process where this is considered to provide the most efficient and effective outcome. The use of an alternative service provider was raised during submissions on sea certification fees. Although this would externalise service provision costs, and related funding issues, Maritime NZ would still need to maintain and fund the capability to oversee the certification system in its capacity as the safety regulator and to conform with international convention obligations.
28. As no analysis of organisational impacts, provider options, risks and costs is available, the external service delivery option has been excluded.

Status Quo

29. The status quo is not a feasible option: it involves retaining the Shipping (Charges) Regulations 2000 without amendment, despite the introduction of the revised maritime rules for seafarer certification and operating limits, which extensively modify the certification framework currently reflected in Schedule 2 of the regulations.
30. Consequently no fee would apply to 25 of the 41 certificates and 3 of the 10 endorsements described in the revised certification framework but not listed in Schedule 2. This would result in a total of \$0.234 million (excl GST) revenue foregone.
31. Retaining the status quo would not address the under-recovery of costs relating to the certificates and endorsements for which fees are still specified in Schedule 2, further adding to the shortfall in seafarer certification cost recovery, and the subsidy burden on the marine safety charge. The status quo is incompatible with the government's decision to place Maritime NZ directly chargeable services on a full cost recovery footing and phase out subsidisation of direct services from marine safety charge revenue.
32. Three regulatory options have been identified that could achieve or partly achieve the objective:
 - Option 1: modified status quo

- Option 2: Phased transition to full cost recovery
- Option 3: Immediate transition to full cost recovery

Option 1 Modified Status Quo

33. This option would involve amending the Shipping (Charges) Regulations 2000 to assign the current fee from an existing certificate or endorsement to its near equivalent new certificate or endorsement.

34. Ensuring that each certificate has a fee associated with it would address the core problem with the status quo, and would address equity issues between applicants for different types of seafarer certificate.

35. However, because there is no close relationship between the fees, effort and the actual cost of service, this option would continue the current under/over recovery of costs for existing certificates. The gap between revenue and operating costs would increase steadily as the transitional contribution to operating costs from levy revenue diminishes annually, which would require Maritime NZ to seek cost savings through such measures as:

- Additional efficiencies within the certification service: significant process and system efficiencies have already been introduced over the last 18 months and are factored into the cost projections. Further improvements would be incremental, with little impact relative to the gap between costs and revenue
- Increased subsidisation from the maritime safety charge: this would be contrary to Cabinet's decision for Maritime NZ fees to move progressively to full recovery of the cost of directly chargeable services and phase out subsidisation from the marine safety charge. It would also likely trigger a need to increase the marine safety charge, which has only just been reviewed.
- Diverting resources from other Maritime NZ services:– this would impact on Maritime NZ's ability to deliver services that are funded by the Crown, the marine safety charge or by other direct charges
- Reducing the staff and other resources allocated to certification activities: seafarer certification costs already factor in improvements to systems and operating procedures. Reducing capacity to process licence applications can only therefore result in delays. This would not be acceptable to industry, which has identified delays in certification as one of its major concerns, and is a problem that the new Sea Certification framework is intended to address

Option 2 Phased transition to full cost recovery (Preferred Option)

36. Option 2 would align cost recovery for seafarer certification services with Cabinet's decision to implement a phased transition to full recovery for directly chargeable Maritime NZ services, to be matched by a corresponding reduction in the marine safety charge.

37. The year two (2014/15) hourly rate of the six year transition period (\$166 (GST incl))⁴ has been adopted as the base rate for the new certification fees subject to an additional component to cover the seafarer certification share of IT systems costs over the three years 2013/14 to 2015/16, bringing the total rate to \$169 (GST incl).

