

Chair

Cabinet Economic Growth and Infrastructure Committee

## **FUTURE FUNDING OF MARITIME NEW ZEALAND – AMENDMENTS TO LEVIES, FEES AND CHARGES REGULATIONS**

### **Proposal**

1. This paper seeks the Committee's agreement to amend the Marine Safety Charges Regulations 2000, the Shipping (Charges) Regulations 2000 and the Ship Registration (Fees) Regulations 1992 to give effect to levy and fee changes that will implement proposed future funding arrangements for Maritime New Zealand.

### **Executive summary**

2. The future funding system represents a significant change to Maritime New Zealand's current funding arrangements and, if adopted, will ensure Maritime New Zealand has a funding regime that is both aligned to its outputs and adheres to user pays funding principles.
3. The proposed future funding system addresses the current misalignment between Maritime New Zealand revenue sources, particularly fees and a maritime levy (the marine safety charge), and the activities and services that each revenue source is intended to fund. This would occur through: a transition to full cost-recovery for directly chargeable services provided by Maritime New Zealand; a consequential reduction in the rate of marine safety charges levied from owners of commercial vessels; and remedying the current industry subsidisation of activities that benefit recreational boaters.
4. Under the proposal, the levy will reduce by between 24 and 45 percent for all levy payers. Full cost-recovery for directly chargeable services will increase the GST inclusive rate for chargeable services from \$104 an hour to \$235 an hour.
5. The main impact of the proposals will fall on the domestic maritime sector, which is virtually the sole user of directly chargeable Maritime New Zealand services. Therefore, the proposal is for full cost-recovery to be phased in over six years (with a corresponding phasing of the decrease in the requirement for levy revenue). This takes into account ability to pay, mitigates revenue risks, and allows the fee rates to reflect efficiency gains that will reduce costs and improve service delivery over that period.
6. The proposed future funding system does not increase direct Crown baseline funding or total Maritime New Zealand funding.
7. Stakeholder representatives from the maritime sector have been involved throughout the funding review and have provided information to the review. A rigorous consultation process has ensured all stakeholders were given an opportunity to express their view before any decisions were made on the proposals.

8. Public consultation ran for six weeks, following Cabinet's approval to release the consultation document, during October and November 2012.

## **Background**

### *2008 Review of Marine Safety Charges*

9. In 2008 Cabinet agreed to changes to the rates of the marine safety charges levied on commercial ships [CAB Min (08) 18/4 refers]. The changes were based on Maritime New Zealand's understanding of revenue allocation and activity cost at the time. It was agreed the marine safety charges would be reviewed every three years.
10. A complaint from the New Zealand Shipping Federation concerning the process followed in developing the revised marine safety charges was subsequently lodged with the Regulations Review Committee. The complaint centred on the use of a risk-based approach to determine the share of charges to be paid by passenger ferries. The Committee concluded that the process for risk analysis was flawed and recommended that any future review of marine safety charges follow "consistent, analytical, robust process, and maintain good records of its application". In response to the Committee's recommendation, the government agreed to commence a review of marine safety charges in 2010.

### *Value for Money Review*

11. Prior to the commencement of the review of marine safety charges, the previous Minister of Transport decided the funding review should not commence until a 'value for money' review was undertaken. The value for money review, carried out in 2010 by Ernst and Young, found that, to undertake a full review of funding, Maritime New Zealand's financial and time recording systems needed upgrading. This was in order to capture the data necessary to establish an accurate picture of the cost of effort across Maritime New Zealand's outputs and the relationship between revenue sources and the allocation of costs. The funding review was further delayed by the *Rena* incident in 2011.
12. The proposed future funding system is based on data generated by the upgraded financial and time recording systems and, if adopted, will establish robust and transparent arrangements that can be updated regularly and relatively easily.

