



# Civil Aviation Authority

## Summary of Issues Raised in Feedback Responses

on

### Stage One of the Funding Framework for Regulatory Services 2015-18



This document is not CAA policy.

It has been created to enable discussion on various options for change to the [Civil Aviation \(Safety\) Levies Order 2002](#), and the [Civil Aviation Charges Regulations \(No 2\) 1991](#), for the period from 2015 to 2018.

### Summary of Issues Raised During Stage One Consultations

#### Introduction

1. The CAA discussion document, the Funding Framework for Regulatory Services 2015-18, was available for public consultation between 14 July and 25 August 2014. This discussion document marked the first step in the Authority's funding review for the period from 2015-2018.
2. The funding review aims to ensure that the Authority's approach to recovering costs accurately reflects the regulatory activities performed, and that levy and fee levels balance expected costs and revenues over the next three years. The funding review process is divided into two stages.
3. The first stage (which is the focus of this discussion document) presents the overall framework for setting the Authority's levies and fees. This framework is directed at answering the questions of who should pay for CAA's activities, and how should they pay (whether through an industry levy or a fee for service). The second stage of the funding review will consider the appropriate level of each regulatory levy and fee.
4. Feedback from stakeholders is important at both stages of the funding review to ensure that levies and fees are set in a way that promotes the right outcomes for the civil aviation industry.
5. The discussion document was made available to members of the aviation community and the general public through the Authority's website, and emails regarding the discussion document and the consultation were sent to over 29,000 addressees. The discussion document is available at: [http://www.caa.govt.nz/funding/2014\\_Funding\\_Disn.pdf](http://www.caa.govt.nz/funding/2014_Funding_Disn.pdf)

#### This document

6. This document provides a summary of:
  - § The issues raised and views expressed during a series of seminars conducted by the CAA between 6 and 15 August, 2014. Two seminars were held in each of Nelson, Christchurch, Queenstown, Auckland, Palmerston North and Wellington, and over 170 people attended the seminars; and
  - § Feedback provided in 133 written responses (whether by use of the CAA provided template, other written submission or email response).

#### The feedback

7. The feedback received, and the CAA's responses have been grouped into three parts.
  - § Part One examines the feedback in terms of recurring themes;
  - § Part Two provides the feedback in response to the questions that the CAA posed in the discussion document; and
  - § Part Three details other options proposed by respondents.

### Part One – Recurrent Themes

8. While the discussion document asked many questions specific to various levies, there were a number of themes that emerged through the responses. These are summarised below.

#### CAA's policy approach

9. The discussion document was seeking feedback on who should pay for aviation regulation and how they should pay. As the funding review is to happen in two stages, some stakeholders said that it would be hard to comment on this approach without seeing the results of financial modelling likely to occur at stage two.
10. There was a general concern that the approach might be a precursor to an increase in fees. As a result many submitters were keen to see cost efficiency and transparency as one of the funding principles of the CAA. Further suggestions for alternate funding principles included:
  - § Appropriate allocation of CAA costs between industry sectors and recovery mechanisms.
  - § Fair distribution of costs between beneficiaries where there are shared benefits from the CAA activities.
  - § Where there is a choice of cost recovery mechanisms, weight given to efficient options (minimised total transaction costs).
11. The vast majority of submitters agreed that the CAA should charge participants in proportion to the safety benefits and oversight received. This is reflected in the substantial amount of agreement with proposals such as lowering the threshold, equalising the international and domestic levies and introducing a levy on freight-only flights.
12. There was a generally positive reception to the CAA engaging on questions of funding from the written submissions. However, one submission criticised the CAA for not having seminars in more and smaller towns around the country and several others complained that the discussion document was too long and asked too many questions.

#### Fuel levy

13. A large number of submitters suggested the implementation of a fuel levy to replace some or all current CAA levies. It was suggested that a fuel levy would be simple, fair and easy to administer. One submitter said that a fuel levy would be perfectly 'in line with CAA's user pays' policy while another said that it would properly address what users should pay by '[striking] the fairest balance between high and low frequency flyers'.
14. However one submitter wrote that 'I believe that the costs of CAA in terms of keeping records, looking after licensing, administering the register, and in fact all functions bear no relationship to the actual hours a pilot may fly.' There is further discussion of submissions in favour of a fuel levy in chapter three.

#### Medical certification charge

15. There was substantial criticism of the current medical certification regime. Submitters questioned whether it properly aligned with the CAA's user-pays approach. Many submitters said that the medical costs were too high, with one submitter saying that 'CAA medical costs

are completely outrageous' while another stated that 'pilots who are in perfect health should not subsidise those pilots who require a long and difficult process to become medically certified to fly.'

### Striking the right balance between sectors

16. An ongoing topic of discussion among submissions was how to best balance the rights, responsibilities and ability to pay of the different parts of the aviation sector in New Zealand.
17. The vast majority of submitters were in favour of equalising the domestic and international passenger levies. The main reasons given for supporting this measure were that all passengers benefit equally from safe airlines, and that airlines are able to pass on the costs of the levy. The suggestion was that, by charging international carriers more, the CAA may be able to reduce the cost burden on other parts of the industry. There was also an overwhelming agreement that equalising the domestic and international levies is in line with the CAA's proposal that those who benefit from a safe aviation system are the ones who pay. It is viewed by the majority of submitters as the most simple to administer and fairest of CAA's levies.
18. The impact of CAA fees, charges and levies on the general aviation (GA) sector was a common theme among submitters from the general aviation community. Several submissions said that the CAA's funding objectives should include the promotion and growth of the GA sector in New Zealand.
19. Underlying many of these comments were two separate but related concerns. The first was that the 2012 changes to the CAA fees and levies, particularly regarding medical certification, are undermining the viability of the GA sector. The second concern is that without a vibrant GA sector the commercial aviation sector would struggle. As one submitter put it, 'the airlines existence would be tenuous without an ongoing supply of trained pilots'. On a related note, one submitter suggested: 'two groups most impacted by costs are seniors and younger people. Is it possible to implement a system of discounts or subsidies for those groups in order to address the cost impact issue? Is there some way to design the system to assist those groups?'