⁴ Under the six year transition adopted for other Maritime NZ fees the GST incl hourly rate on which fees are based increases in six steps from \$144 in 2013/14 to \$235 in 2018/19

38. The rate and fees would be maintained at this level and reviewed once full online support for the certification system comes on stream in 2015, rather than escalated each year. This approach has been adopted to keep fees steady during the transition to the new certification regime, allow the impact of 'future state' assumptions to be gauged over the transition period, and coordinate the assessment of online cost impacts with the next scheduled Maritime NZ fee review. Maintaining the fees at a constant level until 2015 will also avoid incentivising certificate-holders to renew certificates prematurely to avoid a fee increase, which would reduce the predictability of application volumes, phasing and resource demands on Maritime NZ.
39. The approximately 70 different types of application have been grouped into six bands, based on the degree of effort multiplied by the hourly rate.
40. Fee changes range from a 46 percent reduction though to increases of 222 percent for several types of certificate. The wide variations reflect that, although fees were increased in 2008, the hourly base rate for the fees was set in 2000 and the relationship between the fees, effort and the actual cost of service has not previously been reviewed 'from the ground up'. Fee reductions of 30 to 46 percent apply to some of the more common and important certificates for fishing and near-coastal certificates, although fees for most of the more common certificates will increase by between 57 and 151 percent.
41. The table below shows the effect of fees increases for the most common types of application. Certificates are valid for five years, and then must be renewed. Endorsements that add extra privileges to a certificate have the same duration as the certificate.

Table 1: Examples of comparative current and proposed application fees

Certificate	Current fee \$ incl GST	Proposed fee \$ incl GST	Percentage increase
Certificate renewal - STCW	236	592	151%
- Domestic	236	372	57%
GMDSS (Radio operator)	236	507	115%
Skipper Restricted Limits	416	760	83%
Marine Engineer Class 3	523	845	62%
Basic Tanker Endorsements	236	372	57%

42. Appendix 1 sets out the complete list of application fees that, under this proposal, will replace the fees currently specified in Schedule 2 of the Shipping (Charges) Regulations 2000. For comparative purposes, Appendix 1 also lists the existing fees for the same or equivalent applications and the percentage differences between the two.

Option 3 Direct transition to full cost recovery

43. A third option is to move directly to full recovery of the cost of certification from year 1. Fees would be calculated by multiplying the effort in hours or part hours for each band by an hourly rate of \$235 (GST incl) per hour – the hourly rate determined by the 2011 Maritime NZ funding review as the fully allocated cost of Maritime NZ chargeable services taking into account planned efficiency gains in coming years.
44. Full cost recovery (at the funding review hourly rate of \$235 per hour) would involve a potentially disruptive level of increases, given that fees have not been fundamentally reviewed for so long. This would discourage new entrants, certification upgrades and

renewals of existing qualifications, with consequent impact on the ability of the industry to find trained crew.

45. Moving to full cost recovery before the final year of the six year transition period would also result in applicants for seafarer certification being subject to a more onerous transition to full cost recovery than applicants for other certificates and services also covered by the Shipping (Charges) Regulations 2000, which would be inequitable.

Impact of increased license fees under Option 2 on seafarers and industry

Transition from old to new certificates

46. It is estimated that between 6,500 and 11,000 historic certificates will need to transition to new certificates over a five year period from 2014⁵ at a cost of \$372 (incl GST) for domestic certificates. The 270 holders of NZ Offshore Watchkeeper and NZ Offshore Master certificates will be required to pay a higher fee (\$591.50) to transition to the equivalent STCW near coastal certificates.

Universal Renewal (Renewal)

47. Under SeaCert, all seafarers will now be required to renew their certificates and endorsements every five years.
48. At present certificates and endorsements issued in accordance with the International Convention on Standards of Certification, Training and Watchkeeping for Seafarers, 1978 (STCW) and the Local Launch Operator certificate are subject to five-early renewal. Renewal is a critical tool for ensuring ongoing competence and is international standard practice (required under STCW). The five year renewal cycle is also consistent with international practice (e.g. Australia, Canada, UK, US and many European countries) and is considered to be the most effective timeframe for balancing effective regulatory oversight and the effort and cost of certification processes.
49. Renewal of new certificates will not start until 2018, at the end of the transition period. The cost of renewal will be \$372 (incl GST) for domestic certificate holders and \$591.50 (incl GST) for the 2,270 STCW certificate holders.