### *Current review and funding principles*

13. The funding review has addressed information gaps around Maritime New Zealand's activity levels, costs and funding streams. The resulting funding options have been assessed against funding and cost-recovery principles within Treasury and Office of the Auditor General guidelines.
14. The principles are (in summary):
  - authority – having the statutory or legal basis for outputs/functions
  - efficiency – Maritime New Zealand using funding to achieve value for money
  - equity – ensuring those who drive the cost of or derive benefit from a function are those who pay

- accountability – Maritime New Zealand accounting clearly for how funding is generated and expended.

15. In applying these principles, the ability to pay has been taken into account.
16. The Regulatory Review Committee’s recommendation that any future review of marine safety charges follow a “consistent, analytical, robust process, and maintain good records of its application” has been addressed through the information and analysis provided to stakeholders and engagement with the sector reference group throughout the Maritime New Zealand funding review.

#### *Need for revised funding arrangements*

17. The funding review has established that Maritime New Zealand revenue sources, particularly fees and a levy on commercial ships (the marine safety charge) under the Maritime Transport Act 1994 are misaligned with the activities and services that each revenue source is used to fund.
18. Fees are intended to meet the costs of directly chargeable transactions, such as seafarer and ship certification, licensing, permits, approvals, exemptions, audits and ship registration. The funding review has established that fee revenue falls far short of meeting all relevant costs.
19. The levy is intended to fund safety services for the general benefit of the maritime sector, such as aids to navigation, distress and safety radio, marine safety information and other related services. Most revenue (93 percent – approximately \$17million - in 2011/12) comes from levies.
20. Levies have been used to fund the shortfalls in fee revenue, and in 2012/13 will subsidise some 66 percent of costs that should be recovered through fees.
21. The funding review established also that \$1.4 million of levy revenue is used to meet the cost of Maritime New Zealand safety activities that benefit recreational boat users (principally safety awareness and education, distress and safety radio, navigation aids, accident investigation).

#### **Changed funding arrangements**

22. The future funding scheme will address the misalignment between funding sources. The main feature of the scheme is a transition to full cost-recovery for directly chargeable services, with a corresponding decrease in the requirement for levy revenue.
23. The transition to full cost-recovery will, as is discussed below, involve a substantial increase in fees for directly chargeable services. In accordance with the funding principles for the review, the transition will be phased over six years rather than implemented in a single step, with the exception of charges for environment protection services (refer paragraph 25), and the fee for a commercial jet boat driver licence (paragraph 39).

24. A six-year transition will:
- allow ample adjustment time for the domestic maritime sector, which is the almost exclusive user of Maritime New Zealand's directly chargeable services
  - allow fee rates to factor in efficiency gains from Maritime New Zealand initiatives to improve service delivery quality and reduce annual costs for current services by around \$1 million by 2018/19
  - provide a sufficiently long transition period to mitigate revenue risk from avoidance and reduced demand for services
  - allow any unexpected outcomes to be addressed at the mid-point of the transition (rather than at the end, as would be the case with a three-year transition), as Maritime New Zealand funding is now subject to three-yearly reviews.
25. Issuing marine protection documents costs Maritime New Zealand around \$200,000 a year. Fees for environment protection services are excluded from the six-year transition because using levy revenue to subsidise environmental services is outside the statutory purpose of the levy. It will therefore be necessary to place the fees on a full cost-recovery basis in the first year of the transitional period. Many of these costs will cease to be incurred by Maritime New Zealand once controls over waste dumping and mining discharges pass from Maritime New Zealand to the Environmental Protection Authority under the Marine Legislation Bill.
26. The levy revenue requirement will be further reduced with effect from 2013/14 by separate action, under section 9(1) of the Land Transport Management Act 2003, to address the use of the levy to meet recreational boating related costs. Section 9(1) allows excise duty derived from fuel used by recreational boats (estimated at \$25 million) to be appropriated for search and rescue and boating safety purposes with the agreement of the Ministers of Transport and Finance. The Minister of Finance and I have agreed to increase the existing section 9(1) appropriation (\$5.6 million, principally for search and rescue) by \$1.4 million to meet the recreational boating safety-related costs presently met by the levy.
27. The effects of these changes are that:
- the levy revenue requirement will reduce by \$1.4 million on 1 July 2013 as a result of remedying the subsidisation of boating safety services
  - the fee revenue requirement will reduce by \$1 million over the six years from 2013/14 to 2018/19 as a result of efficiency gains
  - fee revenue will increase from around \$1.9 million in 2012/13 to an estimated \$4.7 million in 2018/19
  - levy revenue will reduce from \$17.1 million in 2012/13 to an estimated \$12.3 million in 2018/19
  - over the six-year transition the levy will meet the declining difference between fee revenue for maritime safety functions and the actual cost of the relevant services.