### Government funding, who benefits from a regulated airspace and the role of CAA

20. The discussion document asked people to consider the private, public and club good aspects of the various parts of aviation regulation.
21. An ongoing theme throughout the submissions was on the balance between funding the CAA through user-pays or from general taxation. Several submitters argued that large parts of the New Zealand economy benefit from the trickledown effect of a well-regulated aviation sector. Examples of those who receive a secondary benefit included tourism operators, the hospitality industry and other service industries.
22. Many went further and argued that the entire general public is a beneficiary of a safe aviation system. Therefore the government should contribute more to the enforcement of the regulatory regime. One submitter concluded that 'in today's modern economy aviation contributes to the public good [...] and the economic benefit to New Zealand resulting from a

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healthy aviation sector should be taken into account when making funding decisions [...]funding should be provided by taxpayers.’ Similarly, there was a concern that geography may be a barrier to engagement with the government. It was noted by one submitter that ‘as a state agency, [the CAA] must provide national coverage and not disadvantage because of geography.’

23. As already stated, a large number of submitters expressed concern that this discussion document was a precursor to further fee increases. As a result, many said that they were concerned about the efficiency of the operation of the CAA. Common areas of concern included: whether the private sector could do the CAA’s job more efficiently, the CAA’s internal cost structure, whether the CAA provided value for money and whether CAA fees hamper the growth and development of the aviation industry in New Zealand.

### *Our response to the feedback*

24. Some comments made by submitters sought the CAA’s action to promote or encourage the General Aviation sector, and some of the economics-based feedback sought a more commercial approach to the setting of fees charges and levies. It is important to state that the **CAA is a safety regulator**, not an economic regulator.
25. Some of the arguments and views put forward by respondents are generally valid but do not have a material effect on the specific funding proposals made by CAA. In this category are the views on the objectives, and the views on the definition of cost exacerbators. Many of the problems identified are common to all processes of setting fees and charges, and CAA’s current proposals seek to strike a reasonable balance between efficiency and practicality.
26. Some of the criticisms about identifying beneficiaries and matching levies to those beneficiaries are valid, but these criticisms cannot be overcome in this type of exercise. Perfect identification and matching is not possible and some uncertainty will remain, hence our proposed approach of incrementally improving the targeting of fees and levies.
27. We have taken independent advice to ensure that our application of the Treasury and Office of the Auditor General guidance on the setting of fees, charges and levies is consistent and meets the thrust of that guidance.

### Summary of Economic Arguments in the Submissions

Economic argument	Stated (or implied) actions to remedy	Our response to the feedback
1. The funding objectives in the discussion document for CAA fees and levies leads the CAA to focus on the easiest methods of revenue collection over the most efficient methods of revenue collection.	The CAA should amend the objectives for the Funding Framework to better reflect efficiency goals.	The Funding Objectives were set by the CAA Board and reflect the Board’s intention regarding the regulatory system it is charged with overseeing. While some submissions have pointed to potential changes to the funding objectives, we believe that the changes to the wording proposed by some submitters would not materially affect the options proposed.

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Economic argument	Stated (or implied) actions to remedy	Our response to the feedback
2. The CAA definition of risk exacerbators is not aligned with Treasury; in fact, it is a 'causer'-pays model.	The CAA should adopt the exact Treasury definition of risk exacerbators.	The Treasury guidelines are useful. However, the regulatory scheme embodied in the Civil Aviation Act 1990 focuses upon identifying those who cause risk, and encouraging actions to be taken by the 'causer' to mitigate those risks. To that end, in this case, the causer is, in fact, the exacerbator.
3. The CAA has not provided sufficient analysis of the beneficiaries of the system to identify who should pay.	Further analysis of beneficiaries of the system is required before fees are set.	<p>We sought feedback from the sector to assist with identifying who are the beneficiaries/exacerbators, and thus who should pay, and how they should pay.</p> <p>We are of the view that the uncertainty should be accepted and an incremental improvement approach pursued. Accordingly, we will address specific suggestions based on the consultation and the extent that they can be shown to improve beneficiary-matching or target risk exacerbators.</p>
4. The general public (when not a passenger or participant) are beneficiaries of the safe aviation system that the CAA activities generate and therefore should contribute more.	The CAA should request government taxpayer funding for general operations on the basis of better beneficiary-matching.	<p>We believe that the services are not public goods as they are excludable, and that direct beneficiaries and club members can be identified and charged.</p> <p>The scope of this review specifically excluded the Crown contribution to CAA's operations.</p>
5. General passenger levy funds pay, in part, for regulation across all of the civil aviation system, not just the sector from which they are drawn. This is viewed by some to be 'inefficient'.	Increase charges on the GA sector to remove cross-subsidies from other groups including passenger levies.	<p>We do not agree that there is a general level of cross-subsidisation between the general passenger levy and GA activities. However, we are also of the view that there is merit in exploring options to broaden the base of levies to reflect those sectors of the aviation community that have reached a level of maturity and sophistication to enable levies to be utilised effectively.</p> <p>We have proposed several additional levies to broaden the base and capture those sectors that have in the past not been levied sufficiently.</p>

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Economic argument	Stated (or implied) actions to remedy	Our response to the feedback
<p>6. Participants are significant beneficiaries in the system and this has not been sufficiently recognised as per the Regulations Review Committee (BARNZ).</p>	<p>A per-flight levy should be charged on all revenue-generating flights (in addition to per-passenger for all passengers)</p>	<p>We agree that participants benefit from surveillance (audit and inspection) and other regulatory activities. However the critical factor to consider with primacy is the purpose of the regulatory activity.</p> <p>For example, surveillance (audit and inspection) activity is designed to ensure participants continue to discharge their obligations in accordance with the requisite standards so that the consumer has assurance that their services are safe.</p>
<p>7. The proposal to shift routine surveillance activity funding from an hourly rate to a levy-funded activity is inefficient and contrary to the stated goals of the Framework.</p>	<p>Do not shift the funding of routine surveillance activity to levies-funding and leave the hourly charge intact.</p>	<p>Refer to No. 6 above.</p>

## Part Two - Feedback in response to the questions that the CAA posed in the discussion document

### Funding Objectives

28. While a clear decision-making framework helps the Authority understand the range of charging approaches that are likely to work, different options still need to be evaluated against specific objectives. The primary objective of the funding review is to set levies and fees in a way that allows the Authority to recover its costs. In achieving this primary objective, the Authority aims to set levies and fees in a way that:
- i. Promotes civil aviation safety and security. The Act puts aviation system safety and security at the forefront of the Authority's activities, so costs should be recovered in ways that are consistent with this statutory objective;
  - ii. Encourages industry participants to compete, invest and innovate. This objective requires levies and fees to be set in a way that encourages the civil aviation system to be used whenever the value of using the system outweighs the cost. More specifically, this objective would weigh against charging approaches that create a compliance burden without an offsetting safety or efficiency gain; and
  - iii. Is practical and stable over time. This objective requires that levies and fees are set and changed at regular intervals and in a manner that does not create uncertainty in the industry or for the regulator.

