



# Civil Aviation Authority

## Summary of Submissions

on

### Stage Two of the Review of the Funding Framework for Regulatory Services

(the Triennial Funding Review)



June 2016

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## Introduction

1. Changes were last made to the Authority's fees, charges and levies for its regulatory (CAA) functions in 2012. At that time, Cabinet set an expectation of review of the CAA's fees, charges and levies every three years.
2. In 2014, following Cabinet approval, the Authority started the current CAA Triennial Funding Review. The review has been undertaken in two phases. Phase One focused the framework for the recovery of the CAA's costs, and was consulted on in July/August 2014. The outcome of Phase One led the Authority to develop proposals for new types of safety levy, and changes to some rates and prices for existing levies, fees, and charges.
3. Following Cabinet approval, the Authority released a consultation document outlining proposed new levies, and proposed rates for levies, as well as fees and charges on 17 November 2015. Submissions were due on 19 February 2016 (a 13-week consultation period).
4. In total, the Authority received 111 written submissions, from individuals and organisations. Consultation meetings were also held in Auckland, Palmerston North, Wellington, Nelson, Christchurch and Queenstown in December 2015 and January 2016. Approximately 120 people attended the meetings.
5. On 15 March 2016, a special meeting of the Aviation Community Advisory Group (ACAG) was held to discuss the submissions received. ACAG is an advisory body to the Authority, comprising representatives from aviation sector organisations, such as Aviation NZ, the Aircraft Owners and Pilots Association (AOPA), the Aviation Federation, etc. Representatives from the Parachute Industry Association (a body not affiliated to any ACAG member organisation), the Board of Airline Representatives of New Zealand (BARNZ), the Ministry of Transport and the Tourism Industry Association also attended the meeting.
6. In addition to the information contained in the consultation document and various accountability documents (e.g. Annual Reports, Statements of Intent, etc.), the Authority received five requests under the Official Information Act for additional detailed information. Much of the extra information sought related to explanation of the Authority's cost structures, or the allocation of specific costs to specific regulatory functions and justification of those costs. These requests were responded to in full as quickly as possible (and within the timeframes specified in the Official Information Act).
7. In addition, Authority officials attended meetings to discuss the funding review with the Parachute Industry Association, Aviation NZ, the Agricultural Aviation Association, and AOPA. The Authority also received additional information from the above mentioned organisations, as well as the NZ Air Line Pilots Association. In particular, AOPA commissioned independent analysis of the Authority's proposals regarding medical certification and a fuel levy, which it made available to the Authority.

## Issues Arising from the Submissions

8. The submissions contained a wide spectrum of views about the proposals outlined in the consultation document released on 17 November 2015.
9. The spectrum of views ranged from suggestions that the review be halted and the status quo maintained; to substantial agreement with the proposals. Many submitters only commented on those proposals directly relevant to their own operations (or the operations of the part of the aviation community they represent).
10. Some submitters raised concerns about the consultation process, as well as the proposals. In summary, views on the process were that the:
  - consultation timeframe was too short, especially given the imposition of the Christmas/New Year period during the consultation period
  - consultation document was light on detail and analysis — especially financial information around the time-cost associated with various regulatory activities (e.g. issuing medical certificates, oversight for some sectors such as agricultural aviation, etc.)
  - absence of worked examples made it difficult for some participants to understand the potential impact of the proposals
  - the Authority had not engaged sufficiently with the 'sector' in developing the proposals prior to consulting on them — this representing a flaw in the funding review process.
11. With respect to the comments on process, the Authority makes the following points:
  - the consultation process was for a period of 13 weeks (inclusive of the Christmas/New Year period), compared to six weeks for the first stage of the review, and typically four to six weeks for other agencies
  - only a few submitters requested additional information, most of whom focused on why a particular process took so much time — and some of whom sought information considered in the 2009/10 value for money review completed for the previous funding review. Further:
    - requests for additional information have been responded to as quickly as practical
    - there is a significant amount of information in the public domain as to the cost structures of the Authority and its regulatory function which has been made available to requesters
    - the suggestion that the Authority should engage with the sector to develop proposals prior to consultation appears to be more about the sector's desire for the Authority to negotiate a position the sector finds acceptable.

## Summary of Issues Raised During Stage Two

- 12. This section sets out the Authority’s original proposals and summarises the feedback received from respondents and from the Aviation Community Advisory Group (ACAG) to those proposals.
- 13. Not all responses provided comment on many proposals.

### CAA Proposal 1

- We proposed to recover the cost of routine surveillance from levy funding, rather than from hourly charges; and
- We proposed to continue to recover the cost of follow-up surveillance through the application of a direct hourly charge (as at present).

### Consultation Responses

Yes	12	Substantially	4	Partially	13	No	23	Other	
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### Comments

- Airlines’ view: BARNZ opposes and suggests that operators should pay for the direct costs of their operations. One large airline supports; one ANZA operator opposes.
- Some commercial operators are supportive because they may pay less under a levy than under an hourly charge.
- PIA’s view: commented “We agree that the concept of routine surveillance being treated as a “club good” makes sense and for follow up surveillance to be paid on an hourly rate basis. We **DISAGREE** that only certain parties will have to pay for routine surveillance. All participants that are subjected to routine surveillance should contribute towards the costs of its provision. This is a club where the participants are known to all”.  

“Whilst the reasons articulated for change appear logical, there is a fundamental inequity in only passengers and “other commercial operators” paying all the costs of surveillance. The largest existing contributors to the costs of surveillance will not pay anything in the future. Removing the financial imperative to present a compliant organisation arguably diminishes one of the incentives driving continuous improvement in the industry.”
- One tourism operator observed that this could disadvantage smaller operators because they have to pay the cost recovery for larger operator surveillance audits which take much longer.
- One submitter compared certification to surveillance funding – certification based on hourly charge is fair because it benefits the applicant. Surveillance on the other hand, does not benefit the applicant so the cost should not be recovered. Alternative: The follow up activities for surveillance should not be recovered. The threat to the certificate is enough to motivate the organisation to address audit findings. CAA recovering costs for follow up is in effect a financial penalty for an audit finding and there is conflict of interest for the auditors to make findings to secure follow-up work.