28. The following table illustrates the changing contributions from fees and the levy over the six-year transition, including the declining gap between fee revenue and service provision costs, which will continue to be subsidised by the levy until the gap is closed in year six.

**Table 1 Fee and levy contributions over six-year transition**

<b>Funding source</b>	<b>2012/13 \$M</b>	<b>2013/1 4 \$M</b>	<b>2014/1 5 \$M</b>	<b>2015/1 6 \$M</b>	<b>2016/1 7 \$M</b>	<b>2017/1 8 \$M</b>	<b>2018/19 \$M</b>
<b>Total fees</b>	1.9	2.8	3.2	3.5	3.8	4.2	4.7
<b>Levy</b>							
<b>Ongoing portion of the levy</b>		11.9	12.3	12.3	12.3	12.3	12.3
<b>Portion of the levy subsidising fees</b>		2.8	2.2	1.8	1.3	0.8	0
<b>Total levy</b>	17.1	14.7	14.5	14.1	13.6	13.1	12.3
<b>Total levy and fees</b>	19.0	17.5	17.7	17.6	17.4	17.3	17.0

29. The proposal does not increase total funding for Maritime New Zealand.

### **Changes to levy rates and fees and charges**

#### *Levy*

30. Levy rates for all categories of ship will be reduced by between 24 percent and 45 percent. The levy rate for foreign cargo and passenger ships, which generate most levy revenue (86 percent) will be reduced progressively over the six-year transition, which will maintain sufficient revenue to meet the difference between fee revenue and the cost of services until full cost-recovery through fees is achieved in 2018/19.
31. Levy rate reductions for all categories of domestic vessels will be fully implemented with effect from 2013/14. This reflects that, unlike operators of foreign ships, domestic operators incur fees for a wide range of Maritime New Zealand services, and that levies on domestic vessels comprise only a small proportion of total levy revenue.
32. Appendix 1 sets out all changes to levy rates under the Marine Safety Charges Regulations 2000 over the 2013/14 to 2018/19 transition period.

#### *Fees and charges*

33. The changed funding arrangements will require alterations to the fees and charges provided for under the Shipping (Charges) Regulations 2000 and the Ship Registration (Fees) Regulations 1992. Further amendments are also proposed to update and improve the efficiency of the regulations.

#### *Hourly charge-out rate*

34. Currently, regulation 4 of the Shipping (Charges) Regulations 2000 specifies graduated hourly rates of \$63, \$103 and \$144 (GST inclusive) for Maritime New Zealand services chargeable on an hourly basis under Schedule 1 of the Charges Regulations.
35. The funding review has established that an hourly rate of \$235 (GST inclusive), chargeable for all services, will be necessary to achieve full cost-recovery at the end of the transition path in 2018/19 (after allowing for efficiency gains over the transition period). Only the one charge rate is necessary, as salary differences, which graduated rates were intended to reflect, are in practice a small factor in a fully cost-recovered hourly rate.
36. The table below shows the proposed year on year increases in the hourly rate over a six-year transition to full cost-recovery. It also shows the cumulative percentage increase over the average rate of \$103 (GST inclusive) for hourly charges under Schedule 1 of the Charges Regulations.