Individuals

50. A significant proportion of seafarers meet their own certification and renewal costs. Domestic certificate holders will initially need to make the transition to certification under the new regime within the next five years, and then renew their certificate every five years from thereon⁶.
51. STCW certificate holders must already renew their certificate every five years, so the impact is less significant, although the cost of renewal increases by over \$250 to \$591.50.
52. Individual seafarers progressing to higher certificates will incur higher fees, although the fee increases for these higher certificates are less significant than for entry level certificates.

⁵ The maximum number applies if all current holders of historical certificates convert to new certificates. In reality, an unknown number will not do so, being no longer active in the sector

⁶ There are approximately 800 Local Launch Operator certificate holders who will need to revalidate (as currently due or sooner)

53. Fees have fallen for certain important industry certificates (some significantly). For example, the fees for Skipper Coastal Offshore, Skipper Fishing Vessel limited and Skipper Fishing Vessel Unlimited, are now between 22 percent and 35 percent lower than for their current equivalents, while the fee for a key coastal cargo vessel certificate (Master, less than 500 GT Near Coastal), has fallen 35 percent. This last certificate is also important for the offshore oil industry. The reductions reflects that certain entry level controls are not required once the seafarer is in the system, and background information is already held, in effect requiring only renewal type procedures.

Industry

54. Many individual seafarers with domestic certificates are owner-operators of small businesses which require only one or two certificate holders, e.g. inshore and coastal fishermen, charter fishing and water taxi operators. Similarly to individual seafarers, the main impact of the new fees will be from the need to transition the certificates, subsequent five yearly renewal costs (i.e. \$372 at a point of their own choosing between 2014 and 2019), and the same amount at five yearly intervals after the transition date.

55. Larger companies do provide varying levels of financial support to staff for certification and renewal of certificates.

56. The table below extrapolates information held by Maritime NZ on the number and type of certificates different companies have paid for over the past five years to provide an indication of potential annual impact of the new fees on different sectors compared to current costs. This information is subject to variables which cannot be determined from the base data. For example, whether a company meets some or all staff certification costs or reimburses staff rather than paying Maritime NZ directly

Table 2: Maritime NZ estimate of company seafarer licensing payments

Sector	Renewal (five years after transition)		New Licences/ Progression to higher certificate		Total		
	Current	New ⁷	Current	New	Current	New	% Change
Ferry Operators							
- Medium	\$47 ⁸	\$816	\$1,160	\$1,791	\$1,207	\$2,607	116%
- Large ⁹	\$472	\$2,230	\$1,717	\$3,792	\$2,189	\$6,022	175%
Aquaculture							
- Small	\$173	\$322	\$360	\$659	\$533	\$981	84%
- Large	\$566	\$1,487	\$1,412	\$2,802	\$1,978	\$2,899	47%
Fishing							
- Owner/ ¹⁰ Operator	\$ 0	\$148	\$83	\$150	\$83	\$298	259%
- Large	\$330	\$5,502	\$6,226	\$10,630	\$6,556	\$16,132	146%
Tourist Operations							

⁷ Equivalent to Transitional cost in first 5 years

⁸ Average over 5 years for a single STCW certificate. Cost for new system reflects requirement for revalidation of all certificates

⁹ From records only and would not cover all crew for a large operator; one ferry operator has indicated they reimburse certification costs for all crew which would be of significant order greater, although percentage increase would remain same

¹⁰ From manning requirements, assume 20 percent turnover

- Small/medium	\$283	\$445	\$638	\$1,047	\$921	\$1,492	62%
- Large	\$519	\$3,346	\$2,239	\$5,712	\$2,758	\$9,058	228%
Ports	\$448	\$762	\$614	\$1,119	\$1,062	\$1,881	77%
Medium Coastal	\$ 0	\$743	\$945	\$1,385	\$945	\$2,128	125%
Large Coastal	\$2,219	\$5,560	\$16,991	\$26,478	\$19,210	\$32,038	67%