- A Part 135 operator observed, “I accept that commercial general aviation must increase its contribution but the increases in costs over the three years are 2-3 times what normal auditing costs include, and companies on annual and biannual audits are in a way being punished for their success by increased costs despite showing CAA they are following the rules by remaining ‘finding free’.”
- Those submitters that partially/substantially agreed with the proposals support the principles of a levy based framework, but do not like the cost impost on their individual operation.
- Recognition from numerous sources that there is a ‘club good’ element and that removing hourly charge positively changes the relationship between auditor and industry.
- Not replacing the surveillance revenue ‘like for like’. Problem with the growth of the pax levy will require a faster phase in of the revenue from the Other Commercial levies. The hourly charge should be phased out because of the phasing in of activity levies – Pax levy will pick up the slack.
- Pax levy is passengers’ contribution for system good. Now airlines will pay nothing, passengers continue to pay a lot, and commercial will pay some. Everyone should contribute to surveillance levy – doctors, non-flying etc. e.g. For example:

	Passengers	Airlines	Com GA	Airports etc	Private GA
<b>Current</b>	 Pax levy - large	 Surveillance	 Surveillance (small)	 Surveillance	 Participation (small)
<b>Proposed</b>	 Pax levy - large	Nothing	 Activity levels (larger)	Nothing	 Participation (small)

- Some support a levy for surveillance but not based on the current proposals. Some said that CAA must ensure that all who currently pay for surveillance continue to do so. Some parts of the system are paying now and wouldn’t under the new proposals – that’s wrong. (E.g. airports, Airways, LAMEs, Part 145 operators, certificated freight (109) Avsec, etc.).
- Some would support the principles in a green-fields review but note that we are not starting from scratch. The current surveillance costs some groups now – these groups are seeing either increases, decreases, or removal to nothing.
- While passengers ultimately benefit from surveillance, there are other beneficiaries. The shift in policy to passenger benefits is quite substantial.

Opposition to the proposal appears to be premised on the idea that participants in the aviation sector are the Authority’s clients or customers, and thus view the hourly charge as a fairer mechanism by which to recover the costs of surveillance.

**CAA Proposal 2**

- We proposed to set international and domestic passenger safety levy base rates for the funding triennium at:
  - Domestic Passenger Safety Levy \$ 1.92 incl. GST (\$1.67 excl. GST)
  - International Passenger Safety Levy \$ 1.92 incl. GST (\$1.67 excl. GST)

**Consultation Responses**

Yes	11	Substantially	2	Partially	9	No	10	Other	
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**Comments**

- General Aviation and Other Commercial operators were generally supportive, with many suggesting the passenger levy should increase. This view is largely taken on the basis that passengers, not the airlines, pay the passenger levy and that the travelling public do not notice a couple of dollars added to the price of their ticket. Some General Aviation and Other Commercial respondents were of the view that the passenger levies should recover the cost of all CAA activity.
- Qantas does not want an increase in the international passenger levy, as increases in passenger numbers should compensate for increasing costs only. Qantas also say there is a difference in oversight between Domestic and International (1xTake off or Landing (TOL) for international vs 2 for domestic).
- Air NZ supports equalisation of the levies.
- BARNZ (for international operators other than AirNZ or Qantas/Jetstar) proposed a model where distance flown rather than passenger numbers is used. They suggested international airlines should be paying less because NZ is smaller. Comments seem to be based around CAA providing regulatory functions on a 'fee for service' basis (as per Proposal 1 comments).
- There were some comments from BARNZ and Qantas on their inability to comment effectively on the proposal due to the absence of data by the CAA.

Overall, there is support for the proposal, with some concern as to whether CAA has demonstrated the equality of oversight between domestic and international pax/flights. General Aviation and Other Commercial see the passenger levies as a means to predominantly fund oversight of the civil aviation system. International-only airlines object to equalisation of levy – CAA’s work benefits NZ domestic more.

**CAA Proposal 3**

- We proposed to set the ANZA passenger safety levy base rates for the funding triennium at:
  - ANZA Passenger Safety Levy \$ 1.87 incl. GST (\$1.63 excl. GST)

**Consultation Responses**

Yes	5	Substantially	4	Partially	2	No	8	Other	
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**Comments**

- Both BARNZ and Qantas are concerned about the discount rate (2%) applied, suggesting the current rate (9.65%) should be retained because there is insufficient justification (in their view) to reduce the discount.
- Air NZ sees no reason for the differential, saying it is anticompetitive and not administratively efficient.
- General Aviation and Other Commercial operator respondents generally suggest the removal of the discount.

**CAA Proposal 4**

- We did not propose to make any change to the threshold levels at which passenger levies become payable.

**Consultation Responses**

Yes	7	Substantially	2	Partially	2	No	8	Other	
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**Comments**

Submitters were equivocal on this proposal:

- While some see advantage in decreasing the threshold to bring in smaller airlines that start up to fill the void left by Air NZ withdrawing from some routes, others seek an increase in the threshold because they think the current passenger levy volume of 20,000 passengers is too low.
- The Qantas Group believes it is appropriate for all private operators to support the recovery of costs. Qantas supports removal of the threshold level.
- Comments from General Aviation and recreational participants also propose to remove the thresholds on the basis that all passenger services should pay a levy (and that passenger levies should fully fund the CAA’s activities). There was discussion on the rationale for the 20,000/15,000 numbers currently in place in regard to the application of the passenger levy, and how many more passengers would pay the passenger levy if the numbers were reduced.
- The parachute industry noted that counting passengers in the tandem skydive industry might be difficult because no operators are big enough to warrant a booking system.

**CAA Proposal 5**

- We proposed not to amend the current charge-out rate of for Professional/Technical staff, from the current rate of \$284.00 (GST incl.) or \$246.96 (GST excl.).
- We proposed to hold all fixed fee rates at the current levels (except for the Application Fee for a Medical Certificate, and the Foreign Owner deregistration charge).
- We proposed that administrative staff time, incurred on certification activity for which hourly charges are made, is no longer charged for.

## Consultation Responses

Yes	12	Substantially	3	Partially	20	No	13	Other	4
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### Comments

- Most Recreational and General Aviation operators are generally in support of this proposal to hold the levels of fees and charges, while some noted that no increase is consistent with the Cabinet decision in 2012.
- However, they also consider that the current hourly charge-out rate is too high, and should be reduced to a more 'commercial, competitive' rate.
- Some said that fees and charges should increase annually based on the change in the Consumer Price Index (CPI) to prevent them falling behind too much, thus avoiding larger, less frequent, changes and thus enable greater certainty for participants.
- Respondents were equivocal on the proposal not to charge for Administrative staff, saying this just adds to the amount spread over all operators through overheads, etc., while others proposed introducing a separate charge-out rate for Technical/Professional staff and Administrative staff.

## CAA Proposal 6

- We proposed that the Application Fee for a Medical Certificate be set at the rate of \$210.45 incl. GST (\$183.00 excl. GST).

