

Funding Framework for Regulatory Services 2015-18



Template for Feedback Responses

The template below is designed to help you formulate your feedback, and to help us analyse it. Please type your responses into the spaces marked in grey. Please give reasons for your responses, so we can clearly understand your viewpoint, and have suitable evidence to support any eventual decisions

The boxes in grey are provided for your responses. They will expand to receive your comments.

If you wish to edit this document in more than one session, please save it to your computer.

Once complete, either email to consultation@caa.govt.nz or post a copy to the address below:

Project Manager – Funding Framework for Regulatory Services Review
Civil Aviation Authority
P O Box 3555
Wellington, 6140

Please ensure your written submission reaches us by 5pm on Monday, 25 August 2014.

Your details:

(to help us understand your perspective, and to enable us to contact you with any questions about your submission)

Name:	Aviation New Zealand
Email (or postal) address:	Samantha.sharif@aviationnz.co.nz
Role Individual/Aviation Sector/Other	Industry body representing the aviation sector
Please describe your role:	

DISCLOSURE OF RESPONSES

Your response to this consultation, may only be published or disclosed in accordance with the Official Information Act 1982 (OIA). Aggregate information from responses will be published.

Confidential information should be clearly marked. Under the OIA, this could be treated as grounds for withholding such information, so please explain in your response why any information should be regarded as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances.

Framework for Making Funding Decisions

Feedback Question 1 (Refer Paras 48 and 49)

- Do you agree that the funding objectives shown in the discussion document are right for the Authority's funding framework?
- Are there any others you think are worth considering?

Your feedback

Do you agree with the option(s) discussed?
Yes/Substantially/Partially/No

Yes

What are the reasons for your answer?
(Leave this blank if you largely agree with the reasons given in the discussion document).

Do you have any alternative suggestions to make with regard to this option?

We need assurance that the total size of the CAA budget is appropriate.

Risk and cost exacerbators

Feedback Question 2 (Refer Paras 53 to 59)

- Do you think there are any other parties that might benefit from civil aviation regulation?
- Are there any other risk or cost exacerbators that need to be included and considered?

Your feedback

If you think there are any other parties that might benefit from civil aviation regulation, who are they and why?

Yes, need to consider the public good element and economic benefit to NZ Inc.

If you think there any other risk or cost exacerbators that need to be included and considered, what are they and why?

How should users and participants pay?

Feedback Question 3 (Refer Paras 60 to 80)

- Do you agree that changes that better match charges to beneficiaries, get users to respond in the right way, and minimise costs will achieve the objectives of the funding framework described above?
- Are there any other changes to fees and levies that the Authority should be considering?

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Your feedback

Do you agree with the option(s) discussed?
Yes/Substantially/Partially/No

Yes.

What are the reasons for your answer?
(Leave this blank if you largely agree with the reasons given in the discussion document).

Do you have any alternative suggestions to make with regard to this option?

Better Matching Levies and Fees to Beneficiaries

Equalise domestic and international passenger levies

Feedback Question 4 (Refer Paras 84 to 89)

- Should the CAA seek to equalise the Domestic Passenger Safety Levy and the Departing International Passenger Safety Levy?

Your feedback

Do you agree with the option(s) discussed?
Yes/Substantially/Partially/No

Agree substantially, all passengers should pay, all benefit equally, so levy should be the same.

What are the reasons for your answer?
(Leave this blank if you largely agree with the reasons given in the discussion document).

Do you have any alternative suggestions to make with regard to this option?

Lowering the Passenger Levy Threshold

Feedback Question 5 (Refer Paras 90 to 95)

- Do you think the threshold level should change from 15,000?
- What do you think of 12,000 as an alternative level?
- Is there another threshold that would be more appropriate? Why?

Your feedback

Do you agree with the option(s) discussed?
Yes/Substantially/Partially/No

In principle, all passengers should pay, changing figure to 12000 from 15000 will not bring any additional operators in. Need to look at cost-

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	benefit of recovery if costs more to administer than is collected.
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What are the reasons for your answer?
(Leave this blank if you largely agree with the reasons given in the discussion document).

Do you have any alternative suggestions to make with regard to this option?

Recovering routine surveillance costs from passenger levies

Feedback Question 6 (Refer Paras 96 to 102)

- Should the CAA fund routine system surveillance through revenue from participation/passenger levies?

Your feedback

Do you agree with the option(s) discussed?
Yes/Substantially/Partially/No

Question is a little unclear. We believe all routine surveillance should be paid for by passenger levy, rather than by fees and charges.

What are the reasons for your answer?
(Leave this blank if you largely agree with the reasons given in the discussion document).

As it is a public good.

Do you have any alternative suggestions to make with regard to this option?

A passenger levy on commercial general aviation 'unscheduled' passenger operations

Feedback Question 7 (Refer Paras 103 to 109)

- Should the CAA introduce a passenger levy on 'unscheduled' flights undertaken by commercial general aviation operators?
- On what metric and at what point should the requirement to pay a passenger levy on 'unscheduled' flights undertaken by commercial general aviation operators be triggered?
- Should there be a minimum number of passenger sectors on 'unscheduled' flights undertaken by commercial general aviation operators below which passenger levies cease to be payable?

Your feedback

Do you agree with the option(s) discussed?
Yes/Substantially/Partially/No

Yes, they should pay and all passengers should pay, simple to administer and fair.

What are the reasons for your answer?
(Leave this blank if you largely agree with the reasons given in the discussion document).

Do you have any alternative suggestions to make with regard to this option?

See our comments in relation to Question 17.

Introducing new levies on rule parts 115, 135, 137, 161

Feedback Question 8 (Refer Paras 110 to 113)

- Should the CAA establish activity-based levies for the commercial activities undertaken under Rule Parts 115, 135, and 137?
- Upon what bases could any such levies be calculated?

Your feedback

Do you agree with the option(s) discussed?
Yes/Substantially/Partially/No

Yes, they should be charged and based on passengers.

What are the reasons for your answer?
(Leave this blank if you largely agree with the reasons given in the discussion document).

Do you have any alternative suggestions to make with regard to this option?

See our comments in relation to Question 17

A Levy on Freight-only Flights

Feedback Question 9 (Refer Paras 114 to 116)

- Should the CAA introduce a freight-based levy for dedicated domestic cargo operations using medium and heavy aircraft (above 5700kg MCTOW)?
- Should the CAA introduce a freight based levy for dedicated international cargo operations using medium and heavy aircraft (above 5700kg MCTOW)?

Your feedback

Do you agree with the option(s) discussed?
Yes/Substantially/Partially/No

Yes.

What are the reasons for your answer?
(Leave this blank if you largely agree with the reasons given in the discussion document).

Do you have any alternative suggestions to make with regard to this option?

Achieving the Right Behavioural Responses

Continue to raise follow up surveillance from a specific fee

Feedback Question 10 (Refer Paras 128 to 133)

- Do you agree that non-routine (subsequent to routine) surveillance action should continue to be charged at cost to the participant?

Your feedback

Do you agree with the option(s) discussed?
Yes/Substantially/Partially/No

Yes, at a fair and reasonable rate.

What are the reasons for your answer?
(Leave this blank if you largely agree with the reasons given in the discussion document).

This incentivises willing compliance.

Do you have any alternative suggestions to make with regard to this option?

Continue to raise application costs from a specific medical fee

Feedback Question 11 (Refer Paras 134 to 142)

- Should the CAA introduce a two stage fee for medical certification in which:
 - the applicant pays a fee for their initial application. If their certificate is granted straight away then that will be the only fee paid?; and
 - the applicant will also pay an additional charge representative of the incremental cost of an AMC process only if that is required?
- Do you agree that cost recovery from medical applicants should only cover only the costs of managing and carrying out the oversight of the medical certification process? This will mean levy funding will cover the other medical unit costs which are not related to supporting the application process?

Your feedback

Do you agree with the option(s) discussed?
Yes/Substantially/Partially/No

Yes.

What are the reasons for your answer?
(Leave this blank if you largely agree with the reasons given in the discussion document).

Do you have any alternative suggestions to make with regard to this option?

Introduce travel charges for remote surveillance

Feedback Question 12 (Refer Paras 143 to 150)

- Should the CAA continue to charge participants subject to any second or subsequent visits or enforcement activities, at the prescribed hourly rate (or pro-rata if more than one participant has triggered the travel)?
- Should the CAA charge for travel time at a prescribed rate (on a pro-rata basis) where a participant is unprepared for a pre-organised and agreed onsite visit?
- Should the CAA charges differentiate between work carried out at participant's premises/location and that carried out at CAA locations?

Your feedback

Do you agree with the option(s) discussed?
Yes/Substantially/Partially/No

Partially, yes to first and second bullet, no to third.

What are the reasons for your answer?
(Leave this blank if you largely agree with the reasons given in the discussion document).

NB if rate incorporates a travel fee perhaps this should be a fixed travel fee to not penalise those in remoter regions).

Do you have any alternative suggestions to make with regard to this option?

Minimising Transaction Costs

Link the ANZA levy to passenger levy rates

Feedback Question 13 (Refer Paras 152 to 156)

- Should the CAA seek a change setting the level of the ANZA Levy at a prescribed percentage of the prevailing Domestic Passenger Safety Levy (currently 90%)?

Your feedback

Do you agree with the option(s) discussed?
Yes/Substantially/Partially/No

No comment from Av Fed, unless the lack of charging is imposing additional cost on other participants. Otherwise, issue for larger carriers to respond to.

What are the reasons for your answer?
(Leave this blank if you largely agree with the reasons given in the discussion document).

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Do you have any alternative suggestions to make with regard to this option?

Combine participation levy and annual register maintenance fee

Feedback Question 14 (Refer Paras 157 to 167)

- Should the CAA charge a single registration levy that incorporates the current Participation Levy and the Aircraft Registration Fee?
- Should the CAA provide a mechanism to pay the registration levy, reserving the mark. that does not incur a participation levy?

Your feedback

Do you agree with the option(s) discussed?
Yes/Substantially/Partially/No

Yes, if cost-savings are passed on to the end-users.
Yes to part two of question also.

What are the reasons for your answer?
(Leave this blank if you largely agree with the reasons given in the discussion document).

Do you have any alternative suggestions to make with regard to this option?

Penalties for late payment of fees

Feedback Question 15 (Refer Paras 168 to 171)

- Should the CAA enforce the provision that entities that are late in paying their assessed fees **will be** charged an additional penalty in line with the requirements of the Civil Aviation Act and the Civil Aviation Charges Regulations (No 2) 1991?

Your feedback

Do you agree with the option(s) discussed?
Yes/Substantially/Partially/No

Yes, this is normal commercial practice

What are the reasons for your answer?
(Leave this blank if you largely agree with the reasons given in the discussion document).

Do you have any alternative suggestions to make with regard to this option?

Ensuring stability of levies, fees and charges

Feedback Question 16 (Refer Paras 172 to 178)

- Should the CAA introduce a mechanism to enable fee/levy adjustments to occur outside the three yearly Funding Review cycle allowing the CAA to manage the impact of an external financial shock?
- Should the CAA set its passenger safety charge reserve to an agreed target based on analysis of CAA's business and financial needs and forecasted passenger volumes?

Your feedback

Do you agree with the option(s) discussed? Yes/Substantially/Partially/No	No, it should be covered through reserves. Yes to bullet 2.
What are the reasons for your answer? (Leave this blank if you largely agree with the reasons given in the discussion document).	
Do you have any alternative suggestions to make with regard to this option?	

Feedback Question 17

Other options (Refer Paras 179 to 180)

In Appendix 3 of the discussion document we showed some options that we have chosen not to progress at this time.

If you feel we should further examine one or more of these options, or other options that you may have identified but that we have not referred to, please comment below.

AOPA is promoting the Introduction of a fuel levy covering all domestic operators that replaces all routine CAA fees, charges and levies. Aviation NZ does NOT support the introduction of a fuel levy to replace CAA charges. While called a levy, this is simply a tax. It would be a further impost on the productive community.

A fuel levy means the CAA does not have any incentive to be efficient or deliver value for money, it is tantamount to writing a blank cheque. The CAA will be free to simply advise what magnitude of levy increase is going to occur to fund its operating budget and we will have no scope to discuss whether the services they provide are necessary, being delivered cost effectively, or might be able to be delivered by other means.

Nor do we have any way of removing this funding stream as commercial aviation operators have no option other than to burn fuel to operate.

A fuel levy is also a disincentive to growth and upgrading by operators. Whether the growth is by

way of fleet expansion, aircraft upsizing, or conducting additional flights, every business growth initiative by a commercial aviation operator will result in increased costs.

All participants on the aviation system use CAA services to differing extents, but the volume of fuel burnt by a commercial aviation operator does not accurately reflect their use of CAA services. Any suggestion that a fuel levy could deliver a true user pays scenario is not correct.

Such a fuel levy would also significantly increase costs to our agricultural aviation sector and potentially other aviation sectors with no corresponding benefit. A fuel levy might favour private owner/operators, but would impose significant additional costs on business operators.

Aviation NZ would prefer to see a fundamental and rigorous review of the current CAA funding model and regulatory regime.

It is difficult to review who should be paying and what amount they should be paying without first knowing what the money is being spent on and secondly revisiting the quantum of government's contribution as in our view, the government on behalf of the general public are not paying their fair share.

We need to understand how the government defines public, club, and private goods/services, at least across the transport sector. Without some knowledge of this we do not know how valid or otherwise the CAA initiatives at rebalancing the cost burden really are.

As stated in the discussion document, the clear intention of the funding regime is to more fully adopt the user and beneficiary pays principles. In general NZ's regulators are not funded by industry, but from central government, to reflect this principle and also to ensure true independence and accountability. This approach should also apply to aviation.

As with the other sectors of the transport system, the passengers and the public more generally are the beneficiaries of the aviation system.

Other sectors of the transport industry recognise this and those sectors are not asked nor expected to fund their regulator and neither should aviation. We use the analogy that it is like paying the Police to issue you a speeding ticket.

It is important that there is robust industry engagement on the regulatory activities to be carried out by CAA, in terms of the overall amount of regulation, how it contributes to aviation safety and whether it is targeted in the right way. Meaningless processes which do not contribute to safety should be stopped.

In particular, we note that regulatory oversight of the aviation sector is proliferating with the extended mandates of other agencies, eg MBIE, OSH, EPA, RMA. It is our strongly held view that CAA should be the primary and sole regulator of the aviation sector. It serves no purpose to have duplicative and superfluous oversight from multiple regulators. We want to reduce the level of unnecessary oversight, particularly under Part 137.

Without knowing or being able to control the costs, a fuel levy (with annual inflationary increases or similar) is likely to result in increasing CAA costs. A fuel levy is also indiscriminate and does not

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reflect who are the largest users/drivers of the regulatory system.

We all want an effective aviation safety regulator but unfairly loading costs on the commercial GA sector is not the fairest way to achieve it.

The AAA is NOT at all for supporting a fuel levy, at whatever level, as we are the least users of an Airways system when it comes to Commercial operations. In addition, most AAA work does not involve any passengers or the general public. Agricultural aviation are farmers working for farmers, not the general public.

The user pays approach should recognise that the agricultural aviation sector are low users/drivers of the regulatory and airways system. It is not appropriate to shift costs onto commercial GA, when private GA make up the majority of incidents and accidents, airspace incursions, getting lost, no reporting when required, etc.

An alternative to a fuel levy is to increase the passenger levy.

In summary, any suggestion of introducing a fuel levy as a mechanism for funding the CAA is inequitable, anti-growth, fosters inefficiency, and will be strongly opposed by the commercial aviation industry.

Thank you

Please save this form to your computer and send a copy to:

By Post: Project Manager –Funding Framework for Regulatory Services Review Civil Aviation Authority P O Box 3555 Wellington, 6140	By Email: consultation@caa.govt.nz
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