**Table 2 Changes in hourly rate over six-year transition**

Hourly rate (\$ GST inclusive)	2012/13 (current)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
6-year transition	\$103 (average)	\$144	\$166	\$184	\$201	\$218	\$235
% increase on 2012/13 average rate	NA	40	61	78	95	112	128

*Amendments to Schedule 1 of the Charges Regulations*

37. Schedule 1 lists all services in respect of which an hourly charge applies. Amendments are needed to update the Schedule to:
- 37.1 include a number of Maritime New Zealand direct services for which the Schedule does not currently provide for an hourly charge to be made
  - 37.2 specifically describe certificates that currently are issued under a general description in the Schedule, and amend current descriptions that are out of date
  - 37.3 specify that the hourly rate of \$235 (GST inclusive) will apply with effect from 2013/14 for the environment protection services specified in the Schedule, as discussed in paragraphs 23 and 25
  - 37.4 move charges from an hourly to a fixed rate for maritime documents that take a consistent amount of time to process.
38. Appendix 2 contains full details of the amendments summarised in subparagraphs 37.1 to 37.3. Appendix 3 lists the documents referred to in subparagraph 37.4.

### *New fixed fee*

39. Maritime Rule Part 82: Commercial Jet Boat Operations - River, which came into force in August 2012, requires commercial jet boat drivers to be licensed but no fee has been set. A fully cost-recovered fixed fee of \$271 (GST inclusive) is proposed, on the basis that this is a new requirement for which no transitional adjustment is necessary.

### *Travel costs*

40. The Shipping (Charges) Regulations 2000 provide for Maritime New Zealand to charge actual costs, including charges for the time and costs of travel. For remote locations in New Zealand, these additional charges can often be significantly higher than the costs of the audit or inspection activity itself. A more geographically equitable approach is for the costs and time of travel to be spread across all routine site-based compliance functions carried out in New Zealand. The Maritime New Zealand funding review established that this can be achieved by a one-third premium added to the office-based rate, and applied to the actual time spent conducting an audit or inspection. For any follow-up action resulting from the initial visit, charging would revert to the standard hourly rate plus time and cost of travel, because the additional action would be specific to the individual operator. I propose that the Shipping (Charges) Regulations 2000 be amended to give effect to this arrangement approach to the recovery of travel costs.
41. This change would not alter the existing arrangements in relation to activities undertaken outside New Zealand, for which the applicable charges would continue to be the office-based hourly rate for the chargeable activity, plus travel time and reasonable costs incurred for the overseas travel.

### *Cost of contractors and outside specialists*

42. The Shipping (Charges) Regulations, as currently drafted, 2000 provide only for the application of hourly charges to work carried out by an employee of Maritime New Zealand. However, contractors engaged to carry out such work, for example during peak periods, are not employees. To ensure that Maritime New Zealand is able to recover the cost of services for which a contractor is been used, it is proposed that the Shipping (Charges) Regulations 2000 be amended to enable Maritime New Zealand to charge the regulated hourly rate, irrespective of whether the chargeable activity is undertaken by an employee or a contractor.
43. Maritime New Zealand also occasionally requires external technical help in cases where handling an application for a permit or approval requires specialist expertise that it is not realistic for Maritime New Zealand to retain in-house. The Shipping (Charges) Regulations 2000, as currently drafted, do not provide for recovery of costs incurred for such external expertise, with the result that unrecoverable costs are met from levy and other fee revenue. Accordingly, it is proposed that the Shipping (Charges) Regulations 2000 be amended to provide for Maritime New Zealand to recover reasonable costs incurred for specialist services in connection with an application in respect of which a fee or charge is payable.

### *Charging fees for applications rather than issue of documents*

44. Most of the costs of processing an application for a seafarer certificate or ship registration transaction are incurred whether or not an application is successful. Current regulations do not require the fee for a certificate or transaction to be paid if the application is unsuccessful. To simplify the charging system and spread costs more equitably across applicants, it is proposed that the Shipping (Charges) Regulations 2000 and Ship Registration (Fees)



Regulations 1992 respectively be amended to allow the charging of fees upon application for seafarer certificates and ship registration transactions, rather than on the issue of a certificate or completion of a transaction.