57. There is considerable variation in the impact of the new fees on different sectors, ranging from 46 percent increase in costs for port operators through to a nearly 260 percent increase for larger passenger vessel operators in the tourism sector. There are also significant cost increases for the larger fishing companies which operate larger vessels in the offshore area.
58. Although any increase in the operating costs is undesirable, the certification costs need to be considered in the context of wider staff costs for the maritime industry. For example, large tourist and ferry companies employ over one hundred crew at an annual cost of at least \$2.8 million (on the basis of minimum wage). An annual cost of between \$6,000 and \$9,000 to ensure crew are certificated represents less than 0.5 percent of the wage bill.
59. Similarly for larger fishing companies which operate several medium and large deep-water ships the impact would be less than 0.5% of the wages bill. For example – the costs of wages for factory ship with a crew of 40 on just one 6 week trip is a minimum of \$132,000. These vessels operate up to 11 months a year with very short turn around in port.
60. However, the bulk of the fishing industry comprises smaller owner-operated vessels of less than 24 metres in length (823 out of the 893 registered fishing vessels). Most of these vessels fish primarily within the inshore fishing limit and would be manned by only 2 to 3 certificated seafarers (2 is the minimum required). A smaller number of owner-operators fish in the coastal and offshore area. These vessels would need to carry at least 2 additional certified seafarers over the minimum required to manage fatigue on overnight voyages.
61. As the smaller fishing operators are already certificate holders, and do not generally pay for crew certificates, the impact of the fees on their businesses would be limited to meeting the five yearly renewal cost for domestic certificates – \$372/seafarer (i.e. between \$150 and \$300 per annum).

Consultation

62. Consultation with the maritime industry and the general public on the proposed fees took place between 28 November 2012 and 29 March 2013 as part of statutory consultation on the full suite of proposed Seafarer Certification and Operating Limits rules. The proposals were issued in discussion documents published on Maritime NZ's website, sent directly to key stakeholders, and discussed with interested parties at a number of public seminars.
63. Of the 150 submissions on the suite of proposals, 85 expressed concern at the high level of the proposed fees, although only 16 provided more detailed comment, with key additional issues raised being:

- increased fees could be a barrier to entry, in particular the very high fees for the entry level Qualified Deck Crew, Skipper Restricted Limits, and Ratings certificates – will undermine wider efforts to attract new seafarers and to build the industry
- effort levels, hourly rate, or both, were too high for what the submitters considered to be largely administrative processes
- proposed fees are significantly higher than for comparable certificates in other jurisdictions, e.g. Australia, United Kingdom, and a full cost recovery model would be detrimental to the development and sustainability of the domestic industry
- concerns that the fee structure imposed cumulative costs for adding endorsements to certain qualifications
- transition fees should not be the same as applying for the new equivalent certificate

Response to submissions

64. The initial analysis that informed the fee proposals issued for consultation was completely reviewed in response to submissions. The review refined the initial analysis of effort and efficiency factors, corrected an error that had resulted in a high volume fee being overstated and grouped the fees into six rather than five bands.
65. As a result of the post-consultation review, assessments of base times for processing some applications were reduced by up to 50 percent compared to those on which the consultation proposals were based, with commensurate reductions to the fees.
66. Concerns over entry level fees are recognised, and potential impacts will be monitored but any material reduction in the fee level would require costs to be reassigned to other types of certificate
67. Concerns over cumulative charges for certificates and endorsement are already addressed within the fee framework.
68. Applicants for new certificates will be able to elect to apply for 24m and Passenger endorsements at the same time as applying for a base Skipper Restricted Limits certificate if they wish, although they will need to make separate applications for the 'higher level' 500GT and 500-3000GT endorsements.
69. Transition fees will only be charged at the relevant renewal rate, which is lower than that for a new certificate.
70. Table 3 sets out a simple comparison of certification costs (in NZD) with other jurisdictions. A direct like for like comparison is not possible, as each jurisdiction takes different approaches to setting their certification fees. For example:
- Australia and the United Kingdom do not require fit and proper assessments (the New Zealand fee includes time spent undertaking fit and proper assessments for certificates and renewals, plus an additional \$82 additional costs for police checks)
 - the New Zealand fee includes organisational costs for administering the Final Examination system. Australia and the United States have separate examination fees that include conduct of exams (the bulk of the examination cost), which the New Zealand fee does not