### What we asked

29. In the discussion document we asked:
- § Do you agree that these are the right objectives for the Authority's funding framework?
  - § Are there any others you think are worth considering?

### What submitters told us

Yes	38
Substantially	11
Partially	14
No	2

30. There was a general agreement with the proposed funding objectives. Most submitters acknowledged that the principles themselves were sensible, even if they did not agree entirely with the wording or with the CAA's approach to achieving them.
31. Several people said that objective ii was vague and needs to be further defined. One submission argued that this objective 'should be balanced with a requirement that CAA promotes and grows aviation in New Zealand.'
32. Some said that it was hard to fully support the principles when 'there is limited information available about CAA's internal costs and if it operates efficiently.' A large number of

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submissions said that they would like assurance that the total budget of the CAA was appropriate and there were several references to the need to have cost-saving or improving efficiency as a goal of the CAA.

### *Our response to the feedback*

33. Most submitters were happy with the objectives of the Authority's funding framework as they currently stand.
34. We have taken on board the calls for greater transparency and calls for increased efficiency at the CAA. We have made a large number of changes over the past three years in line with the Value for Money review (undertaken in 2011) in order to increase the efficiency of our operations.
35. We are continually improving our processes in order to ensure value for money for the aviation sector. This funding review is part of that process.
36. See also the discussion in the summary table in Part One.

### Who Should Pay?

37. Government guidance on fees and charges recommends that the party who should be charged should be some combination of:
- § **Beneficiaries:** Parties who benefit from the provision of the good or service, including those who would be adversely affected if the output were not provided; and/or
  - § **Risk or cost exacerbators:** Parties that cause the cost of providing the good or service to rise, or who, through their actions cause increased risk in the system.
38. Beneficiaries of regulatory activities are not always straightforward to identify. Beneficiaries could include a number of different groups or individuals or combinations of groups and individuals, depending on the activity. Regulatory activities will often affect multiple beneficiaries, and in many cases the benefits will be diffuse.
39. Parties (e.g. participants) that exacerbate risk generally also cause more cost to be incurred by the consumer or regulator (or both) as a consequence of their actions. Like beneficiaries, risk and cost exacerbators can be drawn from a range of groups that interact with the aviation system. They could be:
- § Individuals seeking certification or assessment
  - § Participants who do not comply with rules
  - § The CAA itself through choosing to undertake activity
  - § Users of the system including passengers.

### What we asked

40. In the discussion document we asked:
- § 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?

### What submitters told us

Yes	31
Substantially	0
Partially	0
No	3

41. There was almost uniform agreement that risk or cost exacerbators should pay for the benefits of civil aviation regulation. However, there was significant discussion on exactly who those cost exacerbators are and how to properly identify them.
42. One submitter wrote that 'we consider that the General Public of New Zealand should be considered as exacerbators also as they are, through the Government, signatories' to the ICAO conventions and therefore have joined in agreeing to provide a safe secure environment for the travelling public. By doing so the public gain benefit from tourists that may not otherwise

visit New Zealand, contributing to the economy, if we did not have a safe secure aviation system.' On a similar note a large number of submitters said that a safe aviation system was a public good. A common example: 'Yes [there are other cost exacerbators], need to consider the public good element and economic benefit to the wider NZ economy which profits from having a safe, internationally compliant, well-regulated aviation sector - Intl and domestic tourism, business travel, agri[culture], freight movement, conferences etc.. These impact all sectors of the economy.'

### *Our response to the feedback*

43. We acknowledge that the general public benefits from a safe aviation system.
44. However there are identifiable cohorts of beneficiaries from our regulatory activities, which means that many regulatory activities are club goods. Some specific activities are funded from general taxation such as rules development and international engagement.
45. With regards to properly identifying cost exacerbators that aren't already captured by the levy system, we believe that this funding review has gone some way to more fully capturing those participants who are cost exacerbators but who do not currently contribute to the regulatory regime proportionately.
46. See also the discussion in the summary table in Part One.

### How Should They Pay?

47. There are three main ways that beneficiaries and cost exacerbators might pay for CAA services. They are:
- § General Taxation
  - § Levies
  - § Specific Fees.
48. This framework is intended to determine the nature and extent of levies and fees to fund the balance of the Authority's funding requirements. The Authority must decide in this first part of the funding review on:
- § The basis and coverage of each levy it imposes; and
  - § Whether a levy or a fee would be a better fit for a given regulatory activity.
49. We see three ways that funding options could better achieve the objectives set out above:
- § Identifying and matching beneficiary groups with charging mechanisms;
  - § Better behavioural responses of users to a specific levy or fee; and
  - § Reducing the costs of implementing different charging options (to CAA and to users).

### What we asked

50. In the Discussion Document we asked:
- § 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?

### What submitters told us

Yes	40
Substantially	6
Partially	13
No	4

51. There were two main changes to fees and levies that submitters suggested that the Authority should be considering:
- § The introduction of a fuel levy
  - § An increase in the Government's contribution to CAA's funding.
52. A fuel levy was the most popular of the alternate funding mechanisms suggested by submitters. The following was a common take: 'Introduce a fuel levy covering all domestic (private and commercial) operators that replaces all routine CAA fees, charges and levies. It is considered that this fuel levy would adequately capture all commercial operators covering the

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club and public good criteria. It would also fairly cover the private good factor relating to private operators. A fuel levy is the fairest way to balance high frequency fliers with low frequency fliers.'

53. However, one submitter was concerned that a fuel levy would not be useful as a way to incentivise compliant and safe behaviour: '[the submitter] would caution against relying on a general levy as the main basis for funding civil aviation regulatory functions as this would not match charges to beneficiaries or incentivise participants to behave in a compliant manner.'
54. The same submitter also made the case for increasing the Government's contribution to the CAA: 'It should be noted that funding through general taxation, as an alternative to a general levy, would also be administratively simple. The failure of the discussion document to allow discussion on the level of funding received through appropriations for public good activities is a major flaw in the current process.'
55. An overarching concern raised by a number of submissions was that fees and levies have reached the point where they actively undermine the aviation safety regime. One submitter wrote, for example, 'where the cost of compliance is sufficiently high to cause non-compliance (as opposed to someone giving up flying altogether), an issue arises where the compliance cost has caused flying to become more dangerous.'

### *Our response to the feedback*

56. We are of the view that that fees and charges should be better matched to beneficiaries and/or exacerbators
57. The Ministry of Transport and the CAA are currently working to assess the viability of a fuel levy based on the proposal made by a submitter. In addition, the viability of a partial fuel levy is being examined.
58. The scope of this review specifically excluded the Crown contribution to CAA's operations.

### Better Matching Levies and Fees to Beneficiaries

59. This section considers ideas that are primarily designed to more closely align the funding and fees with the beneficiaries and cost exacerbators.

### Equalise domestic and international passenger levies

60. In line with the recommendations arising from the 2012 Fees and Charges Review, the Authority is considering whether to equalise the Domestic Passenger Safety Levy and the Departing International Passenger Safety Levy.

#### *What we asked*

61. In the discussion document we asked:

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

#### *What submitters told us*

Yes	26
Substantially	25
Partially	5
No	4

62. The majority of submissions agreed that equalising domestic and international levies is in line with the CAA's funding approach. The most common response was that both sets of passengers benefit equally from a safe aviation system: 'All passengers should pay the safety levy. As internal and international passengers benefit to the same degree any subsequent levy should be the same for both groups.' Similarly, there was a desire to equalise the levies for the sake of simplicity: 'Yes...keep everything as simple as possible. It will mean less cost for all involved.'

63. However one submitter made the argument that domestic flights serve more of a public good and should therefore have lower levies than international flights: 'The internal flight levies should be kept as low as possible to encourage use of the service. Most people count the cost of the overseas flight before they buy and most overseas flights are classed as a luxury, whereas internal flights are very often a necessity.'

#### *Our response to the feedback*

64. The CAA agrees that the domestic and international levies should be equalised. There is no robust justification for having different levies for international and domestic passengers. Equalising the levies will simplify the fee regime and reduce administrative complexity.

65. This will require considerable modelling to establish an appropriate levy level. There should be no expectation that equalisation will occur at any of the current levy rates.

### Lowering the passenger levy threshold

66. The Authority is considering whether to lower the threshold at which passenger levies become payable from 20,000 passengers per year to 12,000 passengers per year<sup>1</sup>.

#### *What we asked*

67. In the discussion document we asked:

- § 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?

#### *What submitters told us*

Yes	13
Substantially	3
Partially	12
No	6

68. There was in-principle agreement from most of the submitters that the levy threshold should be lowered to more properly capture those who benefit from the system. However, a large number of submitters were only in partial agreement with a constant concern that 'changing [the] figure to 12000 from 15000 will not bring any additional operators in' and that the CAA 'need to look at cost-benefit of recovery if [it] costs more to administer than is collected' and to make sure that with any change 'the benefits must exceed the costs.'
69. Looking forward to the next stage of the funding review one submitter said they 'would appreciate if the CAA could model a number of differing scenarios regarding the passenger threshold in stage two of the funding review.'

#### *Our response to the feedback*

70. We acknowledge the concerns of many submitters that lowering the threshold would add few extra levy-paying participants.
71. Because we are committed to ensuring that any new levies or fees outweigh the costs of administration, this option will be carefully modelled to ensure its efficiency.
72. This modelling will occur alongside other levy-based options.

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<sup>1</sup> Civil Aviation (Safety) Levies Order 2002

### Recovering routine surveillance costs from levies

73. Surveillance activity includes system and participant oversight, routine audits and inspections, and spot-checks. Surveillance is funded by a user charge on industry for surveillance activity.
74. The Authority is considering whether routine surveillance and monitoring activity should be funded primarily by passenger levies and other new levies, with a user charge for subsequent activity following a failure to comply or identification of risk.

### What we asked

75. In the discussion document we asked:
- § Do you agree that the CAA should fund routine system surveillance through revenue from participation/passenger levies?

### What submitters told us

Yes	25
Substantially	2
Partially	5
No	6

76. There was general agreement that funding routine surveillance through revenue from participation and passenger levies was in line with the overall approach of the discussion document. Comments and arguments in favour of the suggestion included:
- § 'We believe all routine surveillance should be paid for by passenger levy, rather than by fees and charges. As this is a club good the beneficiaries are easily identified as the passengers.'
- § 'If there is a need for routine surveillance and has the appropriate cost-benefit recovery then any cost should be borne by a commercial passenger (customer) levy.'
- § 'This type of trade off from passenger levies to general aviation duties would be a sensible way to reduce general aviation costs.'
- § '[Yes, it would] Bring equity and simplicity to the system.'
- § 'Presumably it is for the benefit of the travelling customer so therefore should be borne by them.'
77. Among those who said no, one submitter disagreed with the very notion of surveillance audits, saying that 'routine audits are a waste of time and money for every organisation. Safety comes from attitude not audits and mountains of paperwork.' Another was concerned that, 'given the current lack of transparency regarding the extent and level of costs associated with routine system surveillance and the way in which those costs will be shared across the sector, it is difficult to provide a definitive response to this question.'

### *Our response to the feedback*

78. The CAA agrees that routine surveillance (audit and inspection) should be funded from levies. There is significant evidence in favour of the argument that routine surveillance is a club good and therefore routine surveillance costs should be met from levy funding.
79. We are currently considering a mixed model where surveillance is partially funded by levy and partially by a direct charge. Follow-up surveillance may be funded by a direct hourly charge.
80. This option clearly drives the materiality of any new levies introduced, and has a number of efficiency issues to be addressed before being finalised, given the inherent purpose of surveillance – that is, ensuring that participants are operating safely.
81. See also pages 23 and 24.