#### *Refunds and waivers*

45. The Shipping (Charges) Regulations 2000 and Ship Registration (Fees) Regulations 1992 provide for the full or partial refund or waiver of fees for training and search and rescue ships, but make no such provision for other circumstances. Ten percent of applications for exemptions involve situations where maritime rules lag behind maritime practice or where a first of a kind application is time-consuming and costly but sets a precedent that makes subsequent decisions easier and less costly. In these situations it may be unreasonable to charge for any or all of the time spent considering an application, and it is proposed that both sets of regulations be amended to provide for a full or partial refund or waiver of fees in such cases.
46. If fixed fees are made payable on application, as proposed in paragraph 44, it will be necessary to provide for the full or partial refund of a fee if an application is withdrawn before work on the application has begun, or at an early stage in the process, and Maritime New Zealand has incurred little or no costs in processing the application.

#### *Ship registration fees*

47. The underlying hourly charge rate of \$235 (GST inclusive) for full recovery of the costs of chargeable services applies to the fees prescribed in the Ship Registration (Fees) Regulations 1992.
48. Full cost-recovery will increase ship registration fees by 270 percent. I propose that ship registration fees be increased to full cost-recovery, phased over the 2013/14 - 2018/19 transition period, as detailed in Appendix 3.

#### **Impacts of the proposed changes**

49. Annual levy rates will reduce for all categories of ship, while the impact of increases in fees and charges will vary according to ship category. For operators of large ships, which pay proportionately higher levies, the offsetting effect of increases in fees and charges is minimal. Operators of smaller vessels, which make up most of the domestic fleet and are the main users of chargeable services, generally will experience a net increase in costs.
50. Table 3 shows the change in annual payments between 2012/13 and 2018/19 when fee and levy payments are combined for representative examples of vessels or operators in key domestic maritime sectors. The majority of the approximately 2,000 domestic vessel operators and 3,300 domestic vessels operate in the passenger and inshore fishing sectors. The domestic sector collectively generates around 3,600 directly chargeable transactions annually.
51. The impact of the changes is greatest on smaller operators. This is unavoidable, as they are the main users of chargeable services for which the funding review has established that costs are significantly under-recovered. The proposed six-year transitional period allows a lengthy adjustment phase during which efficiency gains in service delivery would be realised before full cost-recovery cuts in.



**Table 3 Change in annual payments for key domestic sectors**

<b>Example company in key domestic</b>	<b>NZ large non-passenger</b>	<b>NZ interisland ferry operator</b>	<b>Deepwater fishing fleet operator</b>	<b>Inshore fishing operator</b>	<b>Domestic passenger operator</b>	<b>Commercial jet boat operator</b>
<b>2012/13 payments</b>	252,178	792,883	14,639	900	941	902
<b>2018/19 payments</b>	201,811	612,905	9,413	1,273	1,140	1,892
<b>Net impact</b>	(50,367)	(179,978)	(5,226)	373	199	990

### **Future reviews**

52. Maritime New Zealand funding is to be reviewed three-yearly, and I expect the next review to be undertaken in 2015. That review will enable the progress of the new funding arrangements to be evaluated mid-way through the six-year transition and provide the opportunity to make such adjustments as may be necessary.

### **Consultation**

#### *Stakeholder consultation*

53. The funding review process has been governed by a steering group including the Chair and the Director of Maritime New Zealand, the Chief Executive of the Ministry of Transport, and the Manager, National Infrastructure Unit at the Treasury.
54. The funding review has been undertaken with stakeholder advice and information through a sector reference group made up of representatives of the maritime sector. The group was closely involved in the development of the funding principles and options, and the consultation document. Some members have been involved since the value for money review in 2010.
55. Consultation with affected parties has been undertaken though the release of the consultation document for six weeks consultation in October/November 2012. The consultation has followed a transparent process, ensuring fair opportunity for stakeholder understanding and comment.

#### *Stakeholder views*

56. Stakeholders are generally supportive of the conceptual approach, reflecting the engagement of the sector reference group. Few stakeholders raised issues with regard to the proposed reduction in the levy. The New Zealand Shipping Federation has objected to the continued use of passenger capacity in calculating the levy rate for interisland passenger ferries.