- the degree of cost recovery is unclear for the United Kingdom and United States, Australia apply a cost recovery model for their STCW certificates (but this is less clear for the Australian State-issued domestic certificates)

71. These factors suggest that the differences between the New Zealand and Australian and United States licence fees may be significantly less than suggested by the table.

Table 3: Comparison of New Zealand seafarer licensing fees with fees in other states (NZ\$)

	NZ (excl. GST) ¹¹	Australia ¹²	UK	US ¹³
Domestic				
- Deck (operational)	588	65 -190	400	350
- Deck (management)	660	380 - 560	400	350
- Engineering	588	133 - 380	550	350
STCW				
- Deck (Entry)	660	425	400	350
- Deck (Progression)	660	304	400	350
- Engineering	660	425	550	
- Engineering Upgrade	660	304	550	350
Renewal				
- Domestic	323	130	90	290
- STCW	514	304	90	290
Examination Fee	N/A ¹⁴	480 ¹⁵	N/A ¹⁶	120-148

Conclusions and recommendations

72. Introduction of the revised maritime rules to implement the new maritime qualifications and certification framework provides an opportunity to put in place an efficient, sustainable and equitable cost recovery mechanism for the delivery of a modern seafarer certification framework that meets maritime sector needs.

73. Neither the status quo nor Option 1 will meet the objective. They will result in Maritime NZ incurring increasing deficits for the operation of seafarer licensing services, which will impact on funding for the delivery of other Maritime NZ services. They will result in an outcome that is inconsistent with the government's decision in 2013 to phase in full cost recovery for directly chargeable services and phase out the cross subsidisation of these services from marine safety charges.

¹¹ GST exclusive fees used as GST does not apply to Australian or US licence fees (unclear whether UK is VAT inclusive)

¹² NSW rates for domestic certificates

¹³ Includes Transport Worker Identification Card (TWIC) fee which is required to apply for a US mariners licence

¹⁴ Set by external Maritime Examiners, element of the fee rate includes MNZ oversight costs

¹⁵ Domestic certificate fees include examination

¹⁶ Included in fees above

74. Option 3 would achieve full cost recovery but would be inequitable, both because it would not allow any adjustment period and because it would impose full cost recovery for seafarer licensing almost five years before full cost recovery will be implemented for other Maritime NZ services under regulations already made. Option 3 also carries a high risk of presenting a barrier to entry, with negative effect on industry and fee revenue.
75. The preferred option is to apply the recently approved methodology for new fees for Maritime NZ permits, approvals and ship registration services that took effect on 1 July 2013. This will:
- ensure applicants for seafarer certification and applicants for other maritime documents and services that are already subject to the progressive transition to full cost recovery with effect from 1 July 2013 are treated equitably
 - manage the impact of fee increase by allowing a phased transition to full cost recovery for seafarer licensing services
 - ensure there is a close relationship between the fees, effort and the actual cost of service consistent with Government policy
 - end the current under/over recovery of costs for certificate services
 - support an efficient and effective system for certification that delivers both prompt service and ensures the ongoing competence of NZ seafarers
76. The preferred option will meet the objective and provide an outcome consistent with government's decision to progressively move to full cost-recovery for Maritime NZ directly chargeable services and remove the subsidisation of those services from marine safety charge levies on shipping.

Implementation

77. The revised fees will be implemented through Maritime New Zealand's existing fee and levy collection system, and will involve no new processes or increases in compliance costs for affected parties.
78. Affected parties will receive advance notice of the changes, which are proposed to come into effect on 1 April 2014. Maritime New Zealand will keep stakeholders informed of changes through its website and publications.

Monitoring and review

79. Given the uncertainty inherent to application volumes during the transition to the new certificate scheme, and the revenue and cost recovery implications, Maritime NZ will closely monitor activity on an on-going basis. This oversight will provide information on actual experience against the workload estimates used for the fees review and identify actions that may be necessary to respond to any significant variances.
80. Maritime NZ expects efficiencies to result from the introduction of its online application system in 2015. It is also anticipated that improved guidance materials and improved back office systems and processes currently being put in place will bring further savings. Maritime NZ will review the certification fees in 2015 to gauge the impact of the online system and other process improvement on efficiency and costs. Seafarer certificate services under the new regime would be included in the future Maritime NZ funding reviews.

Appendix 1- Seafarer certification fees – comparison of proposed and current fees

Application Group	Application Type	Proposed Application Fee	Application fee with Pre assessment	Fee in Current Scheme ¹⁷	Fee Increase/ Decrease ¹⁸
Domestic CoP	Steam	\$676.00	N/A	-	-
	Qualified Deck Crew	\$676.00	N/A	\$236.13	186%
Domestic CoC	Skipper Restricted Limits	\$761.00	N/A	\$416.04	83%
	Skipper Restricted Limits endorsed <24m	\$761.00	N/A	\$416.04	83%
	Skipper Coastal/Offshore	\$676.00	\$541.00	\$1,040.62	-35%
	Master Yacht <24m	\$676.00	\$541.00	-	-
	Marine Engineer Class 6	\$676.00	\$541.00	\$523.38	29%
	Marine Engineer Class 5	\$676.00	\$541.00	\$523.38	29%
	Marine Engineer Class 5 Steam	\$676.00	\$541.00	\$523.38	29%
	Marine Engineer Class 5 Motor and Steam	\$676.00	\$541.00	\$523.38	29%
	Marine Engineer Class 4	\$676.00	\$541.00	\$523.38	29%
Domestic Endorsements	Passenger Endorsement	\$372.00	N/A	\$236.13	57%
	Cook Strait Endorsement	\$372.00	N/A	\$236.13	57%
	<24m Endorsement	\$372.00	N/A	\$236.13	57%
	<500GT Endorsement	\$372.00	N/A	\$236.13	57%
	500-3000GT Endorsement	\$372.00	N/A	\$236.13	57%
	Square-rigged Endorsement	\$372.00	N/A	\$236.13	57%
	High-speed Vessel Endorsement	\$372.00	N/A	\$236.13	57%
	Temporary Seasonal Endorsement	\$372.00	N/A	-	-

¹⁷ This is the fee for the same or equivalent certificate in the current scheme

¹⁸ This is the variation from the fee in the current scheme

Application Group	Application Type	Proposed Application Fee	Application fee with Pre assessment	Fee in Current Scheme ¹⁷	Fee Increase/ Decrease ¹⁸
	Steam Endorsement	\$372.00	N/A	-	-
STCW CoP	Deck Watch Rating	\$761.00	\$625.00	\$236.13	222%
	Engine Watch Rating	\$761.00	\$625.00	\$236.13	222%
	Able Seafarer Deck	\$762.00	\$625.00	\$236.13	222%
	Able Seafarer Engine	\$676.00	\$541.00	\$236.13	186%
	Electro-Technical Rating	\$761.00	\$625.00	\$236.13	222%
	Integrated Rating	\$676.00	\$541.00	\$236.13	186%
STCW CoC	Watchkeeper Deck <500GT Near-coastal	\$761.00	\$625.00	\$544.84	40%
	Watchkeeper Deck	\$845.00	\$710.00	\$728.84	16%
	Chief Mate <3000GT	\$592.00	\$467.00	\$728.84	-19%
	Chief Mate	\$761.00	\$625.00	\$1,040.62	-27%
	Master <500GT Near Coastal (limited to coastal area)	\$676.00	\$541.00	\$728.84	-7%
	Master <500GT Near-coastal	\$676.00	\$541.00	\$1,040.62	-35%
	Master <500GT	\$676.00	\$541.00	\$736.00	-8%
	Master <3000GT	\$761.00	\$625.00	\$736.00	3%
	Master	\$761.00	\$625.00	\$736.00	3%
	Chief Mate Yacht	\$761.00	\$625.00	\$728.84	4%
	Master Yacht <500GT	\$676.00	\$541.00	\$728.84	-7%
	Master Yacht	\$676.00	\$541.00	\$728.84	-7%
	Electro-Technical Officer	\$676.00	\$541.00	\$523.38	29%
	Marine Engineer Class 3	\$845.00	\$710.00	\$523.38	62%
	Marine Engineer Class 2 <3000kW	\$676.00	\$510.00	\$523.38	29%
	Marine Engineer Class 2	\$761.00	\$625.00	\$1,040.62	-27%
	Marine Engineer Class 2 Endorsed Chief Engineer	\$676.00	\$541.00	\$311.78	117%
	Marine Engineer Class 1	\$761.00	\$625.00	\$523.38	45%

Application Group	Application Type	Proposed Application Fee	Application fee with Pre assessment	Fee in Current Scheme ¹⁷	Fee Increase/ Decrease ¹⁸
	GMDSS (Radio operator)	\$507.00	N/A	\$236.13	115%
	Radio Officer	\$507.00	N/A	-	-
STCW-F CoP	Advanced Deck Hand - Fishing	\$761.00	\$625.00	\$236.13	222%
STCW-F CoC	Mate Fishing Vessel - Limited	\$761.00	\$625.00	\$544.84	40%
	Mate Fishing Vessel - Unlimited	\$761.00	\$625.00	\$728.84	4%
	Skipper Fishing Vessel - Limited	\$592.00	\$467.00	\$728.84	-19%
	Skipper Fishing Vessel - Unlimited	\$592.00	\$467.00	\$728.84	-19%
STCW Endorsements	Basic Tanker Endorsement	\$372.00	N/A	\$236.13	57%
	Advanced Tanker Endorsement	\$372.00	N/A	\$236.13	57%
Other Certificates	Compass Adjuster	\$676.00	\$541.00	\$311.78	117%
	Pilot licence	\$507.00		\$236.13	115%
	Pilotage exemption certificate	\$507.00		\$236.13	115%
Other Applications	Domestic Certificate Renewal	\$372.00	N/A	\$236.13	57%
	Domestic Certificate Transition	\$372.00	N/A	-	-
	Domestic Endorsement Renewal	\$372.00	N/A	-	-
	STCW Certificate Renewal	\$592.00	N/A	\$236.13	151%
	GMDSS Renewal	\$372.00	N/A	\$236.13	57%
	STCW Certificate Transition	\$592.00	N/A	-	-
	STCW Endorsement Renewal	\$372.00	N/A	\$236.13	57%
	STCW-F Certificate Renewal	\$372.00	N/A	-	-
	Certificate replacement	\$372.00	N/A	\$236.13	57%
	Certificate recognition (under MOU)	\$592.00	\$467.00	\$1,090.71	-46%
	Certificate	\$761.00	\$625.00	\$1,090.71	-30%

Application Group	Application Type	Proposed Application Fee	Application fee with Pre assessment	Fee in Current Scheme ¹⁷	Fee Increase/ Decrease ¹⁸
	recognition (outside MOU)				
	Pre-Assessment Service	\$304.00	N/A	N/A	N/A
	MEC 3 Foreign Qualification Acceptance Fee	\$85.00	N/A	N/A	N/A