## Consultation Responses

Yes	6	Substantially	2	Partially	11	No	32	Other	
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### Comments

There is strong support for a reduction in the medical certificate? application fee:

- Most agree with the charging of a fee, but feel it should be further reduced, commenting that the proposed rate of \$183.00 (excl. GST) would still be a barrier to participation. A number of submitters query the breakdown between club and private good used in calculating the proposed fee.
- Other respondents suggested that the fee should not cover the costs of the Accredited Medical Conclusion (AMC) processes, indicating that people who use the AMC process should pay for it (incl. BARNZ). AMC costs are small compared to other tests they need to get a medical. It is not a concern that older flight instructors will leave industry, for example; 1500 people already left industry from the introduction of the \$313 (GST incl.) fee.
- Nowhere else does an application fee for medical certification include a risk premium to fund a resolution for those who fail to meet the criteria for issuance of a certificate. It was alleged that pilots paid around \$5m too much as a result of the 2012 review medical certification decisions.

- General Aviation operators generally agree that the AMC is a private good. The Aviation Federation was strongly in support of AMCs being a private good, paid for by the person needing it.
- PIA noted that many people are leaving that industry because the costs of maintaining medical certification (e.g. class 1 for tandem master) are too high for seasonal/part-time workers—operators can't or won't pay for it. The reduction in applications for a medical certificate over the past two or three years was also noted. They say that lots of skills and talent are leaving the industry.
- Some suggested the medical certificate should be an annual fee, not a per application fee.
- Air NZ supports the proposal as presented.
- A small number of submitters also comment that the CAA's medical unit is inefficient and should be subject to a review. Others said that the automation of the application for a medical certificate should be achieved quickly.

**The general view was that the application fee should be reduced** and that this could be achieved by charging the individual for AMCs. Concern was expressed at the potential cost to those AMC applicants but this was noted to be less than the other costs to private medical specialists to support an AMC application.

### CAA Proposal 7

- **We proposed that for participants who must meet both the participation levy and the aircraft registration fee, the CAA would invoice those activities together.**
- **We proposed, for aircraft that are under maintenance or being rebuilt for a period in excess of one year, to develop a mechanism to enable participants to pay the registration maintenance fee, thus reserving the mark, but not incur a participation levy. However, when the aircraft again becomes operational, the participation levy would apply from that date, and be charged on a pro-rata basis.**

#### Consultation Responses

Yes	40	Substantially	2	Partially	2	No	2	Other	
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#### Comments

- While most respondents supported this proposal viewing it as 'fairer' and noting that one year was an appropriate period, there was some comment on the level of the registration fee charged given its administrative nature.

### CAA Proposal 8

- **We proposed not to introduce any new fees and charges.**

#### Consultation Responses

Yes	31	Substantially	2	Partially	1	No	5	Other	
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**Comments**

- Some submitters indicated that this proposal was inconsistent with proposals later in the document. (CAA notes that this proposal related specifically to fees and charges and not to levies. The difference between levies and fees and charges was explained carefully in the consultation document.)
- One respondent queried whether there might be a fee/charge introduced in regard to alcohol and/or drug testing. (CAA indicated that is possible but that a decision is some way off.)

**CAA Proposal 9**

- **We proposed to amend the Civil Aviation Charges Regulations (No 2) 1991 to enable us to recover our costs when we are obliged to seek professional and/or technical expertise from outside the CAA when that is required for us to discharge our regulatory responsibilities.**

**Consultation Responses**

Yes	8	Substantially	5	Partially	11	No	16	Other	
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**Comments**

- Some respondents said CAA should absorb these costs, with a few saying the \$246.00 (excl. GST) per hour charge out rate should purchase significant technical expertise.
- Most respondents agreed, wholly, substantially or partially with this proposal, but caveat their response by indicating they would wish to see the CAA ensure the participant who will be charged is aware of the additional cost (or seek agreement) and that there a specific criteria to ensure the external charge is appropriate.
- AOPA agree in principle but expressed concern about the detail of how this might work.
- Some say there is a lack of transparency over what consultants are used for, how much they cost, and ask why CAA lacks the requisite expertise.
- BARNZ supports the CAA charging users if professional or technical expertise from outside the CAA is required to be engaged in order to enable the CAA to discharge its regulatory responsibilities, where the matter in question is one specific to the particular airline or applicant. However, they noted that if the airline or applicant is merely the ‘first-mover’ to new technology, and it is likely that others will follow, then it seems unfair to charge the ‘first-mover’ the cost of obtaining the additional expertise, and this practice could in fact result in adoption of new technology being discouraged. In this situation the CAA needs to have the discretion to either not charge for obtaining the necessary advice, or alternatively to only recover a contribution from the ‘first-mover’ towards the cost of obtaining the relevant advice, with the remaining cost recouped from other subsequent adoptees of the new technology.
- Others noted the need for a process for enabling ‘fast adopters’ but not penalising them by allowing fast followers to ‘freeload’. If CAA isn’t keeping up with new technology, this would provide an out. Disadvantages new tech investment. We need qualified people within CAA, and also need to rely on other regulatory agencies, i.e. FAA, EASA.

- ACAG observed that this approach could be used to fund to alcohol and/or drug testing.
- ACAG noted that this needs not to get out of hand, asking whether CAA shouldn't be at the forefront of technology.
- CAA says there has to be a balance between "owning and/or renting" highly specialised professional and technical resources.

### CAA Proposal 10

- **We proposed to not make any change to Participation Levies upon aircraft used only for private or recreational operations, or for predominantly non-commercial Part 141 operators.**

### Consultation Responses

Yes	18	Substantially	0	Partially	2	No	25	Other	
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### Comments

- Most respondents disagreed. Some said that participation levies are too high and effectively offer no value-add for the end user, suggesting that passenger levies should increase to cover the costs of regulatory activity that is 99% for the benefit of the general/travelling public.
- Others commented that there should be no registration fees on microlights as RAANZ and SAA are their administration (CAA note: RAANZ and SAA are acting under DCA delegation that requires CAA oversight). The participation levy should be dropped also.
- Many Part 141 training organisations have moved away from aero-club type training and general aviation/private flying activities, becoming fully commercial aviation training businesses. These businesses rely on their certification to sell their services to offshore clients. They are receiving a benefit of certification and should also contribute in some way.
- BARNZ does not support participation levies for private aircraft or for predominantly non-commercial Part 141 operators remaining unchanged, stating that unaltered charges during the 1990s caused a significant gap in funding to develop resulting in an inequitable level of cross-subsidy. These levies should be increased by forecast movements in the PPI (inputs) index.
- One respondent disagreed asking why, if some of the medical certificate charges become "club goods", isn't the Participation Levy increasing to reflect the change; and why isn't the Participation Levy increasing to reflect the changes to surveillance if surveillance becomes a "club good"? To not increase the levy is to create further cross-subsidies which seems to be contrary to what CAA is trying to do, albeit wrongly.
- Agricultural operators are very opposed to 'cross-subsidisation' of private and recreational sector.
- Those who support (generally recreational participants) indicate that it would be very difficult to implement a robust surveillance system for the private and recreational sector as they are generally non-certificated. They considered that a fuel levy would be the best mechanism to recover these costs.