Foreign ship operators made no submission during the consultation period but Shipping New Zealand and the International Container Lines Committee have since said they consider the levy reduction is too small and the implementation period too long. A range of submitters, including the New Zealand Marine Transport Association, the New Zealand Shipping Federation and a number of individual operators submitted that the hourly rate calculated for Maritime New Zealand services is too high, with some questioning the cost-effectiveness or efficiency of services.

57. Some submitters expressed concern that the proposals do not include costs and charges for Maritime New Zealand's proposed new Maritime Operator Safety System and seafarer certification and operational limits framework. However, maritime rules to give effect to these initiatives are still to be made. Maritime New Zealand is therefore addressing cost-recovery for these two initiatives separately, drawing on the underlying cost analysis from the funding review. Funding relating to both initiatives will be included in the next scheduled funding review, which potentially could be brought forward to address any issues arising in respect of implementation costs.
58. The proposed levy reductions and fee increases have not been altered in response to submissions. Levy and fee calculations draw on detailed cost and revenue allocation data generated from Maritime New Zealand's upgraded time-recording and financial systems. The results were shared with stakeholders through the sector reference group and detailed analysis was made available as part of the funding review consultation process.

#### *Departmental consultation*

59. Consultation on this paper has been undertaken with Maritime New Zealand, the Treasury, the Ministry of Business, Innovation and Employment, the Ministry for Primary Industries, the Ministry of Foreign Affairs and Trade, Ministry for the Environment, Te Puni Kokiri and the State Services Commission. The Department of the Prime Minister and Cabinet has been informed.
60. No departments raised concerns with the Cabinet paper's proposals.

#### **Legal advice**

61. I have received legal advice that, as these proposals do not differ from the initial proposals on which public consultation was undertaken in 2012, further public consultation is not required.

#### **Financial implications**

62. The proposed future funding system will not increase the Crown baseline funding to Maritime New Zealand. The proposed future funding system will affect the funding structure of Maritime New Zealand and will establish robust and transparent funding arrangements. Now that Maritime New Zealand has an accurate picture of the cost of effort across its outputs and the relationship between revenue sources and the allocation of costs, fee and levy rates can be more easily adjusted in response to changes in costs or in the regulatory framework.
63. The funding provided to Maritime New Zealand under section 9(1) of the Land Transport Management Act 2003 is fiscally neutral to the Crown but results in a corresponding reduction in fuel excise revenue available for the National Land Transport Programme.

64. The proposed future funding system will not increase total revenue collected by Maritime New Zealand. Rather, it will redistribute the collection of revenue between fees and the levy.

### **Human rights, gender and disability implications**

65. There are no human rights, gender, or disability implications associated with the proposals in the consultation document.

### **Legislative implications**

66. Amendments to the Marine Safety Charges Regulations 2000, the Shipping (Charges) Regulations 2000, and the Ship Registration (Fees) Regulations 1992 will be necessary to implement the proposed changes to the rates of levies and fees, update the descriptions and lists of chargeable services, and improve the efficiency of regulations.
67. It is proposed that the amendments take effect on 1 July 2013.

### **Regulatory Impact Analysis**

68. A Regulatory Impact Statement is required with respect to the proposals in this paper. A Regulatory Impact Statement has been prepared by the Ministry of Transport and is attached to this Cabinet paper. The Regulatory Impact Statement and associated supporting material has been assessed by the Ministry of Transport's Regulatory Impact Statement internal review panel as meeting the quality assurance criteria.
69. I have considered the analysis and advice of my officials, as summarised in the attached regulatory impact statement, and I am satisfied that the regulatory proposals recommended in this paper:
- are required in the public interest
  - will deliver the highest net benefits of the practical options available
  - are consistent with our commitments in the Government statement 'Better Regulation, Less Regulation'.

### **Publicity**

70. Decisions about the future funding system for Maritime New Zealand will be communicated on Maritime New Zealand's website, supported by notifications in industry publications. This will happen as part of a wider Maritime New Zealand communications plan to inform the sector of the changes and what they mean for the various sectors of the industry. Maritime NZ will implement its communications plan in consultation with my office.