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

82. The commercial general aviation sector carries passengers on 'unscheduled' flights. These flights include charter, sightseeing, air transfer/shuttle, and include both point A to point A and point A to point B flights. The number of passenger sectors flown is estimated to be about 233,000 per annum. While participants currently pay participation levies, there are no passenger or activity levies charged for these commercial activities which are carried out under various Rule Parts. However, participants do pay fees and charges for surveillance.
83. The Authority is considering whether to introduce a new levy on the commercial general aviation sector carrying passengers on 'unscheduled' flights.

### What we asked

84. In the discussion document we asked:
- § Do you agree that the CAA should 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?

### What submitters told us

Yes	39
Substantially	5
Partially	3
No	12

85. There was general agreement that those who are engaged in a commercial business that benefits from a safe aviation system should contribute to regulatory oversight. For example, one submitter wrote 'it presumably is in the public interest and for the benefit of the travelling public, whether scheduled or not therefore any commercial passenger (customer) should pay the levy with no minimum threshold. By levying all passengers you keep your income streams simple to administer and retain fairness.'
86. Among those who disagree with the proposition, the main concern was that 'the costs of tracking and paying for non-scheduled operations will exceed the financial gains' or that the administrative burden on smaller operators would increase 'the workload placed on these operators, then the less time they have to concentrate on keeping their operation safe.'

### Our response to the feedback

87. The CAA agrees with the responses in favour of the proposition. Introducing a charge on unscheduled flights is in line with the CAA's approach to user-pays and ensures that the beneficiaries of a safe aviation sector contribute to its regulation.

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88. We acknowledge concerns raised by submitters that it could be difficult and costly to track unscheduled flights.
89. The CAA already has data on passenger numbers for unscheduled flights any future levies would use this data as a starting point. This will happen alongside attempts to continually streamline and improve the information that we have about unscheduled flights. However, we will also need to consider the audit requirements to satisfy ourselves that operators will be meeting their regulatory requirements in a timely manner, in regard to returns and payment of levies.
90. There is still work to be done to assess how we can ensure efficient collection of such a levy if it is introduced.
91. This modelling will occur alongside other levy-based options.

### Introducing new levies on Rule Parts 115, 135, 137 and 141

92. The Authority is considering whether to introduce new levies for Rule Part 115 - Commercial Adventure Aviation; Rule Part 135 - Helicopters and Small Aircraft; Rule Part 137 - Agricultural Aircraft Operations and possibly other Rule Parts. Such a change might become necessary if the option of funding initial surveillance by way of levy is adopted.

### What we asked

93. In the discussion document we asked:
- § Should the CAA establish activity-based levies for the commercial activities undertaken under Rule Parts 115, 135, 137 and 141?
  - § Upon what bases could any such levies be calculated?

### What submitters told us

Yes	38
Substantially	5
Partially	9
No	10

94. The majority of submissions were in favour of the CAA establishing activity-based levies. The main reasons for agreement mirrored earlier answers that 'it should be a given that where an operator is earning revenue from the provision of aviation services that those services contribute to the funding of the aviation system.' One submitter said that it was particularly important that these industries are included in levies as '[these are] Sectors that impact on NZ safety record and higher risk of death, injury and public perception of aviation safety.' Some suggested that the best way to charge operators was by passengers carried.
95. Those who only agreed partially or didn't agree at all expressed concern at the administrative burden this would place on operators and the difficulty of assessing and collecting levies. For example, one answer said 'the main reason I don't agree is that I can't see any way that the CAA could be sure that they have real information about activities' while another said that any levies 'could be expensive and complicated to collect which may outweigh the benefit.'
96. On a similar note, there was a concern that businesses that operate in this part of the industry would be unable to cope with the extra administrative burden: 'It all depends on how big the Operator has become. If they have grown big enough to hire enough staff to carry the workload, then fair enough - give them the extra bookwork involved with revenue gathering,' and 'the danger comes when these same requirements are forced on small operators. It all depends on the disposable income generated by these operators. If it can be shown that they are making enough profits to enable hiring more staff to gather this revenue, then yes, but it should not be forced on small operators.'

### *Our response to the feedback*

97. We agree with the majority of submitters that those who earn money from the aviation sector and are beneficiaries should contribute to funding the regulatory needs of that system. We therefore support the introduction of activity-based levies for Parts 115, 135 and 137.
98. We do not agree with the responses suggesting that the imposition of levies for these participants would be an unreasonable impost.
99. We believe that participants under Parts 115, 135 and 137 should contribute to the financial viability of the regulation of the sector. We will examine the information available to us to assess the efficiency of possible new levies for operations under these Rule Parts.
100. We will not be proposing to introduce any activity-based levies on operations under Rule Part 141 - Certification and Operating Requirements for Aviation Training Organisations, as this would be inappropriate.
101. We will, however consider introducing levies on operations under Rule Part 125 - Air Operations–Medium Aeroplanes.
102. This modelling will occur alongside other levy-based options.

### A levy on freight-only flights

103. The Authority is considering whether all domestic operators should be required to advise the CAA of the number of dedicated cargo flights and the **maximum certificated take-off weight** (MCTOW) of the aircraft involved. The cargo levy would then be applied only to medium and heavy aircraft (above 5700kg MCTOW).
104. The Authority is also considering whether all international operators should be required to advise the CAA of the number of dedicated cargo flights and the maximum certificated take-off weight (MCTOW) of the aircraft involved. The cargo levy would then be applied only to medium and heavy aircraft (above 5700kg MCTOW). In reality most such aircraft would be in the heavy category (above 13,600kg MCTOW).
105. The previous funding review considered this option and concluded that it was not worth pursuing at that time. The Authority has re-examined the issue and, given the volume and nature of the operations, now wishes to discuss this option further with the sector.

### What we asked

106. In the discussion document we asked:
- § 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)?

### What submitters told us

Yes	50
Substantially	5
Partially	2
No	5

107. There was almost unanimous support for the introduction of a freight-based levy for domestic and international cargo operations. One submitter said that 'these levies could be passed on to the end user Customer and would only have minimal effect on the aviation sector.' And that 'freight is typically not carried by the smaller business owner and tends to be established larger operations which can absorb the extra costs of administration.' Most submitters agreed with the statements that 'all profit making commercial activities should contribute,' and that 'it is imperative that all participants in the system are making a contribution to meeting the costs of that system.'
108. Among the dissenting opinions, most were concerned that the addition of a new levy would add further cost burdens on the industry. One submitter asked 'can the CAA advise whether the fee would be applied to those flights where there is a significant mix of passenger and freight.'

### *Our response to the feedback*

109. We agree with the near unanimous support for the introduction of an activity-based levy on freight-only flights, both domestic and international. It is currently inequitable that freight-only flights are not charged activity-based levies.
110. We will model this option alongside other levy-based options.
111. We believe that a levy would be efficient to administer.

### Achieving the Right Behavioural Responses

#### Continue to raise follow up surveillance from a specific fee

112. The Authority proposes to maintain a user charge for non-routine surveillance.
113. Surveillance is currently funded entirely by a user charge on industry for surveillance activity. An option also being considered is the funding of routine surveillance by levies. At issue here is the funding of non-routine surveillance activity and particularly when the actions of those being surveyed necessitate additional work.

#### What we asked

114. In the discussion document we asked:

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

#### What submitters told us

Yes	50
Substantially	4
Partially	2
No	7

115. The vast majority of responses agreed with the proposal. Many submitters said that this approach was in line with the user-pays model applied with other CAA fees and that it 'incentivises willing compliance.' For example, one submitter wrote, 'given the desire to ensure that risk and cost exacerbators bear an appropriate cost of the system, [...] it is imperative that non-routine surveillance action be charged at cost to the person or organisation causing that cost.'
116. There was some concern that the charges could be used arbitrarily, and many, like this submitter, were keen to ensure that the process was fully transparent: 'This is a common model in regulatory frameworks utilised by government and local government. The issue to consider is the hourly charge out rate – this should be realistic, justifiable and not excessively punitive. Clients should be aware of the escalation of the regulatory pathway – few are in my experience.' Another wrote: 'If, as a result of a routine surveillance a factor was found that was a genuine problem – not just a trivial matter – and a follow up inspection before the next schedule was deemed necessary then a charge would be in order.'
117. Among the responses that said no, the following are a sample of the concerns:
- § 'Surveillance should always be funded by the tax payer. It is the General Public and the Government who expect these standards, so they should pay.'
- § 'There would need to be checks and balances in place to ensure that CAA inspectors didn't use follow-up surveillance as a revenue-generating exercise or that personality conflicts between individuals within the CAA and their customers result in inflated invoices.'

### *Our response to the feedback*

118. We are currently considering a mixed model where routine surveillance is partially funded by levy and partially by a direct charge. In all cases, follow-up surveillance will be funded by a direct hourly charge.
119. This option clearly drives the materiality of any new levies introduced, and has a number of efficiency issues to be addressed before being finalised, given the inherent purpose of surveillance – that is, ensuring that participants are operating safely.
120. See also pages 15 and 16.

### Continue to raise application costs from a specific medical fee

121. The Authority is considering whether the medical application fee should target cost-recovery of only those functions of the medical unit that are related to or support the application process (with the balance funded by levies).

#### *What we asked*

122. In the discussion document we asked:

- § 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 Accredited Medical Conclusion (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.

#### *What submitters told us*

Yes	42
Substantially	6
Partially	5
No	9

123. The issue of medical certification drew some of the most passionate responses in the written submissions. There was a strong view expressed that the current system is unsustainable. One submitter said that 'these [medical certification] problems must be resolved if confidence is to be maintained among all parties. The proposals presented in this review seem fairer than the present system and recognise that not all costs of the medical unit should be covered by an application fee.'

124. Many submitters used this section to criticise the medical certification regime as it stands now:

- § 'The current funding of the CAA medical unit is problematic – for the Authority and for the clients.'
- § 'The thing that actually irritates me about this charge is that it has in fact made my flying less safe. It's removing people from medical checks, often at a point in their lives where they SHOULD be getting medical checks.'
- § 'Lumping all medical costs into a high medical application fee is contrary to all principals(sic) of user-pays. Only if an applicant requires the AMC process should they have to pay for that process.'
- § 'The current high medical application fee is accelerating the decline in the numbers of GA pilots and is a significant barrier for new pilots.'

125. One submitter suggested that pilots' medical certification is a public good: 'once again, the high Medical Standards are only an expectation of the General Public, so this should be funded by the General Public.' Another summed up what several submitters thought about the current CAA medical establishment: 'all a pilot should pay for is the normal doctor's fee as at least the pilot is getting a regular check over and hence some benefit is derived for the pilot.'

### *Our response to the feedback*

126. A closed regulatory regime is highly dependent on voluntary disclosure and a 'just culture'. The CAA is committed to ensuring that all pilots have equitable access to the aviation sector.
127. We recognise that the Medical Unit provides both club and private good benefits, and thus there is merit in looking to recover the costs of the unit's activities differently from the current approach. For example, for those club good activities (e.g. standards, policy, etc.) the use of levy funding is probably more appropriate. Specific certification activities (e.g. medical assessment) are more appropriately cost-recovered through a direct fee or charge.

### Introduce travel charges for remote surveillance

128. The CAA is considering an option where routine surveillance functions would not be chargeable, but any second or subsequent visits for enforcement activities to a participant, would be charged at a prescribed hourly rate. This is because those costs lie more appropriately with that individual participant as the risk and cost-exacerbator as described above.
129. In addition, where a participant is unprepared for a pre-organised onsite visit, then travel **time** will be charged (on a pro-rata basis where a visit is made to more than one site on the same trip).

### What we asked

130. In the discussion document we asked:
- § 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?

### What You Told Us in Your Feedback

Yes	15
Substantially	1
Partially	38
No	8

131. There were a large number of submissions that split their responses. There was broad agreement with the first two questions and a large number of dissenting voices regarding the third.
132. Much of the feedback regarding the first two questions recognised the user-pays principles inherent in charging for subsequent visits. For example, one submitter said that the first two proposals 'will incentivise compliance and ensure that costs and charges are better matched. This principle also supports the CAA's proposal that travel time be charged when a participant is unprepared for a pre-organised and agreed on site visit. This charge should reflect the actual costs of the travel associated with that visit.'
133. However, as in previous questions, submitters stressed the need to ensure that the fees were applied transparently, fairly and were not arbitrary. These comments are a sample of the concerns:
- § 'This has to be balanced to ensure the CAA is not unreasonably penalising an operator for where they choose to operate from.'

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- § 'So long as visits are pre-organised and agreed ahead then participants should pay for follow up visits.'
- § 'I agree that there should be some charge in specific situations - namely if the CAA has given sufficient notice of a visit (say 1 month), that the visit is scheduled at a reasonable time for the participant (which would be subject to some form of appeal) and the visit has then been deferred by the participant with less than a week's notice.'
- § 'If repeated visits are required due [to] non-compliance or for failing to prepare then travel charges should apply.'
134. Some feedback referred to the single charge-out rate indicating that it was too much for tasks that were predominantly administrative in nature.
135. There was a more mixed response to the third question. The most common theme among the dissenting answers was that the CAA is a state-imposed agency that is based in Wellington. As a result, it is the responsibility of the CAA to absorb travel costs. As one submitter wrote, 'for such regulation and oversight as required CAA (as a state agency) must provide national coverage and NOT disadvantage because of geography. Suggested alternatives that could reduce travel costs to the regions included 'video conferencing, independent (contracted) auditors.'

### *Our response to the feedback*

136. We agree with many of the submitters that we should charge participants for any second or subsequent visits, as we indicated earlier in this document.
137. We will not charge differentiated rates depending on where a participant is located. Travel costs will be met through levy funding as at present.
138. However, we will examine the potential for differential charge-out rates for professional/technical staff and administrative staff.
139. In addition, we will 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.

### Minimising Transaction Costs

#### Link the ANZA levy to passenger levy rates

140. The Authority is considering whether to link the ANZA levy to the domestic passenger levy as a set percentage (currently 90%).

#### *What we asked*

141. In the discussion document we asked:

- § 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%)?

#### *What submitters told us*

Yes	18
Substantially	1
Partially	1
No	4

142. There were far fewer responses to this question as many of the submitters were unaware or uninterested in this part of the market. This was especially the case among those in the general aviation community.
143. The most common arguments in favour were that all passengers benefit, and therefore the price should be the same, and that the ANZA levy is inequitable considering that New Zealand carriers do not have a similar arrangement in Australia. For example, one submitter wrote 'yes it should be the same for all. Surprised it is not, therefore creating inequity,' while another said that they support the proposal 'after hearing that the reciprocal arrangement is not available to NZ operators in Australia.'
144. Another submitter was more substantive, 'Having operated in Australia for many years, these Operators will get many Govt tax breaks and subsidies that are not visible to NZ. If they operate in NZ they should pay at least the full 100% levy if not even more. NZ carriers do not get the benefits the Australian counterparts do.'
145. Among the few dissensions, one submitter criticised the lack of detail and said that, as a result, it was hard to comment on the proposal, 'information to substantiate removal of the levy has not been provided in the discussion document.'

#### *Our response to the feedback*

146. We note that a large number of responses were in favour of changing the ANZA levy to a rate similar to the domestic passenger safety levy.
147. This is an option that we will pursue further through discussions with the Ministry of Transport.

### Combine participation levy and annual register maintenance fee

149. The Authority is considering whether to combine the participation levy and the annual registration fee into one annual aircraft registration levy.

#### *What we asked*

150. In the discussion document we asked:

- § 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, which does not incur a participation levy?

#### *What submitters told us*

Yes	48
Substantially	1
Partially	3
No	7

151. There was broad agreement among submitters that anything that reduced administration and complexity should be actively considered. Many submitters expressed a desire for any cost savings from fee and levy merges to be passed on to end-users. Two submitters registered their objection to the first question, but supported the second.

152. Among the dissenting opinions, one submitter noted that any support would be dependent upon 'how the CAA plans to use the "pool" of funds which these charges/levies generate, [as] it may not be appropriate to combine the two,' while also expressing concern that pooling fees in this way may separate beneficiaries and those who pay: 'the individuals and organisations who contribute to this pool of funding must receive appropriate benefit from the use of that pool.'

153. The concern about the lack of specification regarding any merged funding pools was also evident in this submitter's response: '[this submitter] supports the proposition of reducing the number of fees and charges levied on the sector. However in achieving this it is important that participants do not end up paying more than is appropriate. For example, under the current regime, a domestic passenger operator pays the aircraft registration fee and the passenger levy, but not a participation levy. Any change to the regime will need to ensure that those operators currently paying the participation levy but not a passenger levy are continuing to make an appropriate contribution to meeting the CAA's costs.'

#### *Our response to the feedback*

154. We believe that recovering the register maintenance costs through the participation levy may improve efficiency.

155. We will model this option alongside other levy-based options.

### Penalties for late payment of fees

156. The Authority is considering a mandatory requirement to pay late penalty fees when fees are not paid on time.

#### *What we asked*

157. In the discussion document we asked:

- § 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?

#### *What submitters told us*

Yes	48
Substantially	1
Partially	3
No	7

158. Most submitters were in favour of the introduction of late penalties. Many noted that such penalties were broadly in line with normal commercial practice and would help ensure that the costs would not be spread among those who pay their fees on time. As in previous responses, some submitters cautioned against making the penalty too high, with one submitter saying that ‘a lot would depend on the level of the fee, especially if the fee was disproportionate to the initial fee or levy. Additionally some grace period should apply where an administrative omission could be rectified without additional cost for an operator with a good history of payment.’ The issue of enforcement was also raised by some, with a submitter saying that ‘the enforcement of penalties can always be problematic and lead to continuous unnecessary dispute.’
159. Among the submitters to answer no, one said that the current fee structure was contributing to people not paying their fees on time: ‘if CAA fees and charges were not as exorbitant as they are – then maybe people would not be late payers. Current CAA charges and fees can put considerable pressure on the aviation industry for a perceived little or no value. As with most fees and taxes if they are reasonable then they are easier to collect.’
160. Several submitters also made the suggestion that any late penalty fees should be balanced with some sort of early payment bonus. One submitter noted that such a bonus ‘sends a different message and reframes the relationship between the two parties.’

#### *Our response to the feedback*

161. The CAA agrees with the overwhelming majority of submissions that the charging of late fees and penalties, when fairly applied, are in line with the CAA’s user-pays philosophy.
162. We will examine the wording of the regulation, and if necessary amend it, to ensure that the application of any penalties is logical, fair and transparent.

### Ensuring stability of levies, fees and charges

163. The CAA wants to adopt a policy with respect to its reserves that would enable the Board to trigger a review of fees charges and levies. If the Government of the day agreed to the Board's request for a review, then the CAA would seek to:

- § increase fees, charges and levies if reserves are too low; and
- § decrease fees charges and levies if reserves are too high.

### What we asked

164. In the discussion document we asked:

- § 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?

### What submitters told us

Yes	5
Substantially	1
Partially	14
No	15

165. Most of the responses were not in favour of the questions, with a minority in favour of the suggestion with certain caveats. Twenty eight (28) submitters were not in favour of the first question, but were in favour of the second.
166. The most common concern among the submissions was that the CAA should be meeting any external shocks through its own reserves. This submission reflected a common theme: 'If every other business can operate to a yearly budget, why cannot [the] CAA?'
167. One of the submitters in favour of the suggestion said '[the submitter] supports the adoption of a mechanism which allows for a more responsive framework, particularly in the event of an external financial shock. Such a mechanism would ensure that an appropriate level of regulatory action could be maintained, supporting the primary objective of supporting a safe and secure aviation system.'
168. Some submissions were cautiously in favour subject to the CAA agreeing to also reduce fees during 'good times'. For example, someone wrote, 'in saying no to the first bullet point it is assumed that this is only for INCREASING the fees/levy. If a fee/levy can be reduced then this should be able to be done (as currently actioned by the ACC vehicle levy reductions). A substantial external financial shock should be covered by emergency funding from the Government but CAA should be retaining some reserves to cover smaller unforeseen issues if they occur.'

169. One submitter noted that 'it would seem to be more beneficial to do this, however some operators would like the security of being able to calculate actual costs within a 3 year period. Probably the only issue I have is that this could be abused by CAA where their annual budget flags.'

### *Our response to the feedback*

170. We recognise the concerns raised by many submitters about uncertainties in levy and fee levels. However, we are committed to a sustainable funding model that gives certainty and is transparent. Being able to use a mechanism to make changes to fees charges and levies in the event of an external economic shock, or in the event of over-recovery of fees charges and levies, is an essential part of the process of ensuring financial stability.
171. As a Crown entity, the Authority is required to go through a comprehensive process and to seek Government approval for any changes to fees charges and levies. Further, when periods of economic decline occur, the safety risks the regulator is concerned about tend to increase. More transparent triggers for changes to fees charges and levy rates will help build certainty.
172. Any mechanism to increase or decrease fees within a three-year period would incorporate submitters' concerns that changes in fees are transparent and fair. We will also strive to ensure that fees are decreased where appropriate and sustainable.
173. A similar mechanism has been introduced for aviation security passenger levies for the Aviation Security Service.

## Part Three - Other options proposed by respondents

174. In the discussion document we asked whether there were any other options the CAA should pursue.

### *Other options (Refer Paras 179 to 180)*

175. The respondents provided comment in this space.

Yes	77
Substantially	0
Partially	0
No	6

176. Most submissions used this space either to write an opinion on the proceeding questions (rather than in the allotted space), to offer their support to a fuel levy or to otherwise repeat sentiments from elsewhere in the document.

177. Three proposals were made.

### **Participation levies on other participants**

178. On submitter did use the opportunity to use this section to suggest a new participation fee: 'as I understand it, the airports, Airways Corporation and ASL do not pay a participation fee. My suggestion here is that they pay a percentage of their profit to the CAA.'

### *Our response to the feedback*

179. At this stage we have no intention to place a participation levy on entities such as air traffic controllers, engineers, airports or maintenance organisations.

180. However, at the time of the 2012 funding review the CAA removed the AIS levy, and meets the cost of the AIS service from within the current levy funding. Originally costing the CAA \$1.48M in the 2012-13 year, the cost of this service has increased to \$1.85M in the 2012-14 and 2014-15 years, and will again increase to \$2.29M in the 2015-16 year. Subsequent increases will occur at the rate of the CPI for subsequent years. These changes have placed significant pressure on current levy funding.

181. ICAO has issued the Roadmap for the Transition from AIS to AIM which has been adopted in the NZ Airspace and Air Navigation Plan and now forms part of the New Southern Sky Programme. The next major developments will be the transition to AIXM5 followed by Digital NOTAM. At this stage, we expect AIXM5 to occur within the next 2 years and the move to Digital NOTAMS around 2018/19.

182. Accordingly, it may be necessary to scale levies to address the current AIS funding pressures and the move to AIXM5 in the 2015-18 triennium.

### Remove the foreign owner deregistration fee

183. This fee was introduced during the last funding review and has never been applied. It is unlikely that it ever will be applied.

### *Our response to the feedback*

184. At this stage we intend to remove this fee.

### AOPA fuel levy proposal

- The submitters have provided explicit support (or not) for the introduction of a fuel levy.

Yes	51
Substantially	0
Partially	0
No	1

185. A large number of submissions were in favour of the introduction of a fuel levy 'covering all domestic (private and commercial) operators that replaces all routine CAA fees, charges and levies.'
186. Most submissions thought that a 'fuel levy would adequately capture all commercial operators covering the club and public good criteria. It would also fairly cover the private good factor relating to private operators. A fuel levy is the fairest way to balance high frequency fliers with low frequency fliers. '
187. The CAA was asked to do analysis of a fuel levy before the idea was dismissed. This submission was representative of these views: 'this fuel levy proposal needs to be considered as a priority. It was not appropriate that this document states it is being considered then further stating that it has been discounted as a viable alternative without disclosing the reasons or the calculations of the proposal.'
188. There were numerous submissions that were against the introduction of a fuel levy. They were fewer in number, but often just as adamant in their position. One submitter wrote that, '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.' Another was concerned about the unfairness of a fuel levy, '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.' One person at the consultation meetings asked if the CAA is 'aware that there are 312 certificated organisations that don't actually operate any aircraft. In other words, these organisations would be getting a free ride. A fuel levy would only benefit GA pilots.'
189. There was a particular concern regarding the agricultural sector: '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.'

### *Our response to the feedback*

190. The CAA Board does not support this option based on information to hand at present.

191. The Ministry of Transport is working on further analysis to determine the viability of a fuel levy. In addition, consideration is also being given to the viability of a partial fuel levy.