**CAA Proposal 11**

- We proposed that participation levies for Other Commercial operators be replaced by an Agricultural Operator Safety Levy, a Freight-only Flight Safety Levy, four Operations Safety Levies and an Operator Safety Levy.

**Consultation Responses**

Yes	10	Substantially	4	Partially	2	No	32	Other	
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**Comments**

- Many object to the changes to the structure of levies for the Other Commercial categories of operators, indicating variously that they fundamentally disagree with the new levy framework proposed; that the charges are commercially discriminatory and anti-competitive when comparing skydiving to other aviation activities; and that there is no logic to the change – they do not understand why there is a differentiation between participant categories. Some asked ‘how does the safety levy increase safety?’.
- Others commented that this is just the participation levy renamed, and that the levy is just a tax and it is not substantiated by any data. The proposal is simply shifting the cross-subsidisation around, from between airline to commercial General Aviation to within commercial General Aviation. There was some confusion about the proposed Operator Safety Levy and its relationship to the Participation Levy, so respondents appear to have responded on their understanding of the question.
- Some expressed concern at cross-subsidisation between categories in the framework, and between cohorts in the categories (i.e. larger operations subsidise smaller operations). Large operators (in agriculture/skydiving/freight) observed that they will pay significantly more than smaller operators. Some smaller operators (incl. those in the tourism industry) support the new levy structure. This is because their costs to CAA will be reduced (and the larger operators will pay more).
- Agricultural operators have indicated that the proposed levies would incur horrendous costs to their operation. One agricultural operator noted that basing the agricultural levy on tonnages disadvantages fixed wing over rotary because fixed wing can carry more tonne/hour. They also noted disparities relative to price of product applied by each of the two modes. Some noted that the agricultural helicopter accident rate is now higher than for fixed wing. Basing the freight levy and the agriculture levy on tonnages raises issues about the very high costs for few large operators – the scale effect.
- There was some comment about transparency and access to data. Some respondents said they needed much more transparency around financial information for imposition of levies. Some suggested that the provision of worked examples would have been helpful.
- The General Aviation Advocacy Group say the proposal is only acceptable if the operators are able to recover their costs from clients without adversely affecting their business.
- Some operators indicate that they are paying for a ‘service’ (as opposed to regulation for a safe system).

## CAA Proposal 12

- We proposed to introduce an Agricultural Operations Safety Levy, with the base rate set at \$1.00 (GST incl.) or \$0.87 (GST excl.) per tonne of product applied.
- We proposed to implement the Agricultural Operations Safety Levy at the variable rates over the funding triennium as below:
  - First year 20% = \$0.217 per tonne (GST excl.)
  - Second year 45% = \$0.39 per tonne (GST excl.)
  - Third Year 100% = \$0.87 per tonne (GST excl.)

### Consultation Responses

Yes	6	Substantially	6	Partially	2	No	42	Other	
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### Comments

- Some respondents substantially or partially agree, citing concern about the rate proposed. However most submitters, who are predominantly agricultural operators, objected to the proposal. Large operators are opposed because of a perceived cross-subsidy from large to small operators that could be created within a sector (e.g. Agriculture operations) and to other Other Commercial operations. One respondent said the proposal was “Unreasonable, unfair, inequitable”.
- Many respondents referred to ability to pay issues, stating that tonnage is unfair proxy. For example one stated that helicopter pilots earn more per tonne than fixed wing but do targeted, small-tonne and tricky jobs—fixed wing are used for big, easy jobs so earn less per tonne. Fixed wing aircraft are penalised to a much greater extent than helicopters, which is not fair when helicopter operations are a greater imposition on CAA resources. Another noted that an operator with one large aircraft in one location could drop more tonnes than an operator with three small aircraft in three locations. But the first operator should require less resource from CAA in assistance and surveillance. One operator commented that the proposal penalises successful operators and encourages an environment of false reporting.
- Another submission noted that different fertilisers have widely-varying costs – a fixed per-tonne levy could be a high or low proportion of the value of one tonne depending on type of fertiliser. Value of tonne spread varies – lime is \$20 a tonne and high analysis fertiliser is \$1000 a tonne. The amount of time it takes to drop a tonne of two different fertilisers varies. (25t/h of superphosphate and 55t/h of lime). There is a huge disadvantage to operators doing solids rather than spraying – 200 hours solids costs \$5k in levy and 200 hours spraying costs \$1120.
- A number of submissions referred to adverse impacts on aviation and farming sectors - in tough times, farmers may choose to spread fertiliser by ground-based means or not fertilise at all. Making application by aircraft more expensive will discourage use by farmers. Land-based spreading is already cheaper per tonne and farmers will move to that on the margins. This could decrease safety if trucks are used on unsuitable ground. Potential loss of productivity from unfertilised ground is bad.

- One operator noted that the new levies will mean some operators will subsidise others within their industry, but others noted that “Cross-subsidisation is not a crime”, while another commented that the safety benefits from levy are not clear and “cross-subsidisation from airlines is ok”. Yet another noted that the proposal does not provide an incentive to keep modern up-to-date equipment.
- These levies could not be as easily passed on to customers as they could be passed on to farmers, who do not have the ability to pay.
- One operator commented that the cost of managing the safety of an aircraft is the same whether it does no work or applies 1000 tonnes of product. Another noted that the proposal removes the current financial incentive to achieve high levels of safety performance. Another noted that the agriculture sector risk profile identified predatory pricing, under-recording, and overloading as high risks – all will be incentivised under the new proposal. One submission noted that there is already talk of overloading and under-recording in agricultural aviation, which will be exacerbated by the proposal..
- Some suggested that the levy rate should be reduced for larger operators (perhaps by a regression based on the square root of the weight) – that would make application more even across the sector.
- Many operators prefer levies to be phased in but AOPA and BARNZ don’t. The phasing in is too slow in relation to the phasing out [i.e., hourly charge isn’t being phased out at all].

### CAA Proposal 13

- We proposed to introduce an operations safety levy for ‘freight-only’ flights in international, domestic -scheduled and domestic–unscheduled operations, based on the payload carried on those flights.
- We proposed that the base rate of the freight-only operations safety levy is \$3.45 (GST incl.) or \$3.00 (GST excl.).
- We proposed to implement the freight-only operations safety levy at variable rates over the funding triennium
- We proposed to add a new data item to the regular returns required of operators under Rules Part 12, seeking total payload carried in the period being reported upon

### Consultation Responses

Yes	8	Substantially	5	Partially	2	No	7	Other	
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### Comments

- BARNZ supports and Qantas partially supports (Qantas noted it believes it requires more information in order to fully comment on this proposal).
- The Aviation Federation agrees with the proposal but say the rate is too low.

- Larger operators objected very strongly. One freight operator (large freight company, high activity) did not consider the need to remove the airline cross-subsidisation and was also opposed to private and recreational operators receiving cross-subsidised 'club goods'. Another large operator is concerned that those airlines carrying 'belly freight' will have an unfair commercial advantage as they will not be subject to the levy.
- It was noted that there are relatively few large freight operators so the scale effect is marked in that large operators pay significantly more than their smaller competitors. Some commented that freight density and value should be considered (e.g. lead vs feathers).
- Other submitters variously say the levy rate is either too high or too low, and/or that the rate of transition is too slow. Others sought that CAA makes sure compliance/administrative cost are small.
- Some respondents commented that the proposal is not equitable, suggesting that a fuel levy would be better.

### CAA Proposal 14

- **We proposed to establish an Operations Safety Levy on Other Commercial operations to cover all such activity other than adventure aviation launch or descent operations.**

#### Consultation Responses

Yes	5	Substantially	2	Partially	1	No	6	Other	
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#### Comments

- Many of the affected operators complain that CAA will recover more than they are currently paying in surveillance fees, and that they prefer the status quo to avoid this. Some operators offered alternatives (CAA notes that these don't meet the review principles established at the outset of the review).
- Some operators say that the proposal discriminates against skydiving.
- Others say this moves the 'cross-subsidy' from the operator group level to cohorts within the Other Commercial Categories (i.e. larger operators subsidising smaller operators, with larger operators paying larger amounts). Large operators see this is a negative thing, small operators view it positively (comments were made this this creates anti-competitiveness in the market, and may limit growth).
- Many smaller operators, tourism operators and airlines support the proposal because the impost of the proposal on their operation is minimal.
- One respondent asserted that airlines aren't subsidising Other Commercial—the passengers are just paying for a safe system.

## CAA Proposal 15

- We proposed to introduce Operations Safety Levies for the following flight operations:
  - Any adventure aviation flight operations using New Zealand registered aircraft, other than those involved in parachute deployment operations
  - Any launch or descent operation (including tandem parachute, para-glider or hang glider operations), per launch or descent
  - Large and medium-sized commercial aircraft operations, excluding freight-only operations and passenger transport operation of >20,000 passengers p.a., per hour
  - Small-sized commercial aircraft operations, excluding freight-only operations and passenger transport operation of >20,000 passengers p.a., per hour.

### Consultation Responses

Yes	4	Substantially	5	Partially	4	No	28	Other	
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### Comments

- Many respondents disagree with the framework proposed and rejected the proposal accordingly. A number commented on the transactional nature of the surveillance activity between the CAA and the operator, linking the payment to the quantum of work the operator receives from CAA in return (i.e. a fee for service).
- A number question the basis on which they would be levied, asking whether the CAA got the proxies right.
- AOPA supported the proposal in principle but disagrees with the proposed levy rates. AOPA considers a fuel levy to be more equitable.
- Some, particularly skydiving operations, referred to the effects of the levies on business viability, international comparisons (e.g. Australian competition). One large tandem skydive operator objected largely to the 'scale effect' seeing their larger operation subsidising smaller ones. They suggest a flat fee per organisation to address this. They assert this may bring operators together under fewer certificates, implying reduced CAA workload. Another large tandem skydive operator also raises the scale effect and flat fee approach, and is opposed to his levy 'cross-subsidising private pilots' club goods', while another tandem skydive operator "substantially" supports the proposed levies.
- A few tandem skydive operators suggested charges should be based on revenue of operator per flight hour, and others suggested that operators pay based on success or otherwise, of CAA adding value. Another observed that marginal operators damage NZ's aviation reputation – this proposal will put marginal operators under more stress.
- Operators variously observed that the rates were too high, that the levies added administrative cost, that they penalise growth and reduce competitiveness. Another noted that larger operators will cross-subsidise smaller operators, and that the proposal doesn't

make sense in terms of hours of surveillance (surveillance hours for industry stays the same but overall cost goes up). Larger operators will pay significantly more than smaller operators – out of proportion to the oversight cost. The best way to tell who is a risk exacerbator is flight hours, and that is worth looking at as an alternative unit [proxy] for skydiving operations as it is more equitable.

- One submitter referred to the cost of the levies and their impact on other Government departments (etc.) that use their services, including Police, Rescue Coordination Centre NZ, Department of Conservation, etc.

### CAA Proposal 16

- **We proposed to introduce an Operator Safety Levy, per aircraft, based on the size (maximum certificated take off weight (MCTOW)) of aircraft that are listed on their air operator certificate, per annum**

#### Consultation Responses

Yes	14	Substantially	3	Partially	5	No	26	Other	
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#### Comments

- There was confusion about the renaming of the Participation Levy for Other Commercial operators to Operator Safety Levy, and whether the Operator Safety Levy was to be levied in addition to the existing participation levy or in its place. (CAA clarifies that Other Commercial operators would no longer pay the Participation Levy).
- Flying NZ agree with the proposal, and many small operators were supportive. BARNZ was also supportive, but questioned how the rates were set. BARNZ suggested different rates somewhat lower than those proposed, and structuring it differently by reducing the number of weight breaks and striking new levy rates.
- Many respondents (mostly Other Commercial operators) asked, if it's just renamed, why differentiate the levies; and whether it would be increased once introduced. (e.g. "this levy has always been known as the Participation levy and it is to pay for "club goods". Why change now?")

### CAA Proposal 17

- **We proposed not to introduce a participation levy on non-flying participants (such as aerodromes, air navigation service providers, security service providers or maintenance organisations, etc.).**

#### Consultation Responses

Yes	18	Substantially	0	Partially	3	No	23	Other	
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#### Comments

- There was a mixed response – some accept that levies will just be passed through to the end-users and others think non-flying operators should pay for surveillance.
- This proposal is bitterly opposed by some submitters, particularly the skydiving and agricultural aviation operators. The PIA state “this is one of the most inequitable and unjust aspect (sic) of this proposal”. A number of common submissions from the agriculture sector said “in respect of surveillance all operators presently pay and in the future all participants should continue to pay.”
- Some tandem skydive operators (in a commonly worded submission) stated “if surveillance is a club good all should pay for theirs and other ‘club good’”, apparently asserting that individuals should pay cost of a club good, rather than spreading the cost of the club good across members by a flat ‘subscription’.
- BARNZ supports not having participation levies for air navigation service providers or Aviation Security given that these organisations both represent mandated parts of the civil aviation environment, and already each specifically have activity-based charges. However BARNZ is less convinced about not charging airports or maintenance organisations. BARNZ believes LAMEs should pay a participation levy, or for surveillance.
- Qantas supported the introduction of a Participation Levy on non-flying operations. Costs associated with these activities should be transparent to these operators to drive improved safety compliance and efficiency.
- Some submitters argued that all should pay, and that if they pay for surveillance now, they should continue to do so. Some argued that this proposal would exacerbate the cross-subsidy for these operations and is not consistent.
- Some submitters argued that the logic of the original proposal still holds and it makes sense from an efficiency point of view. Airports, Airways, and Avsec are equally dealing with passengers as airlines are. However they don’t have a charging touchpoint. Airlines have the charging touchpoint for passengers. If the main risks are at take-off and landing – around aerodromes – then they should contribute, as should others similarly.
- CAA should not ‘second guess’ what these participants would do if levied – some may absorb the charges, some may pass them on – it is not for CAA to assume what they may do. If the concept of where funds come from was revisited, CAA should use the broadest base to draw the funding from.

### CAA Proposal 18

- We proposed to delete the Foreign Owner Deregistration fee (currently set at \$440.00 (GST incl.), \$382.61 (GST excl.).

### Consultation Responses

Yes	18	Substantially	0	Partially	0	No	1	Other	
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## Comments

- Submitters from all sectors were in support of this proposal. Two noted that as it is infrequent, it does not raise enough revenue for the admin involved. The objector stated that because it costs the CAA to deregister an aircraft, a charge should be made.

## CAA Proposal 19

- **We proposed not to recommend the application of a fuel levy or a fuel excise to partially or fully fund the Authority's regulatory functions.**

## Consultation Responses

Yes	30	Substantially	2	Partially	0	No	12	Other	
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## Comments

- The proposal was supported by many submissions particularly the large operators, including airlines, and skydiving, air freight, and agricultural operators. Larger operators see a fuel levy as penalising growth.
- Aviation NZ substantially agreed and observed that a fuel levy would not capture all the participants in the aviation system to which charges and fees apply. There are 246 certificated and many more non-certificated organisations in NZ that do not operate aircraft and therefore do not use fuel. Only a small number of aero clubs would directly benefit from a fuel levy. The \$100 operator (participation) levy will generally be less than the fuel levy. In saying that, we have not included the cost to the pilot of a private or club aircraft—the medical fee.
- The Parachute Federation observed that fuel volume consumed is not a valid proxy for quantity of CAA resources allocated to a given participant. A fuel levy takes no account of the risk profile of a given operator or activity, it simply extracts more money from those who consume more fuel. It is akin to a tax. A fuel levy would further diminish the CAA's already minimal cost control imperatives. It is the federation's understanding that private owners/pilots are the sector advocating for a fuel levy. If they wish their contribution to CAA to be collected by way of a fuel levy, the federation would not object however but does not wish to see a fuel levy imposed on the parachuting sector.
- However, the proposal was objected to by AOPA, and NZ Aviation Federation both stating that they "Absolutely and totally disagree. !!!!!!!". Both consider that a fuel levy would be the best mechanism to recover all the costs proposed above and that the reasons given by the Ministry for not implementing a fuel levy were based on inaccurate data which misled the Minister in his decision-making.
- A tourism operator thought a fuel levy would be a good way to raise funds, but an alternative could be a one or two cent [fuel] levy which would raise a considerable amount for the CAA and those doing the most work would better pay their share. A microlight pilot said "NO – it [a fuel levy] is the most logical and efficient way of fully funding the CAA".
- ALPA said they supported a fuel levy as a component of other levy and fees, noting that it would generate significant income for the CAA to carry out its regulatory functions in a fair and

equitable way. By basing payment on fuel usage, the CAA would be recovering costs proportionally in the industry based on usage of infrastructure, support services and CAA regulation, and address the concerns around cross-subsidisation.

- Airlines opposed the introduction of a fuel levy.

### CAA Proposal 20

- We proposed to introduce a penalty provision in regard to the payment of levies due, similar to that provided in respect of fees and charges in the Civil Aviation Charges Regulations (No 2) 1991, section 30.

#### Consultation Responses

Yes	17	Substantially	3	Partially	2	No	23	Other	
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#### Comments

- Many respondents were silent on this proposal while others said no without comment. Those who commented generally agreed with this proposal. Some respondents stated we should adopt 'standard commercial practice'. Some others suggested 'early payment discount' as a more palatable alternative.
- BARNZ supports the introduction of a penalty provision for late payment.

### CAA Proposal 21

- We proposed to amend the Civil Aviation (Safety) Levies Order 2002 to enable the collection of activity data for the purpose of calculating operator and operations safety levies due.
- We proposed to introduce a provision enabling authorised CAA staff to audit activity returns from participants.

#### Consultation Responses

Yes	15	Substantially	2	Partially	2	No	29	Other	
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#### Comments

- Most objectors indicated that they disagreed with the new levies so disagreed with this proposal.
- A number of respondents were concerned that this would create extra administration for them and for CAA. Another concern was a widespread belief that the 'bottom dweller' would falsify returns to reduce levy liability (the 'under-reporting' issue).
- One tandem skydive operator stated that it is difficult to accurately reconcile the number of parachute descents in any one period due to the vagaries of the weather, the lack of formal booking management systems and the decision-making of many of those to opt to make a parachute jump. Another tandem skydive operator stated that "levies are far more difficult to

audit and to be accounted for in a particular period. It is largely an accounting problem associated with pre-payments and early purchases of activities”.

- AOPA, and NZ Aviation Federation, agreed in principle that if a fuel levy is not used then this would be agreed with. By definition, the proposals would increase the amount of work and auditing required under all the proposals. These would not be required with a fuel levy. It would increase CAA costs.
- One operator observed that “this is another reason for our opposing the introduction of the new levies. They introduce a whole new level of compliance costs on industry. There has been no cost-benefit analysis of the proposal. Another said that they see the imposition of some of these activities as an added administrative burden: “This too will increase the need for CAA to lift staffing numbers in order to work the data and police the same.”
- AOPA would oppose the proposal if costs for CAA go up as a result. It is based on statistics that are currently reported, but not audited. Auditing the stats will cost. Right now CAA doesn’t audit because it’s “only stats”.
- It is seen by some as another ‘layer’ of audit/inspection, requiring additional staff for CAA.

### CAA Proposal 22

- We proposed to make changes to the schedules forming part of the:
  - Civil Aviation (Safety) Levies Order 2002; and
  - Civil Aviation Charges Regulations (No 2) 1991.
 in order to give effect to the proposals for changes to levies fees and charges.

### Consultation Responses

Yes	13	Substantially	1	Partially	2	No	26	Other	
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### Comments

- Many observed that they disagreed with the new levies so disagreed with this proposal. One said that this may not be required if the simple solutions are implemented.
- A large tandem skydive operator observed “The new levies require a fundamental rethink. The new levies introduce new cross-subsidies. The changes proposed should be deferred until such time as there has been full and transparent disclosure of information and a consensus formed.

### CAA Proposal 23

- We proposed that, having established a framework for setting levies, fees and charges with this funding review, that framework should be reviewed every six years to ensure its fitness for purpose and ongoing compliance with Government policy, with the rates for levies fees and charges being reviewed every three years.

### Consultation Responses

Yes	20	Substantially	2	Partially	4	No	19	Other	
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## Comments

- There was general agreement that regular reviews of levies fees and charges should be undertaken. Some suggested that fees and charges should be changed in line with CPI annually, while others proposed that CAA should have the ability to adjust levies fees and charges more frequently than three yearly if necessary or to correct anomalies or errors. Most agreed that the rates of levies fees and charges should not remain un-reviewed for more than 3 years. Another suggested that a mechanism should be developed which enables CAA to reduce levy rates on an annual basis if over-recovery is occurring.
- Many respondents said that the process needs to be much more streamlined than the current process which has taken considerably longer than originally envisaged. This process has come at a considerable expense and drawn out timeframe. From time to time it may be appropriate to review specific areas of funding as opposed to the entire framework. This is less expensive and can be completed more efficiently. There should be a mechanism to allow a funding review to take place outside this timetable, following agreed consultation protocols.
- AOPA and Aviation Federation stated “This process we are going through now must be reviewed before a decision can be made. The time and cost expended in this current review process is outrageously high. It cannot be allowed to happen again but the principle of review is sound and should be carried out at least every three years.”
- Some respondents suggested that apart from industry organisation consultation, some process to encourage more participation by individual operators and pilots should be developed.
- A large tandem skydive operator observed “For so long as government funding is outside the scope of the review it is simply not possible to conclude that the framework is fit for purpose. It is very clear from the attached chart that the industry has contributed its disproportionate share to funding the CAA. The operator further noted that an increase in the proportion of funding for CAA derived from levies removes some of efficiency signals. It is too easy for CAA to bury efficiency issues when there is a guaranteed source of on-going and largely increasing revenues year on year from levies.
- PIA affirmed their view that club goods are the funding of the Authority’s sub-outputs 1.4 and 1.6<sup>1</sup>. They consider that the Crown should be funding this, stating that it is inappropriate for levy funding to fund outputs 1.4 and 1.6. PIA also note that Maritime NZ, as another transport safety regulator, appear to receive more Government funding than the CAA.

## Question 1

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<sup>1</sup> Output 1.4 relates to CAA’s internal policy management processes that lead into external policy advice, rules making, and systems intervention design and implementation. Output 1.6 relates to relationships with aviation authorities in the Pacific, including PASO.

- Should the CAA introduce a 'category by class' model to apply safety levies to Other Commercial operations?

### Consultation Responses

Yes	10	Substantially	0	Partially	2	No	8	Other	
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### Comments

- One representative organisation commented that larger organisations generally tend to have a lower risk profile. However it is unlikely that risk profile alone will result in consistent and material differences in regulatory effort because that invariably is a product of risk profile and scale. Unnecessary complexity should be avoided.
- Various tandem skydive operators commented that there was insufficient information in the document to comment but they fundamentally objected to the present proposal and are suggesting all participants subject to surveillance pay a surveillance levy. They suggested that CAA remain with the status quo until/unless a more fair and equitable model can be developed in consultation with all affected sectors of the industry.
- An operator involved in search and rescue partially agreed saying that they support a user-pays, rather than average-cost approach. A medium-sized commercial operator indicated that they don't believe the current structure is broken and in need of significant change.
- An industry representative organisation said that this depends on being open and transparent and providing equitable treatment. Two other industry organisations indicated that they felt there was insufficient information in the proposal document to comment definitively on this subject but fundamentally objected to the proposed introduction of Operator and Operations Levies. An airline group supports the introduction of new charges where there is a reasonable rationale due to the nature of the services and when implemented with appropriate transparency and consultation.

### Question 2

- Should the CAA develop a regressive levy structure to apply safety levies to Other Commercial operations?

### Consultation Responses

Yes	7	Substantially	1	Partially	4	No	19	Other	
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### Comments

- Private pilots partially agreed although they felt they needed more information as to how this might look in the future.
- A medium operator and training operator recommended that the impact on small and medium size operators after this current round of funding be assessed first, prior to consideration of a regressive levy structure. Another substantially agreed, provided it is equitable in respect of size of operators. A medium-size operator agreed noting that this was proposed a number of

years back but was never implemented, and stated that operations displaying a higher level of compliance should be subject to a lower level of cost.

- An industry representative body disagreed, indicating that further information and analysis would be necessary to demonstrate that the additional complexity is warranted to achieve clearly described principles or logic, and another said that this depends on being open and transparent and providing equitable treatment.
- Two industry organisations partially agreed, indicating that they totally disagree with the proposed introduction of Operator and Operations Levies. However, if these levies are introduced they believe that a regressive levy structure based on risk and safety performance could alleviate some of the inequity issues associated with a volume-based levy. Two representative bodies said they disagreed but again there was not enough detail provided. They consider that a fuel levy would be the best mechanism to recover these costs.
- Aero clubs noted that they traditionally do not do a large number of hours per year which means that they could be lumped with a high cost for not participating as much as an operator that does more hours per year.
- A tandem skydive operator disagreed with the proliferation of the new levy as proposed in this document; however, if a levy was introduced for surveillance the operator could foresee a regressive levy structure based on risk and safety performance could be introduced such that an organisation could move up or down the levy structure.

### Question 3

- **Should the CAA further develop the concept of risk based levies as:**
  - **Implementation of Safety Management Systems (SMS) in the industry progresses, and**
  - **Further development of our Risk Profiling systems occurs.**

### Consultation Responses

Yes	9	Substantially	3	Partially	14	No	11	Other	
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### Comments

- A helicopter operator involved in passenger, freight and agricultural operations substantially agreed, commenting that having a functioning safety management system will lower the risk, and effort should be rewarded. Have some reserve of the measures that would be used.
- Private pilots partially agreed noting that some of the “industry idiocy” such as Work Safe NZ would be a good reason not to do this. One commenter stated that SMS and risk profiling is far too subjective - the safety profile of an organisation should be evidence-based, i.e. levies should be adjusted based on safety record.
- Some tourism operators substantially agreed, noting that operations demonstrating higher levels of risk management should benefit from reduced costs associated with less regulatory

intervention. Others partially agreed, noting that a demonstrated robust SMS system should benefit from a reduction of fees.

- An industry representative organisation partially agreed noting that further information and analysis would be necessary to demonstrate that the additional complexity is warranted to achieve clearly described principles or logic. An operator involved in search and rescue work partially agreed. However, one individual disagreed stating that there was too much complication and pointless bureaucrat jobs/cost-creation: “Loads of paper and people sitting around in offices does not markedly increase safety!” Another tandem skydiver operator agreed with the proposal indicating that this is one of the problems with the levy proposal—it now de-links risk and reward.
- An industry representative group stated that this question contradicts much of what is in the current funding proposals and appears to ignore what is being reflected in the current risk profiles. Industry achieves safety and should be rewarded for improved safety performance. A medium-sized operator agreed, but noted that this may be hard to quantify.
- An airline operator agreed stating that in its view, a risk assessment based approach provides for a case by case assessment of the risk and benefits of specific safety management systems and provides flexibility in a dynamic industry. A prescriptive approach limits the flexibility to apply the most effective and economic risk management solution that incorporates the evolution of safety management systems across all parts of the industry. It also supported an option for third party risk profiling.
- Aero clubs disagreed, noting that if the proposal to charge for follow up following regular surveillance has the desired effect of making operators more responsible, there should be no need for a levy as suggested.
- Two agricultural operators noted that if a new levy regime is to be introduced for surveillance then this would seem a sensible initiative however quite possibly difficult to achieve. One noted that we need more information. SMS is another layer of compliance that some operators are undertaking now and overlaps other compliance frameworks; this risk profile does not represent an operator’s record.
- An aviation commentator and author/pilot partially agreed, noting that CAA—and no other regulatory authority—has yet demonstrated the effectiveness of SMS. He commented that it is an act of faith driven by ICAO’s belief that it is a panacea. It may in conceptual terms 'sound' effective and plausible, and there may be gains, benefits and advantages, but this should result on empirical research, which has been absent to date. It is an act of faith - and an expensive one at present.

#### Question 4

- **Should the CAA examine the potential for charging levies on flights which transit New Zealand airspace but which do not land in New Zealand?**

#### Consultation Responses

Yes	9	Substantially	0	Partially	3	No	13	Other	
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**Comments**

- Most of the feedback received from respondents was not in support of this proposal. Some noted that this is predominantly an Airways function.
- A few operators or organisations were in support noting that any beneficiary or exacerbator should be considered as part of the funding framework, but international frameworks and practices are also relevant.

**Question 5**

- Are there any other proposals you may have that you think we should consider?

**Consultation Responses**

Yes	n/a	Substantially	n/a	Partially	n/a	No	n/a	Other	
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**Comments**

***The Funding Model***

- A helicopter operator said that CAA must demonstrate astute management of funds sought from the Crown, collected from industry participants or air-travelling passengers. The operator further understood that this exercise is complex and one that will garner a great deal of negative sentiment from some. We support evolution of funding models and strategies that result in equitable cost burden for participants.
- Annual certificate holder fees: if an operator wants to be certified because they see an advantage (such as being able to participate in the sector), they should pay for this. Irrespective of the type of certification (Part 115, 135, 137, 141, or even 145) there should be some form of base cost recovery from the certificate holder.
- The rationale for changing the fees system is based on the CAA graph showing “cross – subsidisation”. This graph is misleading and does not accurately portray the situation.
- A surveillance levy should be introduced on all participants who benefit from this activity. This would include in addition to the present group certificated RPAS [remotely piloted aircraft systems] operators and aviation medical examiners.
- In the analysis PAX levies are included as a source of revenue from airlines. The respondent stated that these levies are merely a pass-through factor for the airlines. This is particularly relevant when considering CAA’s revenue from airlines versus the costs associated with airlines. It further goes to the respondent’s belief that the travelling public, if not covered by the government as part of their responsibility towards public good, the club which needs affording the most protection and consequently where the majority of CAA’s costs would ultimately lie.

***CAA Management and Efficiency***

- Shift CAA out of downtown Wellington to less expensive premises in the Lower Hutt. Shift CAA’s safety mind-set from “risk based” back towards “evidenced based”.

- Commission a full review of staff and consultant functions, numbers, all overheads – by someone from the private sector. Outsource all activities that CAA does inefficiently, drastically cut staff numbers and facility costs like a privately owned company would do.
- Whatever system is decided must be fair and transparent for operators. The CAA must also be transparent and ensure that they are demonstrating, like any other business, they are delivering good ‘value for money’ for their clients. Due to the potentially large increase in fees paid to the CAA, operators must be convinced the industry will be proportionally safer.
- “The simpler something is to administer the lesser burden it is for all parties. I think the CAA needs to look at the “KISS” principle: Keep it simple sweetheart.” Those who fly cannot afford supporting a cost-inefficient bureaucracy. We need a CAA that can embrace its tasks of keeping aviation safe while also being economical. Those who fly cannot afford to support a cost-inefficient bureaucracy. We need a CAA that can embrace its tasks of keeping aviation safe while also being economical.”
- The General Aviation sector commented “Do not charge the private aviation industry. Please satisfy us that the CAA is as efficient as it can be with independent verification.”

### ***Effect on Industry***

- NZ Aviation is being overburdened with costs, which will put some smaller operators out of business.
- One operator emphasised that for a small organisation such as theirs that it is a far more fair system to charge an hourly fee and the user pays for whatever time is spent by CAA with that organisation. They emphasised that the whole general public of NZ should contribute substantially to flight safety just as we contribute to road safety through various fees and stated that the proposed domestic and international passenger safety levy fee is absolutely pathetic at \$1.92 and should be enormously more than this. This alone would solve a major portion of the funding issues.
- Another operator commented that the CAA need to seriously consider the effects this funding proposal will have on the industry, observing “It is so top heavy. Consider this. On a round trip to Milford Sound from Queenstown we pay \$212 per aircraft (Cessna Caravan) this includes MOT Airways, DOC and QAC landing fees all but one of these is Government Departments SOE’s. If the trend continues the CAA will drive the General Aviation fixed wing and Heli-industry broke. It will only be the Airlines that will continue to survive” (sic).

### ***Other Categories of Operators - RPAS***

- RPAS are a fast growing part of the aviation industry and there may come a time when CAA may need to account for them in the funding framework (such as licensing). While there is a need to consider funding for the RPAS sector in the future, at this stage it may be useful to establish a framework for RPAS funding so if and when the time comes, there is a mechanism to pass on the costs incurred without waiting for the next funding review, which could be six years away.

### ***Aviation Ombudsman***

- One submission stated that the introduction of an Ombudsman is overdue and required as the general feeling in the industry is that a response on any issue from the Minister of Transport is penned by the CAA. The CAA needs to introduce a customer feedback or satisfaction measure that feeds into the CAA's KPI's for auditing and general customer feedback. The CAA should set up an annual round table with the top 10 operators in the country to get direct feedback from the leaders in the industry.

***The Review Process adopted***

- Engage with the industry more and use the Aviation Community Advisory Group as a sounding board earlier in the process.
- Make the whole funding review process simpler. The 2 step process is a farce because people won't know how to agree or not if there is no money associated with proposals.
- Really need more financial transparency.