### **Recommendations**

71. I recommend that the Committee:
1. **note** that the Maritime New Zealand Funding Review has identified a misalignment between the intended funding sources for Maritime New Zealand activities and the activities that these sources are currently funding

2. **agree** to implement a future funding scheme for Maritime New Zealand that addresses this situation through a transition to full cost-recovery for directly chargeable services and a reduction in the rate of marine safety charge levied on commercial vessels
3. **agree** to a six-year transition period from 2013/14 to 2018/19 to phase the impacts on fee payers and allow cost reductions from efficiency gains and service delivery improvements to be reflected in the revised fee rate
4. **note** that the new funding system will not increase total revenue collected by Maritime New Zealand or Maritime New Zealand's Crown baseline funding

#### **Marine Safety Charges Regulations 2000**

5. **agree** that the Marine Safety Charges Regulations 2000 be amended to adjust the rates of marine safety charges over the six-year transition period as detailed in Appendix 1

#### **Shipping (Charges) Regulations 2000**

6. **agree** that the Shipping (Charges) Regulations 1992 be amended to:
  - i. increase the hourly charge under regulation 4 for services specified in Schedule 1 progressively to \$235 (GST inclusive) over the six-year transition period, as outlined in Appendix 2, Part A, other than for environment protection services
  - ii. increase the hourly rate specified in Schedule 1 to \$235 (GST inclusive) with effect from year one of the transition period in respect of environment protection services as listed in Appendix 2, Part C
  - iii. provide for travel costs for routine site visits in New Zealand to be recovered through a one-third premium added to the office-based hourly charge, rather than through direct recovery of actual and reasonable costs
  - iv. ensure that Maritime New Zealand can charge the regulated hourly rate for services specified in Schedule 1, irrespective of whether the chargeable activity is undertaken by an employee or a contractor
  - v. ensure that Maritime New Zealand can recover reasonable costs incurred for specialist services required in connection with an application in respect of which a fee or charge is payable
  - vi. allow the charging of fees upon application for a seafarer certificate, rather than for the issue of a certificate
  - vii. allow the full or partial waiver of fees where maritime rules lag behind maritime practice or a first of a kind application is time-consuming and costly but sets a precedent that makes subsequent decisions easier and less costly

- viii. allow the full or partial refund of a fee if an application is withdrawn before work on the application has begun, or at an early stage in the process
- ix. change the basis for charges for the services listed in Appendix 3 from an hourly charge under Schedule 1 to the fixed fees specified in Appendix 3
- x. include in Schedule 1 the new and renamed certificates and permits described more particularly in Appendix 2, Part B
- xi. fix a new, fully cost-recovered fee of \$271 (GST inclusive) in respect of commercial jet boat driver licences required under Maritime Rule Part 82: Commercial Jet Boat Operations - River

### **Ship Registration (Fees) Regulations 1992**

- 7. **agree** that the Ship Registration (Fees) Regulations 1992 be amended to:
  - i. increase the fees in the Schedule, as detailed in Appendix 4 in order to place the fees on a full cost-recovery basis of \$235 an hour (GST inclusive) over the six-year transition period
  - ii. allow the charging of fees upon application for a ship registration transaction, rather than for completion of the transaction
  - iii. allow the full or partial waiver of fees where maritime rules lag behind maritime practice or a first of a kind application is time-consuming and costly but sets a precedent that makes subsequent decisions easier and less costly
  - iv. allow the full or partial refund of a fee if an application is withdrawn before work on the application has begun, or at an early stage in the process
- 8. **invite** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to amend the Marine Safety Charges Regulations 2000, the Shipping (Charges) Regulations 2000, and the Ship Registration (Fees) Regulations 1992 to give effect to recommendations 5, 6 and 7 and to make any savings, transitional, and consequential amendments
- 9. **note** that a further review of funding arrangements for Maritime New Zealand is scheduled for completion in 2015.

Hon Gerry Brownlee

**Minister of Transport**

Dated: